



**WAN HAI LINES LTD.**

**Annual Report 2008**

PUBLISHED DATE : April 21, 2009

*WE CARRY, WE CARE.*



Website of Annual Report: <http://newmops.tse.com.tw>

Website of the company: <http://www.wanhai.com.tw>

## Vision

To play an important and active role in international logistics, by providing first-class ocean carrier services for our customers.



## Advantage

### Steady Profitability

With over forty years of experience within the Intra-Asia trade, Wan Hai Lines is among the leading global carriers in offering the most complete and intensive service network in Asia. In doing so, Wan Hai Lines is able to strike a balance of network risk vis-à-vis long haul East-West services to better position itself against industry wide cyclical downturns.

Wan Hai Lines also actively engages in strategic alliances with renowned carriers in all key markets to share operational risks, reduce unit costs, and complement its service network. Accordingly, the company generates stable earnings stream by concentrating its business scope in line with the greater operational flexibility afforded by this strategy.

### Successful Cost Control

With exclusive wharf and container terminal management in Taiwan and Japan, Wan Hai Lines is able to dedicate more resources towards its operations management. Subsequently, this active management of key port holdings effectively provides a low cost basis for container handling.

By constantly exploring new deployment options, rationalizing our service network, pursuing new build vessel programs, and replacing old containers and terminal equipment Wan Hai Lines is able to ensure optimal operational performance and further reinforce its competitive advantages in the market.

### Stable Capital Structure

With over 11.2 billion TWD in retained earnings, Wan Hai Lines is able to weather the challenges of the highly competitive and cyclical operating environment for the foreseeable future. In addition, the active role of majority shareholders within the day-to-day management of the company has yielded a steady return over the years.



# CONTENTS

<b>I</b>	<b>Letter to Shareholders</b>	4
<b>II</b>	<b>Company Profile</b>	6
	A. Date of Establishment	6
	B. Main Activities	6
	C. Major Corporate History Events	6
<b>III</b>	<b>Corporate Governance</b>	7
	A. Organization Structure	7
	B. Information of Directors, Supervisors, President, Executive Vice President, Vice President, and the Chiefs of all the Company's divisions and branches.	9
	C. The management and operation of the company	19
	D. Information on CPA professional fees	25
	E. Information on replacement of certified public accountant	25
	F. Information of the Chairman, President and Managerial Officers in charge of Finance and Accounting who has served as the Company's certified public accountant or related parties in the past year.	25
	G. Shares holding and shares' change for Directors, Supervisors, Managers and main shareholders in the past year and the annual report publishing date.	26
	H. Information of the company's 10 largest shareholders defined as related parties	28
	I. The comprehensive share holding rate of directors, supervisors, presidents and direct or indirect controlling business on the same investing business.	29
<b>IV</b>	<b>Information on Capital Raising Activities</b>	30
	A. Capital and Shares	30
	B. Bond, Prefer stock, GDR, Stock option and Merge status	36
	C. Operation and Funds utilization plans	41
<b>V</b>	<b>Condition of the Business Operation</b>	44
	A. Business Profile	44
	B. General situation of Market and Sales	45
	C. Status of Human Resources	47
	D. Disbursements for environmental protection	48
	E. Labor-capital relations	49
	F. Significant Contracts	49
<b>VI</b>	<b>Financial Highlights</b>	51
	A. Summarized financial statements for the past 5 years	51
	B. Summarized financial analysis for the past 5 years	54
	C. Supervisors' Report for Fiscal Year 2007	55
	D. Financial Statements for Fiscal Year 2007	57
	E. Consolidated Financial Statement for Fiscal Year 2007	72
	F. The financial difficulties encountered by the company and its affiliates up to the annual report publishing date.	82

<b>VII</b>	<b>Financial Status Review, Analysis, and Risk Items</b>	83
	A. Financial status comparison	83
	B. Analysis of operation results	83
	C. Analysis of short-term liquidity	84
	D. Analysis of significant capital expenditure and the funding source	84
	E. The main reasons of profit and loss, the improvement plan for the investment policy in the past year, and the investment plan for the next one year	85
	F. Analysis regarding risk items for the past year and up to the annual report publishing date	85
	G. Other significant information	85
<b>VIII</b>	<b>Special Items Recorded</b>	86
	A. Related Parties Information	86
	B. The detail of private-equity over the past year and up to the annual report publishing date.	91
	C. The acquisition or disposal of parent's shares by subsidiary over the past year and up to the annual report publishing date.	91
	D. The events that had substantial impacts on shareholders' equity or securities prices as described on Article 36 of the Securities and Exchange Act over the past year and up to the annual report publishing date	91
	E. Other necessary disclosure	91

## I. Letter to Shareholders

Ladies and Gentlemen :

In conjunction with the annual shareholders meeting, we are pleased to render our 2009 financial report to all of our shareholders. As always, we welcome all of your comments and suggestions.

With the steadfast leadership from our able and dynamic Board of Directors, the untiring support and cooperation from shareholders, and dedicated effort of management and staff, Wan Hai Lines grossed TWD65,125,847,000 in 2008, reflecting an operational revenue increase of 9.8% compared to TWD59,278,971,000 in 2007.

The global economy in 2008 was challenged by unprecedented volatility in oil prices soaring to the record high of \$143.95 per barrel in July, and falling to \$33.73 per barrel in December. The global economic crisis triggered by the US sub-prime mortgage market followed by the collapse of major financial institutions eroded confidence in the financial system. Tightening of credit and a slowdown in global consumption ensued directly affecting global trade with import and export volume in major trade lanes. Despite the adverse macro-economic factors listed above, we believe that we have positioned ourselves to address the challenges in this difficult market.

The second half of 2008 was full of challenges for the transportation industry. Slowing global trade coupled with continued delivery of new build vessels has put downward pressure on ocean freight rates. Despite the market conditions we are still able to swiftly adapt to the changing market conditions and improve performance through innovative means such as space rationalization, service re-structuring, and market leading rate restoration campaigns.

Wan Hai has been actively increasing the ratio of owned vessels in our fleet in recent years to mitigate our exposure to fluctuations in the charter hire market. However, unlike some other global carriers that placed orders for mega sized ships, our strategy has been to focus on building medium sized vessels allowing flexibility in service deployment. In 2003—2004, we placed orders for a total of 19 new vessels including four 6,039 TEU, nine 4,252 TEU, and six 2,646 TEU ships. Two 2,646 TEU vessels were delivered and deployed in our service in 2006. The first 6,039 TEU vessel was also delivered in 2007 while the remaining three were delivered in March 2008. In 2007, we have remained steadfast in our commitment to increasing our owned vessel ratio by placing additional orders for 12 new vessels; six 4,250 TEU and six 1,800 TEU vessels will be delivered to Wan Hai Lines in 2012. We anticipate that in 2012 Wan Hai lines will have a total of 71 owned vessels with a total nominal capacity of 174,444 TEU.

In August, we arranged a sale and lease-back for our four 6,039 TEU vessels increasing the flexibility and efficiency of our asset allocation. To optimize our company's performance we have continued to strictly manage our costs while embark on programs enhance the utilization of our company assets.

2008 was a historic year for the shipping industry reestablishing direct shipping links between Taiwan and China on December 14th. Prior to the policy change we had four services deployed in the Greater China area that linked Taiwan and China via a third party country. Now with direct shipping links it is no longer necessary to berth in a third party saving operational costs. This historic change in cross strait politics is expected to increase trade and stimulate economic growth on both sides of the strait.

Despite the turbulent environment caused by the global economic slowdown we remain committed to the implementation of our company policies, including our management philosophy of "Business Continuity." "Customers First" is evident in all of our business strategies and plans in order to live up to the expectations of the shareholders and the public as a whole. We are devoted to continually outperforming the market and serving as an epitome for successful International Corporation.

We wish you good health and success.

Sincerely,

P.T. Chen

Chairman

March 26, 2009

## II. Company Profile

A. Date of the Establishment : February 24, 1965

B. Main Activities :

1. Marine Transportation
2. Shipping Agency
3. Purchasing & selling of Vessels and Containers
4. Container Freight Station Business
5. Leasing of Vessels and Containers

C. Major Event of Corporate History :

1. Founded on February 24, 1965, the company started as a log carrier between Taiwan, Japan and Southeast Asia. In conjunction with world-wide containerization development, full container vessels were purchased in 1976 to serve the trade between Taiwan and Japan thereby set off a new era for the company. The log-carrying services were then dropped off entirely. Subsequently, Wan Hai Lines gradually expanded its fleet and added new service to become the dominant full container liner operator with most complete and intensive network within the Far East region.
2. With the management philosophy of "customer first, full participation, business continuity" in mind, Wan Hai has fully committed itself providing high quality services. Intensive sailing, punctual schedule and thoughtfulness are our lifetime commitment to our customers. Under the dedicated management, we have won widespread support and trust from customers, which enable us to grow at an astonishing pace. Keeping the mindset of rendering what we benefited from the society and clients, we progressively improve our hardware. Simultaneously, we set up branches at Kaohsiung, Keelung, and Taichung. In addition, we leased dedicated wharves at Kaohsiung, Taichung, and Tokyo Port aside from leasing the exclusive container yard of Keelung to make possible integrated services and added convenience to clients. We further leased pier 5 at Oi terminal in Tokyo, this dedicated berth is poised to be another stepping stone for a fully ship-side integrated operation and automated terminal facilities.
3. We first introduce 2 separate shuttle services to Kanto and Kansai of Japan in June 1983 that proved to have effectively trimmed down the transit time and improved punctuality, thus becoming the pioneer and innovator in Taiwan-Japan service while retaining leading position in Japanese market. To accommodate the shipping requirement following relocation of Taiwanese manufacturing facilities to Southeast Asia, we launched new routes to Korea, Singapore, Malaysia, Thailand, Indonesia, Philippines, and Vietnam beginning 1989. Since then, we have maintained a high level of cargo lifting that help us rank the third amongst major Taiwanese lines and maintain the leading position in the Intra-Asia trade. We also received a good number of awards from the Ministry of Transportation & Communications in recognition of our remarkable performance. In May 1996, Wan Hai was approved by Taiwan SEC to have its stocks publicly listed in Taiwan Stock Exchange. In August 1997, we began to operate Taiwan-Hong Kong-Xiamen Cross Straits Service via third place, serving the need resulting from the booming trade between Taiwan and China. Later, Wan Hai launched Taiwan-Hong Kong-Shanghai service in 1998 to integrate the service network in China. In addition, we have successfully launched Middle East service in April 1998, making a good profit and winning customers applause. We soon inaugurated the Middle East II service in November 1998 with the rotation of Singapore-Port Klang-Dubai-Karachi, thus further enhanced our competitiveness. In order to expand our service network and become a global carrier, we launched the first transpacific service through slot purchase in May 1999. After achieving good result from the service, we deployed our own vessel into this trade in June 2001. Since the second half of 2002, the economies of Europe and America have recovered resulting in the market upsurge, particularly cargo flows from Asia to the western countries. Resort to our vantages of the Intra-Asia trade, Wan Hai has gone ocean-going service into operation and steadily generated higher profits. In 2004, we launched "FE-Europe" and "FE-US West Coast" services through strategic alliances, covering from the Pacific to Atlantic. Furthermore, We commenced the launching of the Far East to Black Sea service from the end of November 2007. From 2005 to 2008, with continuous deployment of large vessels, we steadily go ahead for expanding our services, bringing us closer to the vision of a global carrier.



## 2. The working content for each division and branch

Division	Working content
Administration Division	In charge of human resource, personnel services and general affairs.
Auditing Division	Auditing the operational and financial accounting of Taiwan, overseas branches and agents.
Branch Office	To be responsible for shipping business, issue of shipping documentation and the plan of sales business for each Branch.
Customer Service Division	Responsible for shipping documentation and customer service.
Engineering Division	To monitor designing and engineering of new vessels and in charge of routine maintenance of vessel fleet.
Finance Division	Handling the budget plan and control, accounting of Taiwan and overseas company's, also in charge of capital arrangement and other finance affairs.
Information Technology Division	In charge of build-up and maintenance of the information system, programming, and system analysis.
Marine Division	In charge of the operation, insurance, and maintenance of vessels, and the crews management.
Marketing Division	In charge of the overseas marketing business and the pricing strategy.
Office of the President	Investment unit, enterprise risk management, cost control, financial market investigation and analysis, business public relation, and corporate identity system.
Operation Division	In charge of ships' equipment control and management, maintenance and construction for containers, and arranging pro fomas and service long-term schedules.
Planning Division	In charge of the plan of business strategy, the long-term business operation and legal affairs, business cooperation, shipbuilding and E-commerce.
Sales Division	Responsible for the sales plan for Taiwan business.
Terminal Division	Supervise and manage the contracts, the investment and all management of terminals, to evaluate the investment efficiency.

## B、Information of Directors, Supervisors, President, Executive Vice President Vice President. and the chiefs of all the company's divisions and branches

### 1. Directors and Supervisors

2009.4.21

Title	Name	Date elected	Tenure	Date first elected	Shareholding on position taken date		Shareholding on current date		Spouse, minors Shareholding on current date		Shareholding with others name		Major academic qualifications	Position held in the company and other company	Spouse or relative act as other officers - director or supervisor		
					shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Chairman	P. T. Chen	2008-06-18	3years	1999-05-06	8,710,702	0.42%	9,146,237	0.43%	—	—	—	—	Master of Business Administration, University of Sanfrancisco	Formosa Wonderworld Co., Ltd, Chairman Board of Directors	Director	H. Y. Chen	Sister & brother
Director	H. Y. Chen	2008-06-18	3years	2005-06-23	42,325,719	2.04%	44,442,005	2.07%	—	—	—	—	Master in College of Education, Harvard University	Asia Pacific Logistics International Co., Ltd Vice Chairman Board of Directors	Chairman	P. T. Chen	Sister & brother
Director	Yi De Technology Corp. representative: Chih-Chao Chen	2008-06-18	3years	2008-06-18	6,982,336	0.34%	7,331,452	0.34%	—	—	—	—	City University of New York	Yi Chao Corp. Director	Supervisor	Chih Hsiang	Brothers
Director	YCN representative: Randy Chen	2008-06-18	3years	1999-05-06	258,715,911	12.45%	271,651,706	12.65%	—	—	—	—	Master of Business Administration MIT SLOAN School of Management	Evervaliant Corp. Director	—	—	—
Director	Baltimore International Ltd. representative: Ye-Tsan Lee	2008-06-18	3years	1999-05-06	1,632,611	0.08%	1,714,241	0.08%	—	—	—	—	Department of Economics, National Taiwan University	Shih Lin Paper Corp. Director Sunshine Shih Lin Development Co., Ltd. Director Formosa Wonderworld Co., Ltd. Consultant	—	—	—

## 1. Directors and Supervisors(Continued)

2009.4.21

Title	Name	Date elected	Tenure	Date first elected	Shareholding on position taken date		Shareholding on current date		Spouse, minors Shareholding on current date		Shareholding with others name		Major academic qualifications	Position held in the company and other company	Spouse or relative act as other officers - director or supervisor		
					shares	%	shares	%	shares	%	shares	%			Title	Name	Relation
Director	Hsin Feng Corp. representative: Bai-Chih Chow	2008-06-18	3years	2005-06-23	2,443,719	0.12%	2,565,905	0.12%	—	—	—	—	Department of Marine & Trans. Management, National Chiao Tung University,	Wan Hai Lines Ltd. President	—	—	—
Director	Blue Moon Investment Corp. representative: Cheng-Hsien Lin	2008-06-18	3years	2008-06-18	2,646,100	0.13%	2,778,405	0.13%	—	—	—	—	Southern Methodist University, LL.M	Shih Lin Paper Corp. Director Chang Hwa Bank Director	—	—	—
Supervisor	Joyce Investment Corp. representative: Hsin Pei Lin	2008-06-18	3years	1999-05-06	28,293,018	1.36%	29,707,668	1.38%	—	—	—	—	Master in Business Administration, University of California, Berkeley	Joyce Investment Corp. Chairman Board of Directors	—	—	—
Supervisor	Yi Siang Corp. representative: Chih Hsiang Chen	2008-06-18	3years	2008-06-18	5,832,703	0.28%	6,124,338	0.29%	—	—	—	—	New Jersey College of Science and Engineering	Shih Lin Paper Corp. Director	—	—	—
Supervisor	Betty Chin Chia Lin	2008-06-18	3years	1999-05-06	7,939,321	0.38%	8,336,287	0.39%	—	—	—	—	Department of Business Administration Sophia University	Uni Cooperate International Co., Ltd. Supervisor	—	—	—

## 2. Major shareholders of corporation stockholders

2008.12.31

Corporation shareholders	Major Shareholders and holdings %						
Yi De Technology Corp.	99.893% Charles C. Y. Chen	0.022% Michael Hsieh	0.017% Te Ming Lin	0.017% Angel Lin	0.017% Willy Sue	0.017% Eillen Wang	0.017% Rebecca Liaw
YCN	Pacific Foundation 100%						
Baltimore International Ltd.	20% In Ru Chen	20% Fu Kuei Wu	44% P. T. Chen	10% Mei Ru Chen	6% Jau Li Chen		
Hsin Feng Corp.	Eastern Iron Enterprise Corp. 83.333%		Eyon Corp. 3.413%		Yi Chao Corp. 3.333%		
	3.333% Yi Siang Corp.	2.603% Charles C. Y. Chen	1.258% Chih Hsiang Chen	1.218% Chih-Chao Chen	0.794% Wan Yun Chang	0.714% C. C. Chen	
Blue Moon Investment Corp.	P. T. Chen 72%						
Joyce Investment Corp.	Thermos Foundation 10%		Kung Shih Lin 26.25%		Hsin Pei Lin 19.50%		
	Wun Shiung Lin 10.75%	Su Chuan Lin 2.50%	Chien Fang Wu 13.50%		Hsin Ying Lin 17.50%		
Yi Siang Corp.	Chih Hsiang Chen 65.657%		Eastern Iron Enterprise Corp. 34.211%				
	C.H. Chen 0.033%	Wan Yun Chang 0.033%	Charles C. Y. Chen 0.033%		Chih-Chao Chen 0.033%		

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

2008.12.31

Corporation shareholders	Major shareholders of corporation shareholders			
Eastern Iron Enterprise Corp.	Skyway Industrial Limited 100%			
Eyon Corp.	Charles C. Y. Chen 73.238%		Eastern Iron Enterprise Corp. 22.616%	
	1.885% Meng Li Tsou	1.877% C.H. Chen	0.196% Yu An Chen	0.188% Wan Yun Chang
Yi Chao Corp.	Chih-Chao Chen 69.530%		Eastern Iron Enterprise Corp. 30.434%	
	0.009% Charles C. Y. Chen	0.009% C.H. Chen	0.009% Wan Yun Chang	0.009% Shao Ning Chang
Yi Siang Corp.	Chih Hsiang Chen 65.657%		Eastern Iron Enterprise Corp. 34.211%	
	0.033% C.H. Chen	0.033% Wan Yun Chang	0.033% Charles C. Y. Chen	0.033% Chih-Chao Chen

**4. Information of Directors and Supervisors**

2008.12.31

Condition	With working experience over five years and the following professional qualification			Compliance with independence (Note 1)										Number of other public companies which a director/supervisor also serves as an independent director
	Associate Professor and above of Departments of Business, Law, Finance, Accounting or Other Business related of Public/Private College/University	Professional and Technicians with License of Judge, Inspector, Lawyer, CPA or Other Business Related Requirements	Working Experience of Business, Law, Finance, Accounting or Other Business Related Requirements.	1	2	3	4	5	6	7	8	9	10	
Name														
P.T. Chen			✓			✓				✓		✓	✓	0
H.Y. Chen			✓	✓						✓		✓	✓	0
Yi De Technology Corp. representative: Chih-Chao Chen			✓	✓		✓		✓		✓		✓		0
YCN representative: Randy Chen			✓	✓		✓				✓		✓		0
Baltimore International Ltd. representative: Ye-Tsan Lee			✓	✓		✓	✓	✓		✓	✓	✓		0
Hsin Feng Corp. representative: Bai-Chih Chow			✓			✓	✓	✓	✓	✓	✓	✓		0
Blue Moon Investment Corp. representative: Cheng-Hsien Lin		✓	✓	✓		✓	✓				✓	✓		0
Joyce Investment Corp. representative: Hsin Pei Lin			✓	✓		✓	✓			✓	✓	✓		0
Betty Chin Chia Lin			✓	✓	✓	✓	✓			✓	✓	✓	✓	0
Yi Siang Corp. representative: Chih Hsiang Chen			✓	✓		✓				✓		✓		0

Note1: If each director or supervisor conforms to the following items during the period two years before the term or within the term, please check the box.

- 1) Not being an employee of the company or the company's affiliates.
- 2) Not being a director or supervisor of the company or its affiliates. (Except for the independent director who serves on the Board of the company that over 50% of voting rights have being held directly or indirectly by the company or its parent company.)
- 3) Not owning over 1% of outstanding issued shares of the company or their spouse, minor children, or other name or not being the top ten shareholder of the company.
- 4) Not being the spouse, second-degree relatives or the direct blood relatives within the fifth-degree of the person conforms to point three mentioned above.
- 5) Not being the company's director, supervisor, or employee who directly holds more than 5 percent of the company's outstanding shares, or the director, supervisor, or employee of oen of the company's top five corporate shareholders.
- 6) Not being a director, supervisor, managerial officer or shareholder holding over 5% of specific company or institution which has finance or business tranactions with our company.
- 7) Not being a professional, owner, partner, director, supervisor, executive, or spouse of the professional consultant, proprietorship, partnership, corporation or Institution who provides business, legal, finance, accounting services, or consultation to the company and subsidiaries.
- 8) Not being a spouse or a relative within second-degree of any other directors.
- 9) Not being a person who is under the circumstances mentioned in the Article 30 of Company Act.
- 10) Not being elected as the company's director or supervisor under Article 27 of Company Act.

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

2009/04/21

Title	Name	Position taken since	Shareholding		Spouse, minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company	Spouse or relative acts as other managerial officer		
			Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation
President	Bai-Chih Chow	2008-07-24	-	-	-	-	-	-	Department of Marine & Trans. Management, National Chiao Tung University	-	-	-	-
Executive President	Hsuan-Hong Lee	1995-08-01	214,719	0.01%	379,482	0.02%	-	-	Master of Labor & Industrial Relations, University of Illinois	-	-	-	-
Executive President	Tse Yu Lin	1999-08-01	299,339	0.01%	344,151	0.02%	-	-	Department Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Executive President	Kuo Chi Tang	1999-08-01	625,005	0.03%	271,556	0.01%	-	-	Banking Management, Taw Sui Oxford College	-	-	-	-
Executive President	Huey-Jiuan Chen	2007-01-01	117,303	0.01%	-	-	-	-	Department of International Trade, Tamkang University	-	-	-	-
Vice President	Hui Chung Chen	2001-03-01	-	-	2,666	-	-	-	Department of Business Administration, University of California, Irvine	-	-	-	-
Vice President	Li Kuang Huang	1995-07-01	100,598	-	10,987	-	-	-	Mast of Business Administration, University of Buffalo, New York	-	-	-	-
Vice President	Kuo Loong kao	1999-02-01	87,805	-	41,575	-	-	-	Department of Merchant Marine, Chinese Culture University	-	-	-	-
Senior Vice President	Jen-Yee Huang	2008-08-01	10,322	-	4,146	-	-	-	Department of Business Administration, National Cheng Kung University	-	-	-	-
Vice President	Otto Huang	2000-02-01	16,710	-	6,530	-	-	-	Department of International Trade, Soochow University	-	-	-	-

2009/04/21

Title	Name	Position taken since	Shareholding		Spouse.minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company	Spouse or relative acts as other managerial officer		
			Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation
Vice President	Ching-Seng Huang	2005-03-01	-	-	18,647	-	-	-	Department Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Vice President	Jiong Xin Lin	2006-06-01	120,971	0.01%	-	-	-	-	Department of Merchant Marine, Chinese Culture University	-	-	-	-
Vice President	Hung Chuan Chien	2008-08-01	-	-	5,775	-	-	-	Department of Transportation Technology & Management, Feng Chia University	-	-	-	-
Vice President	Juang Jyh Juang	1998-08-01	-	-	-	-	-	-	Department of Mechanical Engineering, China Junior College of Technology	-	-	-	-
Vice President	Fu Lung Hsieh	2007-01-01	104,282	-	92,305	-	-	-	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Senior Vice President	Wen-Chau Yeh	2008-01-01	892	-	21,269	-	-	-	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Vice President	Wei Chien Chuang	2002-12-01	8,924	-	433	-	-	-	Department of International Trade, National ChengChi University	-	-	-	-
Vice President	Wei Hsin Hsu	2000-09-01	122,394	0.01%	377	-	-	-	Department of Electrical Engineering, Chung Yuan Christian University	-	-	-	-
Vice President	Chung Yi Kao	2008-01-01	135,598	0.01%	105	-	-	-	Department of Public Finance, Tamkang University	-	-	-	-
Vice President	Ching Tang Lin	2006-08-07	-	-	262	-	-	-	Master of Business administration, University of Texas at Arlington	-	-	-	-

2009/04/21

Title	Name	Position taken since	Shareholding		Spouse, minors shareholding		Shareholding with others name		Major academic qualifications	Position held in other company	Spouse or relative acts as other managerial officer		
			Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio			Title	Name	Relation
Vice President	Hui Chang Chung	2006-09-01	167,902	0.01%	30,722	-	-	-	Department of Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Vice President	Ming Hsiung Hsieh	2007-01-13	35,444	-	-	-	-	-	Department of Merchant Marine, Tamkang University	-	-	-	-
Vice President	Chih Heng Wan	2009-02-16	22,397	-	55,442	-	-	-	Department of International Trade, Chinese Culture University	-	-	-	-
Vice President	Li Mei Su	2009-02-16	1,155	-	-	-	-	-	Department of International Trade, National ChengChi University	-	-	-	-
Vice President	Cheng Hsien Huang	2009-02-16	-	-	-	-	-	-	Department of Business Administration, National Sun Yat-sen University	-	-	-	-
Deputy Vice President	Shu Fei Lee	2007-05-15	64,398	-	-	-	-	-	Department of Business Administration, National Cheng Chi University	-	-	-	-
Assistant Vice President	Chi Sung Chan	2009-01-05	-	-	-	-	-	-	Department Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Accounting Supervisor	Chia Yi Hsiao	2007-08-13	7,809	-	-	-	-	-	Department of Accounting, National Chung Hsing University	-	-	-	-



## 2) Remuneration to supervisors ( Summarized from Levels of remuneration with full name )

Unit : TWD

Title	Name	Remuneration to supervisors								Percentage of (A+B+C) in net income after tax		Other income
		(A) Allowance		(B) Remuneration pension		(C) Remuneration from retained earnings		(D) Transportation allowance		Unconsolidated	Consolidated	
		Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated			
Supervisor	Joyce Investment Corp. representative: Hsin Pei Lin											
Supervisor	Betty Chin Chia Lin	—	—	—	—	—	—	570,000	570,000	10.77%	2.11%	—
Supervisor	Yi Siang Corp. representative: Chih Hsiang Chen											

## Levels of remuneration

Level of remuneration paid to supervisors	Names of supervisors	
	Total remuneration for (A+B+C+D)	
	Unconsolidated	Consolidated
Lower than TWD 2,000,000	Hsin Pei Lin, Betty Chin Chia Lin, Chih Hsiang Chen	Hsin Pei Lin, Betty Chin Chia Lin, Chih Hsiang Chen
From TWD 2,000,000 to 4,999,999	—	—
From TWD 5,000,000 to 9,999,999	—	—
From TWD 10,000,000 to 14,999,999	—	—
From TWD 15,000,000 to 29,999,999	—	—
From TWD 30,000,000 to 49,999,999	—	—
From TWD 50,000,000 to 99,999,999	—	—
TWD 100,000,000 and above	—	—
Total	Hsin Pei Lin, Betty Chin Chia Lin, Chih Hsiang Chen	Hsin Pei Lin, Betty Chin Chia Lin, Chih Hsiang Chen

### 3. Remuneration to President and Vice Presidents ( Summarized from Levels of remuneration with full name )

Unit : TWD

Title	Name	(A) Salary		(B) Retirement Pension		(C) Bonus and specific subsidy, etc.		(D) Employee's bonus from retained earnings				Percentage of (A+B+C+D) in net income after tax		Shares of employee's stock warranty		Other income	
		Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated	Consolidated	Unconsolidated		Consolidated		Unconsolidated	Consolidated	Unconsolidated	Consolidated		
								Cash bonus	Stock bonus	Cash bonus	Stock bonus						
President	P. T. Chen																
President	Bai-Chih Chow (Note1)																
Senior Executive Vice President	Bai-Chih Chow																
Executive President	Huey-Jiuan Chen	12,757,721	12,757,721	1,328,382	1,328,382	12,084,051	12,084,051	—	—	—	—	469.51%	92.16%	—	—	—	
Executive President	Kuo Chi Tang																
Executive President	Tse Yu Lin																
Executive President	Hsuan- Hong Lee (Note2)																

Note1: July 24, 2008~

#### Levels of remuneration

Level of remuneration paid to the President and Vice Presidents	Names of President and Executive Vice Presidents	
	Unconsolidated	Consolidated
Lower than TWD 2,000,000	Tse Yu Lin	Tse Yu Lin
From TWD 2,000,000 to 4,999,999	P. T. Chen Huey-Jiuan Chen Kuo Chi Tang	P. T. Chen Huey-Jiuan Chen Kuo Chi Tang
From TWD 5,000,000 to 9,999,999	Bai-Chih Chow, Hsuan-Hong Lee	Bai-Chih Chow, Hsuan-Hong Lee
From TWD 10,000,000 to 14,999,999	—	—
From TWD 15,000,000 to 29,999,999	—	—
From TWD 30,000,000 to 49,999,999	—	—
From TWD 50,000,000 to 99,999,999	—	—
TWD 100,000,000 and above	—	—
Total	Tse Yu Lin, P. T. Chen, Huey-Jiuan Chen Kuo Chi Tang, Hsuan-Hong Lee, Bai-Chih Chow	Tse Yu Lin, P. T. Chen, Huey-Jiuan Chen Kuo Chi Tang, Hsuan-Hong Lee, Bai-Chih Chow

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

	Percentage of total remuneration in net income after tax in 2008		Percentage of total remuneration in net income after tax in 2007		Description
	Unconsolidated	Consolidated	Unconsolidated	Consolidated	
Directors	253.77%	53.73%	0.937%	0.954%	Remuneration of retained earnings to directors and supervisors is according to the company's articles of incorporation.
Supervisors	10.77%	2.11%	0.28%	0.28%	
President and Executive vice president	469.51%	92.16%	0.439%	0.481%	

## C、The management and operation of the company

### 1. The operations of the board meeting

The board meeting has been held 12th times over the past year, attendance of directors and supervisors is as below:

Title	Name	(B)Actual attendance	Authorized attendance	【B/A】 Percentage of actual attendance	Remark
Chairman	YCN Representative: C.C. Chen	2	0	100%	Tenure:95.10.1 Conge:97.6.17
Chairman	P.T. Chen	10	0	100%	Tenure:97.6.18 Conge:100.6.17
Vice Chairman	P.T. Chen	2	0	100%	Tenure:94.6.23 Conge:97.6.17
Director	Hsin Feng Corp. Representative: Chao Hon Chen	2	0	100%	Tenure:95.10.1 Conge:97.6.17
Director	Hsin Feng Corp. Representative: Bai-Chih Chow	10	0	100%	Tenure:97.6.18 Conge:100.6.17
Director	Baltimore International Ltd. Representative: Chaw Chuan Chen	1	1	50%	Tenure:94.6.23 Conge:97.6.17
Director	Baltimore International Ltd. Representative: Ye-Tsan Lee	10	0	100%	Tenure:97.6.18 Conge:100.6.17
Director	C.H. Lin	1	0	50%	Tenure:94.6.23 Conge:97.6.17
Director	H.Y. Chen	12	0	100%	Tenure:94.6.23 Conge:100.6.17
Director	YCN Representative: Randy Chen	10	2	83.33%	Tenure:94.6.23 Conge:100.6.17
Director	Blue Moon Investment Corp. Representative: Cheng-Hsien Lin	10	0	100%	Tenure:97.6.18 Conge:100.6.17
Director	Yi De Technology Corp. Representative: Chih-Chao Chen	10	0	100%	Tenure:97.6.18 Conge:100.6.17
Supervisor	Joyce Investment Corp. Representative: Hsin Pei Lin	10	0	83.33%	Tenure:94.6.23 Conge:100.6.17
Supervisor	Betty Chin Chia Lin	11	0	91.67%	Tenure:94.6.23 Conge:100.6.17
Supervisor	Hsin Feng Corp. Representative: Chih Hsiang Chen	2	0	100%	Tenure:94.6.23 Conge:97.6.17
Supervisor	Yi Siang Corp. Representative: Chih Hsiang Chen	10	0	100%	Tenure:97.6.18 Conge:100.6.17

2.The operation of the Auditing Committee: None.

3. The operation of the Supervisors:

The board meeting has been held 12th times over the past year, attendance of supervisors is as below:

Title	Name	(B)Actual attendance	【B/A】 Percentage of actual attendance	Remark
Supervisor	Joyce Investment Corp. Representative: Hsin Pei Lin	10	83.33%	
Supervisor	Betty Chin Chia Lin	11	91.67%	
Supervisor	Hsin Feng Corp. Representative: Chih Hsiang Chen	2	100%	Tenure:94.6.23 Conge:97.6.17
Supervisor	Yi Siang Corp. Representative: Chih Hsiang Chen	10	100%	Tenure:97.6.18 Conge:100.6.17

#### 4. The management and operation of the company, the discrepancy from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for such discrepancy.

2009.3.31

Item	Operation situation	The difference from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and the reasons
<p>The company stockholders' structure and the shareholders' rights and interests</p> <p>The methods that the company handles the suggestions or the disputes from its shareholders.</p> <p>The situation that the company grasps the main shareholders and the main shareholders' final controller list.</p> <p>The methods that the company establishes the risk controlling mechanism and the firewall from its related enterprises.</p>	<p>The company appoints a spokesman to handle the suggestions or the disputes from its shareholders.</p> <p>The company holds the related information provided by its stock agency.</p> <p>Each related enterprise operates independently and sets up all the related rules to follow up.</p>	<p>No significant discrepancy.</p>
<p>The composition and the responsibility of the board</p> <p>Status of independent directors in the company.</p> <p>Regular appraisal of the independence of its trustee accountant.</p>	<p>The company does not have independent directors, however each director in our company exercises his authority according to the laws, the regulations, or the resolutions from the annual meeting of the shareholders.</p> <p>The company appraises annually.</p>	<p>The company does not have the independent directors.</p> <p>If and when new laws and regulations require an independent director the company will act according to the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" and all the related laws and regulations.</p>
<p>The composition and the responsibility of its supervisors.</p> <p>Status of independent supervisors in the company.</p> <p>The communication situation between the supervisors and the company staffs or the company shareholders.</p>	<p>The company does not have independent supervisors, however each supervisor in our company exercises his authority according to the laws, the regulations, or the resolutions from the annual meeting of the shareholders.</p> <p>The communication channel is smooth.</p>	<p>The company does not set up the independent supervisors.</p> <p>If and when new laws and regulations require independent supervisors the company will act according to the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" and all the related laws and regulations.</p>
<p>Establishment of the communication channel with its interests related parties.</p>	<p>The spokesman acts as the communication channel of the company.</p>	<p>No significant discrepancy.</p>
<p>The publication of company information</p> <p>The status of company website to disclose the information about finance, operation as well as management policy of the company.</p> <p>The other methods adopted by the company for information disclosure (such as to set up an English website, to assign a specialist to be responsible for the collection of company information, to carry out the spokesman system, to upload the process of legal meetings into the company website.)</p>	<p>The company sets up its website, at <a href="http://www.wanhai.com">http://www.wanhai.com</a>, with the specialist according to his work duties to update it.</p> <p>The company has set up its website, to introduce service related information to its customers and also to enhance customer service. The company discloses financial figures and management policy according to the related laws and regulations.</p>	<p>No significant discrepancy.</p>

4. The management and operation of the company, the discrepancy from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, and the reason for such discrepancy. : (Continued)

2009.3.31

Item	Operation situation	The difference from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and the reasons
The operation of the company's functional committee such as the auditing committee.	The company acts according to the related laws and regulations.	No significant discrepancy.
If the company sets up the management practical rules to comply with the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies," please list the difference between the practical operation and it's set up practical rules : The company doesn't set up the company management practical rules.		
Other significant information helpful to better understand how the company governs the operational situation,(for instance further education of the board directors and the supervisors, the attendance record of the board directors and the supervisors to the board meeting, the implementation of risk management policy, the risk measurement standards, the implementation of policy to protect the consumers, that the board of directors avoid conflicts of interest, and that the company purchases liability insurance for its board directors and supervisors) :  The board of directors and supervisors all follow policies to avoid conflict of interest. So far there have not been any conflicts of interest.		
If the company corporate governance report is evaluated by itself or other professional organization, please list the self- evaluation (or other organizations' evaluation) result, the significant deficiency, and its improvements.		

5. The Company has adopted the following systems and measures for social responsibility: mrespect for human rights, protection of employee's rights, implementation of environmentally -friendly policies, encouragement of fruitful community participation, enhanced relations with suppliers and rights of interest-related parties.

The Company has adopted systems and measures as listed below:

- 1) Provide a healthy and safe working environment for employees in accordance and conformity with the law.
- 2) Conduct a series of safety and environmental protection measures which include:
  1. Compliance with relevant International Safety Management Code, International conventions and regulations and other relevant requirements, for environmental protection.
  2. Monitoring and modifying the extent of pollution and subsequently minimizing impact on the environment.
  3. Implementing the ISO 14001 Environmental Management System (EMS), and establishing an ISO Committee for periodically reviewing the progress and effectiveness of our practices and policies.
  4. Educating and indoctrinating environmental protection concepts and awareness within the company.
  5. Advocating and endorsing energy-saving and recycling policies to reduce waste and conserve resources.
  6. Requesting contractors and business partners to observe widely accepted environmental protection practices and regulations to increase awareness of environmental concerns.

The objectives of environmental protection are:

- (1) Setting up the Environmental Management System (EMS)
  - (2) Enhancing environmental protection awareness and capability of all employees.
  - (3) Carrying out the recycling and energy conservation.
  - (4) Strengthening capability of preventing environmental mishaps, damage, or harm.
- 3) The Company has been accredited by DNV (Det Norske Veritas) with ISO 14001:2004 Environmental Management System certification in 2005. The Company had donated funds to WAN HAI CHARITY FOUNDATION since 2003. This foundation cares for and is committed to contributing both physical and financial aid to improve the welfare of the society and public as a whole and specially seniors, children, disabled persons, as well as contributing to the relief of calamities, poverty, sickness, and general health care.

6. Company should disclose the inquiry method about management practical rules and related regulations if any : None.

7. Other important information to enhance understanding about the situation of company management and operation : None.

## 8. Implementation Condition of Internal Control

### (1) Internal Control Statement

March.27.2009

The following is an internally audited result of the company's internal control system with effect from January 1st, 2008 to December 31, 2008.

1. The board of directors and management's responsibility is to confirm the establishment, implementation, and maintenance of our company's internal control system. The system is to provide reasonable assurance for the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. Because of its inherent limitations, the effective internal control system can only provide rational assurance for above mentioned three objectives. The effectiveness of the internal control system is subject to amendments resulting from environmental and situational changes within the company. However, our company's internal control system has its own self-supervisory protocol that will implement corrective means and measures in the event of code incompliance.
3. The effectiveness of the internal control system's design and operation is based on the "Regulations Governing Establishment of Internal Control Systems by Public Companies" The criteria adopted by these Regulations divide the internal control system into the following five constituent elements through the process of management control:
  1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications and 5. Monitoring. Each element comprises several factors that are noted in these Regulations.
4. Our company has checked the effectiveness of the internal control system's design and operation based on the criteria enumerated in the preceding point.
5. Based on the result of aforementioned checks, our company concludes that the design and operation of the internal control system during the aforementioned duration can ensure: the rate of fulfillment of effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Internal Control Statement will be the main content of annual report and prospectus of our company. If this public content has been falsified or concealed, our company will be in violation of Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act and take the legal responsibility.
7. This Statement has been approved by the board of directors on March 27th, 2009. Among the 7 directors presented at the meeting, none of them held any objections.

(2) Company should disclose CPA Audit Report about CPA auditing internal control system if any : None.

Wan Hai Lines Ltd.

Chairman Board of Directors P. T. Chen

President Bai-Chih Chow

9. For the past year and up to the annual report publishing date, any sanctions imposed in accordance with the law to the company or its internal personnel, violations of internal control system provisions, or major discrepancies : None.
10. The important resolutions of the general shareholders' meeting and the board meeting.

※The General Shareholders' Meeting

Date	Resolutions
Year 2008 General Shareholders' Meeting June 18, 2008	1. Proposed Resolution: Endorsement of year 2007 financial reports. Decision: Approved by all attendant shareholders. 2. Proposed Resolution: Endorse the distribution of year 2007 earnings. Decision: Approved by all attendant shareholders. 3. Proposed Resolution: Distribution of 2007 profits and Capitalization of dividends. Decision: Approved by all attendant shareholders. 4. Proposed Resolution: Amend the procedure of Lending funds to other parties of Wan Hai Lines Ltd. and its subsidiaries. Decision: Approved by all attendant shareholders. 5. Proposed Resolution: Amend the procedure of acquisition or disposal of financial Derivatives of Wan Hai Lines Ltd. and its subsidiaries. Decision: Approved by all attendant shareholders. 6. Proposed Resolution: Election of directors and supervisors. Decision: Director P.T. Chen Director H.Y. Chen Director Yi De Technology Corp. representative: Chih-Chao chen Director YCN representative: Randy Chen Director Baltimore International Ltd. representative: Ye-Tsan Lee Director Hsin Feng Corp. representative: Bai-Chih Chow Director Blue Moon Investment Corp. representative: Cheng-Hsien Lin Supervisor Joyce Investment Corp. representative: Hsin Pei Lin Supervisor Yi Siang Corp. representative: Chih Hsiang Chen Supervisor Betty Chin Chia Lin

※Board Meeting : 17th Committee

Date	Resolutions
The 1st meeting June 18, 2008	1. Proposed Resolution: Election of Chairman. Decision: P.T. Chen was elected as Chairman of 17th board of directors. 2. Proposed Resolution: The cash dividend pay date (July 18, 2008) and review and evaluate the ex-dividend date (July 12, 2008) Decision: Approved by all attendant directors.
The 2nd (Provisional) meeting August 25, 2008	Proposed Resolution: Endorsements and guarantees of 7-year term vessel leaseback for Wan Hai Lines (Singapore) Pte. Ltd. Decision: Approved by all attendant directors.
The 3rd (Provisional) meeting October 29, 2008	Proposed Resolution: Wan Hai Lines Ltd. merge Yi-Chun Express Co., Ltd. Decision: Approved by all attendant directors.
The 10th meeting March 9, 2009	Proposed Resolution: Review and evaluate the related matters of the general shareholders' meeting for year 2009. Decision: Approved by all attendant directors.

11. During the past year and up to the annual report publishing date, any director or supervisor expressed a dissenting opinion with respect to a major resolution passed by the board of directors, and also has been recorded as a written declaration : None.
12. Summary of resignations and dismissals during the past year and up to the annual report publishing date that connected with the company's financial report.

April 21, 2009

Title	Name	From	To	Reason
Chairman	C. C. Chen	October 1, 2006	June 18, 2008	Reelection
President	P.T. Chen	June 14, 1996	July 24, 2008	Abdication
Finance Executive	Hui Chung Chen	January 1, 2004	July 1, 2008	Internal adjustment
Accounting Supervisor	Hui Chung Chen	January 31, 2005	July 1, 2008	Internal adjustment

## D \ Information on CPA professional fees

- 1.The non-audit fee does not account for over 25% of the total auditing fee paid to the certified public accountant (CPA), endorsing accountant, and related parties.
- 2.During the past year, the CPA has not changed and subsequently, there is no decrease in the amount or percentage of the auditing fee compared to the previous year.
- 3.The auditing fee has not decreased by more than 15% compared to the previous year.

## E \ Information on replacement of CPA :

### 1. About former CPA

Replacing Date	January 1, 2008		
Replacing Reason	Internal adjustment of CPA		
Statement of appointment ended or rejected by client or CPA.	Situation of the person involved	CPA	Client
	Voluntarily ending appointment	V	
	Rejection of accepting (continuing) appointment	Unsuited	
Sign and issue audit report excluding non-retained opinion audit report	Sign and issue non-retained opinion audit report		
Different opinion from publisher	Yes		Accounting principles or practice
			Disclosure of financial report
			Audit range or step
			Other
	Nil	V	
	Statement		
Other disclosure (Other things should be disclosed on Article 10 of this principle )	Nil		

### 2. About successor CPA

Name of CPA	KPMG
Name of CPA	Yen Ling Fang, Lily Lu
Appointment Date	January 1, 2008
Consultation and result of accounting process, accounting principle and other opinion about financial report before appointment	Nil
Successor CPA's different opinion from former CPA.	Nil

### 3. Reply from former CPA about Article 10 principle

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

## G、Shares holding and shares' change for Directors, Supervisors, Managers and main shareholders in the past year and up to the annual report publishing date :

### 1. Shares holding and shares' change for Directors, Supervisors, managerial officer and main shareholders

Title	Name	January 1, 2008 ~ December 31, 2008		January 1, 2009 ~ April 21, 2009		Remark
		Increase (Decrease) in holding shares	Shares increase(decrease) in pledge holding shares	Increase (Decrease) in holding shares	Shares increase(decrease) in pledge holding shares	
Chairman	P. T. Chen	435,535	-	-	-	
Director	H. Y. Chen	2,116,286	-	-	-	Executive
Director	Yi De Technology Corp. representative: Chih-Chao Chen	349,116	-	-	-	June 18, 2008~
Director	YCN representative: Randy Chen	12,935,795	(27,800,000)	-	-	Main shareholder
Director	Baltimore International Ltd. representative: Ye-Tsan Lee	81,630	-	-	-	
Director	Hsin Feng Corp. representative: Bai-Chih Chow	122,186	-	-	-	
Director	Blue Moon Investment Corp. representative: Cheng-Hsien Lin	132,305	-	-	-	June 18, 2008~
Director	Chun-Hong Lin	-	(3,000,000)	-	-	till June 18, 2008
Supervisor	Joyce Investment Corp. representative: Hsin Pei Lin	1,414,650	-	-	-	
Supervisor	Yi Siang Corp. representative: Chih Hsiang Chen	291,635	-	-	-	June 18, 2008~
Supervisor	Betty Chin Chia Lin	396,966	(470,000)	-	-	
Supervisor	Hsin Feng Corp. representative: Chih Hsiang Chen	122,186	-	-	-	till June 18, 2008
President	Bai-Chih Chow	-	-	-	-	July 24, 2008~
Executive Vice President	Hsuan-Hong Lee	10,224	-	-	-	till April 1, 2009
Executive Vice President	Tse Yu Lin	14,254	-	-	-	
Executive Vice President	Kuo Chi Tang	29,762	-	-	-	
Executive Vice President	Huey-Jiuan Chen	5,585	-	-	-	
Senior Vice President	Jen-Yee Huang	491	-	-	-	
Senior Vice President	Wen-Chau Yeh	42	-	-	-	

Title	Name	January 1, 2008 ~ December 31, 2008		January 1, 2009 ~ April 21, 2009		Remark
		Increase (Decrease) in holding shares	Shares increase(decrease) in pledge holding shares	Increase (Decrease) in holding shares	Shares increase(decrease) in pledge holding shares	
Vice President	Hui chung Chen	-	-	-	-	till April 1, 2009
Vice President	Li Kuang Huang	4,790	-	-	-	
Vice President	Kuo loong kao	4,181	-	-	-	
Vice President	Otto Huang	795	-	-	-	
Vice President	Ching-Seng Huang	-	-	-	-	
Vice President	Jiong Xin Lin	5,760	-	-	-	
Vice President	Liang-Chun Lin	-	-	-	-	till August 29, 2008
Vice President	Juang Jyh Juang	-	-	-	-	
Vice President	Fu Lung Hsieh	4,965	-	-	-	
Vice President	Wei Chien Chuang	425	-	-	-	Finance Executive
Vice President	Wei Hsin Hsu	5,828	-	-	-	
Vice President	Chung Yi Kao	6,457	-	-	-	
Vice President	Hung Chuan Chien	-	-	-	-	August 1, 2008~
Vice President	Ching Tang Lin	-	-	-	-	
Vice President	Hui Chang Chung	7,995	-	-	-	
Vice President	Ming Hsiung Hsieh	1,687	-	-	-	
Accounting Supervisor	Chia Yi Hsiao	371	-	-	-	August 13, 2008~

2. Information about shares holding transfer : Not Applicable

3. Information about shares holding pledge : Not Applicable

## H、Information of the company's 10 largest shareholders defined as related parties

Name	Shareholding		Spouse and minors Shareholding on current date		Shareholding in others name		The company's 10 largest shareholders are related parties as defined under the Statement of Financial Accounting Standards No. 6		Remark
	Shares	Holding ratio	Shares	Holding ratio	Shares	Holding ratio	Name	Relation	
YCN	271,651,706	12.65%	-	-	-	-	C. C. Chen	Note1	-
TCE	162,764,628	7.58%	-	-	-	-	-	-	-
CCE	162,764,628	7.58%	-	-	-	-	Randy Chen	Note1	-
Asia Pacific Container Terminal Inc.	82,548,570	3.85%	-	-	-	-	P.T. Chen H.Y. Chen Heidi Chen Kay Chen	Note1 Note1 Note1 Note2	-
C.S. Lin	53,969,353	2.51%	-	-	-	-	-	-	-
Evervaliant Corp.	44,559,000	2.08%	-	-	-	-	C. C. Chen Randy Chen	Note1 Note1	-
H.Y. Chen	44,442,005	2.07%	-	-	-	-	Asia Pacific Container Terminal Inc. Da Shin Investment, Inc. Liu He Investment, Inc.	Note1 Note1 Note2	-
Yeong Yi(Asia) Co., Ltd.	39,395,928	1.84%	-	-	-	-	-	-	-
Da Shin Investment, Inc.	36,464,019	1.70%	-	-	-	-	P.T. Chen Heidi Chen H.Y. Chen Kay Chen	Note1 Note1 Note1 Note2	-
Liu He Investment, Inc.	31,407,195	1.46%	-	-	-	-	P.T. Chen H.Y. Chen Kay Chen	Note1 Note2 Note1	-

Note1 : Serving as the company's director

Note2 : Serving as the company's supervisor

I、The comprehensive share holding rate of Directors, Supervisors, Presidents and direct or indirect controlling business on the same investing business.

Unit:share

Investing Business	Investment of the Company		Investment of Directors, Supervisors, Presidents and Direct or Indirect Controlling Business		Comprehensive Investment	
	Shares	Holding %	Shares	Holding %	Shares	Holding %
Wan Hai Lines (Phils.) Inc	-	-	901,540	100%	901,540	100%
Wan Hai Lines (HK) Ltd.	-	-	15,000,000	100%	15,000,000	100%
Wan Hai Lines (S)Pte.Ltd	273,496,000	100%	-	-	273,496,000	100%
Wan Hai Lines(M)Sdn.Bhd.	-	-	500,000	100%	500,000	100%
Yi Chun Shipping Agencies(M)Sdn.Bhd.	-	-	200,000	100%	200,000	100%
Wan Hai Lines Korea Ltd.	-	-	20,000	100%	20,000	100%
Wan Hai Lines (America) Ltd.	90,000	100%	-	-	90,000	100%
Wan Hai Information Technology Network Ltd.	-	-	-	100%	-	100%
Wan Hai International Pte Ltd.	-	-	50,000	100%	50,000	100%
Wan Hai Lines (India) Pvt. Ltd.	-	-	10,000	100%	10,000	100%
k. k. WH Corporation	500	100%	-	-	500	100%
Wan Hai Lines (Germany) GmbH	-	100%	-	-	-	100%
Wan Hai Lines (UAE) LLC.	-	-	-	49%	-	49%
Shih Lin Paper Co., Ltd.	5,419,088	2.08%	18,663,272	7.18%	24,082,360	9.26%
Taipei Port Container Terminal Corp.	50,000,000	15.63%	-	-	50,000,000	15.63%
TK Logistics International Co., Ltd.	14,300,000	55%	-	-	14,300,000	55%
Dawin Logistic (International) Ltd	-	-	1,920,000	100%	1,920,000	100%
Shenzhen Asia World Logistics Ltd	-	-	-	100%	-	100%
Shenzhen Uniwin International Logistics Ltd	-	-	-	90%	-	90%
Clipper International Shipping Agency Ltd	-	-	-	51%	-	51%
Blue Ocean Logistics Co, Ltd	-	-	-	100%	-	100%
Wan Hai Lines (Thailand) Ltd.	-	-	24,500	49%	24,500	49%

Long term investment by Wan Hai Lines and subsidiary companies.

## IV. Information on Capital Raising Activities

### A. Capital and Shares

#### 1. Capital's Resource

Currency:TWD

Date	Issue Price	Authorized Capital		Issued Capital		Remark		
		Shares	Amount	Shares	Amount	Source of capital	Capital paid by property, rather than cash	Others
83.09.27	10	360,000,000	3,600,000,000	360,000,000	3,600,000,000	Capital increment by retained earnings TWD 600,000,000	none	Note1
85.06.22	10	720,000,000	7,200,000,000	450,000,000	4,500,000,000	Capital increment by retained earnings TWD 900,000,000	none	Note2
86.07.30	10	720,000,000	7,200,000,000	720,000,000	7,200,000,000	Capital increment by cash NTD 675,000,000 Capital Increment by retained earnings TWD 2,025,000,000	none	Note3
87.06.25	10	1,200,000,000	12,000,000,000	900,000,000	9,000,000,000	Capital Increment by retained earnings TWD 1,080,000,000 Capital Increment by capital reserve TWD 720,000,000	none	Note4
88.06.25	10	1,200,000,000	12,000,000,000	1,080,000,000	10,800,000,000	Capital Increment by retained earnings TWD 1,350,000,000 Capital Increment by capital reserve TWD 450,000,000	none	Note5
89.07.15	10	1,500,000,000	15,000,000,000	1,296,000,000	12,960,000,000	Capital Increment by retained earnings TWD 874,800,000 Capital Increment by capital reserve TWD 1,285,200,000	none	Note6
90.07.20	10	1,500,000,000	15,000,000,000	1,316,736,000	13,167,360,000	Capital Increment by capital reserve TWD 207,360,000	none	Note7
92.07.09	10	2,000,000,000	20,000,000,000	1,511,612,928	15,116,129,280	Capital Increment by retained earnings TWD 1,948,769,280	none	Note8
93.07.08	10	2,000,000,000	20,000,000,000	1,587,193,574	15,871,935,740	Capital Increment by retained earnings TWD 755,806,460	none	Note9
93.11.02	10	2,000,000,000	20,000,000,000	1,587,543,305	15,875,433,050	Convertible bonds converted to common stock TWD 3,497,310	none	Note10
94.02.22	10	2,000,000,000	20,000,000,000	1,600,746,843	16,007,468,430	Convertible bonds converted to common stock TWD 132,035,380	none	Note10
94.05.04	10	2,000,000,000	20,000,000,000	1,678,951,738	16,789,517,380	Convertible bonds converted to common stock TWD 782,048,950	none	Note10
94.08.03	10	2,000,000,000	20,000,000,000	1,699,236,239	16,992,362,390	Convertible bonds converted to common stock TWD 202,845,010	none	Note10
94.09.28	10	2,000,000,000	20,000,000,000	1,868,839,275	18,688,392,750	Capital Increment by retained earnings TWD 1,611,228,840 Capital Increment by capital reserve TWD 84,801,520	none	Note11
94.10.13	10	2,000,000,000	20,000,000,000	1,870,086,655	18,700,866,550	Convertible bonds converted to common stock TWD 12,473,800	none	Note10
95.10.12	10	2,500,000,000	25,000,000,000	2,057,095,321	20,570,953,210	Capital Increment by retained earnings TWD 1,870,086,66	none	Note12
96.7.27	10	2,500,000,000	25,000,000,000	2,057,307,642	20,573,076,420	Convertible bonds converted to common stock TWD 2,123,210	none	Note10
96.10.12	10	2,500,000,000	25,000,000,000	2,068,227,049	20,682,270,490	Convertible bonds converted to common stock TWD 109,194,070	none	Note10
97.1.14	10	2,500,000,000	25,000,000,000	2,072,291,486	20,722,914,860	Convertible bonds converted to common stock TWD 40,644,370	none	Note10
97.4.18	10	2,500,000,000	25,000,000,000	2,078,357,829	20,783,578,290	Convertible bonds converted to common stock TWD 60,663,430	none	Note10
97.9.5	10	2,500,000,000	25,000,000,000	2,182,275,721	21,822,757,210	Capital increment by retained earnings TWD 1,039,178,920	none	Note13
97.12.5	10	2,500,000,000	25,000,000,000	2,177,573,254	21,775,732,540	Return of Capital by merging Yi-Chun Express Co., Ltd. TWD 47,024,670	none	Note14
98.1.12	10	2,500,000,000	25,000,000,000	2,155,751,254	21,557,512,540	Retire Treasury Stock TWD 218,220,000	none	Note15
98.3.11	10	2,500,000,000	25,000,000,000	2,146,606,254	21,466,062,540	Retire Treasury Stock TWD 91,450,000	none	Note16

Note1 : Approved by SFC on July 22,1994 with notice (83) Tai-tsai-chen (I) No.32532  
 Note2 : Approved by SFC on May 30,1996 with notice (85) Tai-tsai-chen (I) No.33869  
 Note3 : Approved by SFC on May 24,1997 with notice (86) Tai-tsai-chen (I) No.38192  
           on May 19, 1997 with notice (86) Tai-tsai-chen (I) No.39738  
 Note4 : Approved by SFC on June 2,1998 with notice (87) Tai-tsai-chen (I) No.48091  
 Note5 : Approved by SFC on May 24,1999 with notice (88) Tai-tsai-chen (I) No.48511  
 Note6 : Approved by SFC on June 16,2000 with notice (89) Tai-tsai-chen (I) No.51473  
 Note7 : Approved by SFC on June 18,2001 with notice (90) Tai-tsai-chen (I) No.138422  
 Note8 : Approved by SFC on July 9,2003 with notice (92) Tai-tsai-chen (I) No.0920130756  
 Note9 : Approved by SFB on July 8,2004 with notice (93) No.0930130230  
 Note10 : Approved by SFC on Jan 14,2003 with notice Tai-tsai-chen (I) No.09100168501  
 Note11 : Approved by SFB on July 12,2005 with notice (94) No.0940128150  
 Note12 : Approved by SFB on July 12,2006 with notice No.0950130049  
 Note13 : Approved by SFB on July 8,2008 with notice No.0970033912  
 Note14 : Approved by MOEA on December 5,2008 with notice No.09701306840  
 Note15 : Approved by SFB on October 31,2008 with notice No.0970058655  
 Note16 : Approved by SFB on January 8,2009 with notice No.0970072104

## Shares

2009.4.21

Shares Type	Authorized Capital			Remark
	Issued on Market	Unissued	Total	
Common stock	2,146,606,254	353,393,746	2,500,000,000	—

## 2.Shareholder's Composition

2009.4.21

Shareholder Quantity	Treasury Stock	Government institution	Financial institution	Other Corporation	Individual	Foreign institutes and corporation	Total
Stockholder's No.	1	7	10	160	49,601	186	49,965
Holding shares	33,942,000	27,669,671	37,830,466	540,004,892	748,462,095	758,697,130	2,146,606,254
Holding percentage	1.58	1.29	1.76	25.16	34.87	35.34	100.00

### 3. Shares' Distribution(Par value: TWD 10 per share)

2009.4.21

Shares Level	Stockholder's No.	Holding shares	Holding percentage
1 ~ 999	13,727	3,310,400	0.15
1,000 ~ 5,000	21,705	47,216,793	2.20
5,001 ~ 10,000	6,310	42,634,130	1.99
10,001 ~ 15,000	3,324	38,097,196	1.78
15,001 ~ 20,000	1,042	18,178,038	0.85
20,001 ~ 30,000	1,517	35,445,138	1.65
30,001 ~ 40,000	645	21,977,288	1.02
40,001 ~ 50,000	375	16,759,436	0.78
50,001 ~ 100,000	650	44,092,004	2.05
100,001 ~ 200,000	305	41,185,790	1.92
200,001 ~ 400,000	156	41,907,131	1.95
400,001 ~ 600,000	44	21,347,324	0.99
600,001 ~ 800,000	18	12,444,594	0.58
800,001 ~ 1,000,000	13	11,119,979	0.52
1,000,001 ~	134	1,750,891,013	81.57
Total	49,965	2,146,606,254	100.00

### 4. Main shareholders

The top ten shareholders' name, holding shares, and holding percentage

2009.4.21

Main shareholders	Holding shares	Holding percentage
YCN	271,651,706	12.65
TCE	162,764,628	7.58
CCE	162,764,628	7.58
Asia Pacific Container Terminal Inc.	82,548,570	3.85
C.S. Lin	53,969,353	2.51
Evervaliant Corp.	44,559,000	2.08
H.Y. Chen	44,442,005	2.07
Yeong Yi(Asia) Co., Ltd.	39,395,928	1.84
Da Shin Inv.	36,464,019	1.70
Liu He Investment, Inc.	31,407,195	1.46

### 5. Market Value 、Net Value 、Earnings and Dividend per Share for the past 2 years and this year

Unit: TWD and share

Item		Year			
		2007	2008	2009.1.1~2009.3.31	
Market Value per Share	Highest	33.95	31.2	15.95	
	Lowest	19	10.8	12.55	
	Average	24.71	21.12	13.87	
Net Value per Share Note 2	Unappropriated	16.33	12.69	12.84	
	Appropriated	15.51	—	—	
Earnings per Share Note 1	Weighted Average Number of Outstanding Shares	2,162,575,317	2,171,749,379	2,127,810,754	
	EPS (Unadjusted)	2.905	0.002	(0.07)	
	EPS (Adjusted)	2.885	—	—	
Dividend per Share Note 2	Cash Dividend	2.2	—	—	
	Stock Dividend	Retained Earnings	—	—	—
		Capital Reserve	—	—	—
	Accumulated dividend not paid	—	—	—	
Investing Return Analysis Note 2、3	P/E	8.51	10,560	198.14	
	P/D	11.23	—	—	
	D/P	8.9%	—	—	

Note1 : Recalculation on weighted average number of outstanding shares after capital increment by Retained Earnings and Capital Reserve, both unadjusted and adjusted EPS are listed.

Note2 : Retained Earnings of 2008 is not yet approved for appropriation

Note3 : Investing return analysis is formularized as follows :

$P/E = \text{Average market value per share} / \text{Earnings per share}$

$P/D = \text{Average market value per share} / \text{Cash dividend per share}$

$D/P = \text{Cash dividend per share} / \text{Average market value per share}$

## **6. The Dividend Policy and Execution**

### **1) Dividend policy**

The container shipping industry is very cyclical and capital intensive. The Company continues to grow at a stable rate. According to the company's articles of incorporation, 10% of its annual net profit after offsetting prior years' losses and paying tax liabilities is to be set aside as a legal reserve. According to the Financial Accounting Standard Statement No.34, after deducting the unrealized gain of Financial Derivatives from the Income Statement the remaining sum along with the accumulative undivided profit earned from previous years will be deducted at 50% and above for dividend disbursement. The Board of Directors will propose the dividend disbursement and ask for the approval from the Shareholders. Distribution of the remaining earnings will be as follows :

- (1) 1% as bonus for the employees.
- (2) 1% as remuneration for the directors and supervisors .
- (3) 98% to the stockholders.

In consideration of future and long-term finance requirements, the Company's generally stockholders' meeting may adjust the retained earnings distribution percentages and the cash dividend disbursements at an amount that is not less than 10% of the bonus to the shareholders.

### **2) Proposed distribution of retained earnings of year 2008**

The proposed distribution of retained earnings in 2008, TWD 5,291,300, pursuant to the Law and the Company's articles of incorporation, is to appropriate TWD 529,130 as the legal reserve. The remaining retained earnings TWD 4,762,170 with accumulated undistributed earnings TWD 219,333,484 shall appropriate TWD 224,095,687 as special unrealized earnings.

## **7. The influence of Stock dividend toward operating performance, EPS, and ROE of the company: It is not applicable. Our company doesn't publicly disclose financial estimations.**

## 8. The employees' bonus and remuneration to the directors and supervisors :

- 1) The information of employees' bonus and remuneration to directors and supervisors recorded on the Company's articles of incorporation : Please refer to 6.(1).
- 2) Proposed distribution of retained earnings of year 2008 : Please refer to 6.(2).
- 3) The proposed distribution of retained earnings in 2007, pursuant to the Law and the Company's articles of incorporation, is to appropriate TWD 628,254,381 as the legal reserve, TWD 57,260,880 as remuneration to the directors and supervisors, TWD 57,260,880 in employee bonuses, TWD 5,611,566,144 as cash dividend to the stockholders which is equivalent to a cash dividend TWD 2.20 per share and stock dividend TWD 0.50 per share. There is no discrepancy from the proposed distribution approved by the Board.

## 9. Buyback of Common Stock

As of 04/08/2009

Buyback Plan	1st Buyback Plan	2nd Buyback Plan	3rd Buyback Plan	4th Buyback Plan
Purpose	For the shareholders' interest	For the shareholders' interest	For the shareholders' interest	For the shareholders' interest
Period	09/25/2008~11/24/2008	10/30/2008~12/29/2008	01/09/2009~03/08/2009	03/09/2009~04/08/2009
Planned Buyback Price Range (NT\$)	11.00~23.50	8.50~20.60	9.2~22	9.7~20
Class and Number of Shares Bought Back	21,822,000 common shares	9,145,000 common shares	29,073,000 common shares	4,869,000 common shares
Value of Shares Bought Back (NT\$)	300,163,726	124,782,959	388,473,604	72,915,746
Number of shares cancelled or transferred (Note)	21,822,000 common shares	9,145,000 common shares	0 common shares	0 common shares
Accumulated Number of Treasury Shares Held	0 common shares	0 common shares	0 common shares	64,909,000 common shares
Accumulated Treasury Shares Held as a % of Total Outstanding Shares	0	0	0	3.02%

Note: The shares bought back were subsequently cancelled in Mar.2009

## B · Bond, Prefer stock, GDR, Stock option, and Merge status :

### 1. Bond status

(i) The Company's bonds payable - foreign as of December 31, 2008 and 2007, were as follows:

Bond	Period	Unit:TWD 1,000	
		December 31, 2008	December 31, 2007
Euro convertible zero coupon bonds (the Convertible Bonds)	Jan. 27, 2003~Jan. 27, 2008	\$ -	<u>129,772</u>
		December 31, 2008	December 31, 2007
Balance at the beginning of the period		\$ -	4,955,350
Less: Accumulated exchange gain		-	27,418
Accumulated conversion amount		-	3,676,096
Accumulated redemption amount		-	1,122,064
Balance at the end of the period		<u>\$ -</u>	<u>129,772</u>

According to the issue terms of the foreign convertible bonds, the convertible bonds matured on January 27, 2008.

During January 2008, bonds amounting to US\$4,000 thousand (NT\$129,772 thousand) were converted into 6,066 thousand common shares, and the conversion was approved by the authorities.

The Company issued public exchange listed convertible bonds of USD143.75 million, which will be used as long term working capital for purchasing vessels, containers and equipment and for paying off some of the existing debt. The Convertible Bonds were approved by the former Securities and Futures Commission (now the Securities and Futures Bureau (SFB)) on January 14, 2003.

(A)The offering conditions were as follows:

- (1) Issue Amount  
Up to USD143.75 million (including the over allotment option).
- (2) Offering Method  
The Convertible Bonds will be issued outside the territory of the Republic of China ("ROC") pursuant to the relevant laws and regulations in the offering places in Europe and Asia.
- (3) Form/Denomination/Issue Price  
Unsecured convertible bonds in registered form in denominations of USD1,000 or multiples thereof. The bonds will be issued at 100% of face value.
- (4) Issue Date  
January 27, 2003
- (5) Maturity Date  
5 years from the Issue Date
- (6) Place of Listing  
Luxembourg Stock Exchange
- (7) Coupon Rate  
The indicative coupon for the Convertible Bonds is 0%.
- (8) Bondholders' Put Option
  - (a)Except in the event the Convertible Bonds are redeemed, repurchased, or converted and cancelled, bondholders are entitled to require the Company to redeem all or any portion of the Convertible Bonds on the 18 month and 3 year anniversary of the Issue Date at par.
  - (b)Except in the event the Convertible Bonds are redeemed, repurchased, or converted and cancelled, bondholders have the right to require the Company to redeem all or any portion of the Convertible Bonds if: The Common Shares officially cease to be listed on the Taiwan Stock Exchange for a period of at least five consecutive trading days.
  - (c)Conversion Period  
The period on or after March 9, 2003, up to and including January 12, 2008.
- (9) Wan Hai's Call Option
  - (a)Wan Hai may redeem the Convertible Bonds in whole or in part, at any time after the third anniversary of the Issue Date, at par; provided that the closing price of the Common Shares of Wan Hai on the Taiwan Stock Exchange for 20 out of 30 consecutive trading days is at least 130% of the conversion price.
  - (b)Wan Hai may redeem the Convertible Bonds in whole, but not in part, at par at any time if more than 90% in principal amount of the bonds have already been redeemed, repurchased, or converted and cancelled.
  - (c)Wan Hai may redeem the Convertible Bonds at par in the event of a 5% or bigger increase in costs due to changes in ROC taxation laws and regulations.
- (10) Redemption on the Maturity Date  
Unless previously redeemed, repurchased, or converted and cancelled, the Convertible Bonds will be redeemed at par on the maturity date.
- (11) Conversion Item  
The Convertible Bonds will be convertible at any time during the Conversion Period into the Common Shares in accordance with Section 14 of these Terms and Conditions. All such related matters shall be construed in accordance with provisions of the Indenture.

(12) Conversion Procedure

- (a) Except for those previously redeemed, repurchased, or converted and cancelled, and during the suspension period (determined by ROC law applicable from time to time and the Indenture), the bonds may be converted into newly issued common shares at any time between the period on or after 41 days after the closing date (not including the closing date) and 15 days prior to the maturity date (not including the maturity date).
- (b) The exercise of the conversion right shall be suspended during the closed period required by ROC laws and regulations for entry into the shareholders' register (namely, for 60 days before the general shareholders' meeting, for 30 days before a special shareholders' meeting, and from the date three business days before the announcement date of a record date for determination of shareholders entitled to receive annual dividend distributions or other benefits or rights with the Taiwan Stock Exchange to such record date).
- (c) For conversion requests, the Bondholders need to submit all relevant documents required by the Indenture and required under the law of the ROC together with a notice of conversion and the Bonds to specified offshore conversion delegates to apply to Wan Hai for conversion.
- (d) Based on the converting Bondholder's option, such Common Shares will be delivered within 5 business days of receipt of the aforementioned conversion notice through the book entry system maintained by the Taiwan Securities Central Depository. If the converting Bondholder or his designee does not open a securities trading account, Wan Hai will deliver the Common Shares converted through the book entry system maintained by the Taiwan Securities Central Depository after the securities trading account is opened.
- (e) The Conversion Price is determined on the pricing date in the range of 110% to 130% of the price of the Common Shares.
- (f) The Conversion Price per share shall be adjusted downward, not upward, in accordance with the formula below when Wan Hai raises new capital, distributes share dividends or issues employee bonus shares, or if any other dilutive events specified in the Indenture take place. Wan Hai shall distribute common shares retroactively in accordance with the indenture (no adjustment shall be made where such accumulated adjustment would be less than 1% of the conversion price):

The Conversion Price after adjustment = the Conversion Price before adjustment \* F  
where, F = (number of shares already issued + (purchase price per new share \* number of new shares issued / current Market Price per share)) / (number of shares)

Starting from January 1, 2006, the Company adopted ROC Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement" and classified convertible bonds payable as financial liabilities measured at cost-convertible bonds payable.

**(B) Corporate Bond information**

Bond type		1st Euro convertible unsecured bond
Issue date		Jan. 27th 2003
Par value		USD 1,000
Place of listing		Luxembourg Stock Exchange
Issue price		USD 1,000
Total issue amounts		USD 143,750,000
Coupon rate		0%
Maturity date		Jan. 27th 2008
Guarantee institute		Nil
Trustee		Citibank, N.A.
Lead Manager		Morgan Stanley
Endorsement lawyer		Baker & Mckenzie
Endorsement accountant		KPMG
Redemption		Unless previously redeemed, repurchased, converted, or cancelled the Bonds will be redeemed at par on the maturity date.
Outstanding amounts		Nil
Restriction covenants		Nil
Redemption / Call option		See the terms and conditions
Rating institute Rating date Rating result of the bond		Standard & Poor's 2007/4/25 BBB-
Rights	The amounts of bonds converted	Nil
	Terms and Conditions for issuance and conversion	See the terms and conditions
Terms and Conditions for issuance and conversion		See the terms and conditions
Custodian		Citibank, N.A.

**(C) Corporate Bond information**

Bond type		1st Euro convertible unsecured bond
Item	Period	Period of year 2007 up to Jan. 27, 2008
	ECB market price	
	The highest	USD 109.5
	The lowest	USD 98.5
	The average	USD 99.79
Conversion price		TWD 22.73
Issue date		Jan. 27th 2003
Conversion price at issue date		TWD 36.285
Method to fulfill bond conversion		Issue new shares

(ii) The Company's bonds payable-domestic as of December 31, 2008 and 2007, were as follows:

<b>Bond</b>	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Straight bonds (the Ordinary Bonds)	\$ 9,000,000	9,000,000
Less: Portion of bonds payable due within one year	3,000,000	-
	<b>\$ 6,000,000</b>	<b>9,000,000</b>

Unit:TWD 1,000

(A) The offering conditions are as follows:

(1) Issue amount

Up to NTD9,000 million. There are three series of bonds categorized by the issued term, each amounting to NTD3,000 million. The three series are divided into six parts depending on the conditions and issue date, with each part amounting to NTD500 million.

(2) Nominal amount

Up to NTD 10 million

(3) Issuance period

The issuance dates begins from June 28~30, 2004; which the maturity period for the three components are issued for five, six and seven years.

(4) Issued price: at par value

(5) Nominal interest rate

(a) Bond I: 3.00%~4.35%

(b) Bond II: 3.55%~4.45%

(c) Bond III: 3.80%~4.31%

(6) Payment of interest: payment each half a year.

(7) Redemption on the Maturity Date

The Ordinary Bonds will be redeemed at par on the maturity date.

(8) Bond form: coupon bonds

(9) Trustee

The trustee is Mega International Commercial Bank, Trust Department.

(10) The agency for payment principal and interest:

Mega International Commercial Bank, Trust Department

(11) The authorized affiliate: Mega International Commercial Bank, Trust Department

(12) The announcement

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

**(B) Corporate Bond information**

Bond type		1st Ordinary unsecured Bond
Issue date		June 28, 29, 30, 2004
Par value		TWD 10,000,000
Place of listing		R. O. C
Issue price		par value
Total issue amounts		TWD 9,000,000,000
Coupon rate		see the terms and conditions
Maturity date		June 30, 2011
Guarantee institute		Nil
Trustee		I. C. B. C. Trust Dept.
Lead Manager		I. C. B. C. Trust Dept.
Endorsement lawyer		Modern Law Office
Endorsement accountant		KPMG
Redemption		on the Maturity Date
Outstanding amounts		TWD 9,000,000,000
Redemption/Call option		Nil
Restriction covenants		Nil
Rating institute Rating date Rating result of the bond		Taiwan Ratings Apr. 24th, 2008 TWA-
Rights	The amounts of bonds converted	Nil
	Terms and Conditions for issuance and conversion	Nil
Terms and Conditions for issuance and conversion		Nil
Trustee for conversion		Nil

**2. Prefer stock, GDR, Stock option, and Merge status:**

None.

## C. Operation and funds utilization plans

### 1. Operation plan for year 2009

a. The company operates a fleet of 52 owned and 14 chartered, total 66 full-container vessels.

#### b. Service lines arrangement

(1) KANTO-MAJOR Service:

Four full container vessels are installed, sailing between Kanto-Taiwan-Hong Kong-Singapore-Malaysia.

(2) BKKTO Service:

Four full-container vessels are installed, sailing between Kanto-Taiwan-Hong Kong-Thailand.

(3) BKKSAI Service:

Four full-container vessels are installed, sailing between Kansai-Taiwan-Hong Kong-Thailand.

(4) KOR-STRAIT Service:

Four full-container vessels are installed, sailing between Korea-Taiwan-Hong Kong-Singapore-Malaysia.

(5) KOREA-VIETNAM Service:

Three full-container vessels are installed, sailing between Korea-Taiwan-Hong Kong-Vietnam.

(6) TAIWAN-HONG KONG-JAVA Service:

Three full-container vessels are installed, sailing between Taiwan-Hong Kong-Indonesia.

(7) KANSAI-HCM Service:

Three full-container vessels are installed, sailing between Kansai-Taiwan-Hong Kong-Vietnam.

(8) HAIPHONG Service:

One full-container vessel is installed, sailing between Taiwan-Haiphong.

(9) TW-XMN Service:

One full-container vessel is installed, sailing between Taiwan-Hong Kong-Xiamen.

(10) TW-SHA Service:

One full-container vessel is installed, sailing between Taiwan-Shanghai

(11) FOC Service

One full-container vessel is installed, sailing between Fuchou-Kaohsiung-Fuchou-Taichung.

(12) TPS Service:

One full-container vessels are installed, sailing between Taiwan-Philippines.

(13) NEW SUPER I Service

Three full-container vessels are installed, sailing between Japan-Hong Kong-Singapore-Malaysia.

(14) NS3 Service:

Three full-container vessels are installed, sailing between Japan-Hong Kong-Singapore-Malaysia.

(15) NS5 Service:

Two full-container vessels are installed, sailing between Hong Kong-Japan.

(16) SPX Service :

One full-container vessel is installed, sailing between Singapore-Indonesia.

(17) TWN-HK Service:

Two full-container vessels are installed, sailing between Taiwan-Hong Kong.

(18) CVT Service

Four full-container vessels are installed, sailing between China-Vietnam-Thailand

(19) JTP Service (Joint Service with EMC)

Two full-container vessels and EMC's one full-container vessel are installed, sailing between Japan-Taiwan-Hong Kong-Philippines

(20) JCV Service (Joint Service with K LINE)

Two full-container vessels and K-LINE's one full-container vessel are installed, sailing between Japan-China-Hong Kong -Vietnam

(21) PSW1 Service: (Joint Service with K LINE)

One full-container vessel and K-LINE's four full-container vessels are installed, sailing between China-Hong Kong-USWC.

(22) CMS Service:(Joint Service with PIL / K LINE)

Three full-container vessels, PIL's two full-container vessels and K-Line's one full-container vessel are installed, sailing between China-Hong Kong-Singapore-Malaysia-Middle-East.

(23) KANSAI-S Service (Joint Service with EMC):

One full-container vessel and EMC's one full-container vessel are installed, sailing between Kansai-Taiwan-Hong Kong.

(24) CIX Service (Joint Service with EMC & Hapag-Lloyd):

Two full-container vessels, Hapag Lloyd's one full-container vessel & EMC's one full-container vessel are installed, sailing between China-Hong Kong -Singapore-Malaysia-India.

(25) CCI Service (Joint Service with RCL & SEACON):

Two full-container vessels, RCL's two full-container vessels, and SEACON's one full-container vessel are installed, sailing between China-Singapore-Malaysia-India.

(26) NCT Service (Joint Service with SINOTRANS):

One full-container vessel, SINOTRANS's one full-container vessel are installed, sailing between North China-Taiwan .

(27) TIX Service (Joint Service with SEACON)

One full-container vessel and SEACON's one full-container vessel are installed, sailing between Taiwan-Indonesia.

(28) ABX Service (Joint Service with PIL/CSL/YML/K LINE):

One full-container vessel, PIL's one full-container vessel, CSL's four full-container vessels, YML's one full-container vessel and K Line's one full container vessel are installed, sailing between China -Black Sea.

(29) GPS Service (Joint Service with SIMATECH):

One full-container vessel and SIMATECH's one full-container vessel are installed, sailing between Mid East port .

(30) TMX Service(Joint Service with NEL )

One full-container vessel and NEL's one full-container vessel are installed, sailing between Singapore-Malaysia-Thailand.

(31) China-Singapore-Malaysia-Europe Service (only use chartering slots)

(32) Hong Kong-Fangcheng-Haiphong Service (only use chartering slots)

(33) China-USWC Service (only use chartering slots)

(34) North China-Singapore-Malaysia-Madras Service (only use chartering slots)

(35) Korea-China-Singapore-Malaysia-Madras Service (only use chartering)

(36) Malaysia-Madras Service (only use chartering slots)

(37) South China-Taiwan Service ( only use chartering slots)

(38) Malaysia-Indonesia Service (only use chartering slots)

## 2. The project of disposal or acquisition of immovable property & long-term investment

- a. Disposal project of immovable property & long-term investment in one year : 9,032  
 b. Acquisition project of immovable property & long-term investment in one year : None.

## 3. Research and development expenditure, and results for the past 2 years and the future plan

- a. Planning division is in charge of research & development, the major jobs are  
 (1) Researches and Developments of new services  
 (2) Planning for enterprise image establishment  
 (3) Researches & Survey to improve customer service  
 b. Research Expenditure and Achievements over the past two years Years

Years	Research Expenditure	Achievements
2007	TWD 164,316,922	1. Plan to invest port terminal in Taipei 2. Plan to launch the MED service 3. Plan to launch the FES-II service 4. Plan to launch CTP-II service 5. Plan to launch the USEC service 6. Plan to upgrade the Asia's services 7. Setup and promote e-commerce. 8. Strengthen strategic alliances with major partners
2008	TWD 179,105,445	1. Plan to investigate South America East Coast service 2. Plan to investigate Australia service 3. Plan to investigate East and South Africa service 4. Plan to investigate Asia nice market ( East Malaysia 、 Japan Sea) 5. Service (Long-Haul 、 Short-Haul) rationalization study 6. Setup and promote e-commerce. 7. Strengthen strategic alliances with major partners

- c. Regarding the research and development plan for the future, the company will follow consistent policy to develop the market and service for area in Mainland China, India, America, and Europe. Also we plan to replace old vessels with new ones and increase the percentage of owned vessels to enhance our competitiveness as well as operation efficiency.

## 4. Capital Expenditure

Capital Expenditure of 1st Ordinary Bond :

Unit: TWD 1,000

Program Item	Execution Situation		Accumulated till Mar. 31,2009	Reason for being ahead or behind schedule
Vessel purchase	Amount	Program	8,580,000	Actual payment according to contract schedule
		Actual	8,580,000	
	Progress	Program	100.00%	
		Actual	100.00%	
Container purchase	Amount	Program	1,009,140	
		Actual	1,009,140	
	Progress	Program	100%	
		Actual	100%	

## V. Condition of the Business Operation

### A. Business Profile

#### 1. Scope of business :

- 1) Marine transportation (98.45%)
- 2) Shipping agency (0.01%)
- 3) Purchase & Sales of Vessels and Containers (0.00%)
- 4) Container freight station business (0.60%)
- 5) Leasing of Vessels and containers (0.94%)

Wan Hai Lines provides full-container shipping service covering the ports of China, Taiwan, Kanto and Kansai of Japan, Korea, Thailand, Indonesia, Philippines, Singapore, Malaysia, Hong Kong, Vietnam, India, Pakistan, Sri Lanka, Iran, Middle East, the United States, Netherlands, Belgium, Germany, Egypt, Turkey, Romania, and Ukraine. Wan Hai Lines also operates shipping agency business and is currently representing Norwegian HUAL Lines as their general agent in Taiwan for the import and export of vehicle and other cargoes.

The company deploys its services with domestic and foreign shipping operators to enhance its competitiveness overseas. This company also supports the government's policy to develop off-shore transshipment services to Mainland China.

#### 2. Industrial general situation :

The second half of 2008 was a critical time for shipping industry directly affected by the global financial crisis that led to diminishing demand for consumer goods in the US and Europe. Volatile oil prices and vessel charter hires together with excess tonnage have affected the profitability ocean carriers. Wan Hai Lines, under the unfavorable market conditions has increased its ration of owned vessels to chartered to save cost and reduce exposure to the charter market.

#### 3. General situation of technology and development :

Wan Hai has been devoted to the Intra-Asia trade for over forty-four years and has become the dominant carrier with most complete and intensive service network in Asia. The company is committed to increasing Mainland China and India Services and integrating them with our existing network. Apart from Intra-Asia and the Middle East, Wan Hai also successfully operates in the U.S.A., Europe, and Black Sea markets. Wan Hai is committed to progressive fleet deployment, increasing the percentage of owned vessels, lowering our proportion of chartered vessels, retiring old vessels, and strategically allocating our fleet. This strategy allows Wan Hai Lines to further strengthen its competitive advantage by improving service and performance.

#### 4. Long-term and short-term business development plans :

The company has the following short-term development plans: reduce operating costs, improve operational and financial performance, integrate and expand current service networks, expand presence in Mainland China, enlarge the scope of strategic alliances with other shipping companies, continue to research new opportunities to strengthen existing services, and open up new markets.

Long-term development plans: increase the fleet size and quality, invest in and operate exclusive terminals within our service region, plan and develop more services to Mainland China, and engage in feasibility studies for other long-haul services strengthening our global presence.

## B. General situation of Market and Sales:

### i. Market analysis

#### 1. Main Service Areas and Market Share:

Wan Hai is a full container liner operator, whose service network covers Northeast Asia, Southeast Asia, India Sub-continent, Middle East, Mainland China, the US, European and Black Sea regions. Details are as follows.

##### 1) Northeast Asia:

With long term involvement, dedication, and a well-established service network in Japan, Taiwan, and Korea Wan Hai has been a very significant player in these markets. As bilateral trade and economic policies across the strait have warmed, we anticipate growth in this trade lane. We predict modest growth in the Japanese and Korean markets considering their maturity.

##### 2) Southeast Asia:

Import and export volumes in Southeast Asia have grown significantly in recent years. We anticipate that trade volume would continue to grow with the participation of China, Japan, and Korea in the Association of Southeast Asian Nations. In response we have expanded the scope of our cooperation with Singaporean shipping carrier "SEACON" in the Indonesia and Chinese carrier "CUL" in south China, Hong Kong, and Vietnam. In addition to an expanding our cooperation's we have aggressively initiated service re-structuring plans to increase Wan Hai Lines' competitive position and market share in this region.

##### 3) India Sub-continental & Middle East:

In response to the fast changing economic conditions in this region, we started to re-align our presence in India Sub-continent and Middle East by withdrawing Taiwan to Middle East and China to south India service since May 2008. We strategically partnered with PIL and KLINE to commence a new Middle East service connecting China, Southeast Asia, and the Middle East with larger vessels. We also increased capacity on our India services. In July, Wan Hai launched our first inter-gulf service with Simatech to satisfy increased demand.

##### 4) China:

Wan Hai has established over twenty-one representative offices and agencies in mainland China to ensure that we can provide shipping services to China's booming economy. On December 14, 2008, direct shipping links across the Taiwan Strait were re-established allowing bilateral trade without calling a third territory in between. This policy change will result in bunker, port charge, and sailing time savings. Wan Hai Lines currently has eight services directly linking China and Taiwan, providing comprehensive and convenient service to our customers.

##### 5) The U.S:

To service Northern China for our Transpacific services entered into a fixed slot charter arrangement with Maersk Line. In November 2008, we reduced our South China service capacity to mitigate our exposure to this market. We are using our strength of strategic vessel deployment to match market conditions.

##### 6) Europe and Black Sea:

It has long been one of our operating initiatives to actively expand into new markets. In April 2004, we partnered with PIL to launch Wan Hai's first Europe Service. In October 2006, we upgraded this service with 4,250 TEU vessels - WHL four and PIL four. In November 2007, we enlarged our cooperation scope with PIL to commence Asia to Black Sea Service. At the end of 2008, we proceeded with a series of plans to optimize our presence in this region in response to the over tonnage situation.

2. Future supply and demand with growth potential:

Connecting low cost manufacturing resources through integrated supply chains has signaled the truly international nature of the global economy in recent years. This trend shows no sign of slowing down. Not only China but also the rest of Asia has become the world's manufacturing center. This momentum has pushed cargo volume upward in both intra-Asia and Western trade lanes. Wan Hai Lines has been dedicated to optimizing its fleet capacity in response to this trend and continues its quality service to customers.

3. Niches and challenges and solutions:

1) Niches:

- a. Significant room for further growth in Asian maritime market
- b. Cost efficiency and risk diversification via strategic partnership with other carriers
- c. Comprehensive and intensive service network and quality service
- d. Flexibility in container and fleet adjustment.
- e. Strong market share in the principal territory
- f. New and faster ships and equipment

2) Challenges:

- a. Foreign exchange volatility risk
- b. Oil price volatility risk
- c. Low barriers to entry
- d. Increasing operating costs
- e. Uncertain economic situation of relevant economies

3) Solutions :

Service integration and partner with other carriers via joint ventures and/or slot purchases and swaps. Wan Hai will undertake efforts to increase ocean freight rates, engage in efforts to reduce operation costs, hedge risks through derivative instruments, and retain flexible and profitable services.

ii. Major products key features and production procedures

Currently, this company provides full-container shipping service covering China, Taiwan, Japan, Korea, Hong Kong, Singapore, Malaysia, Thailand, Indonesia, Vietnam, Philippines, India, Pakistan, Iran, Middle East, United States, Netherlands, Belgium, Germany, Egypt, Turkey, Romania, and Ukrain. The procedures of operation are as follows:

- 1) Business representatives solicit business with importers and exporters based on the shipping charges and schedules offered by this company. Upon customer's acceptance, the business representative will forward the designated S/O (shipping order) number to customer. The container yard releases empty container to the customer after verifying the S/O number with sales department.
- 2) Customer picks up the empty container and loads his cargo into the container, and then delivers the loaded container with the relevant cargo documents to the container yard prior to the cargo acceptance closing date. The container yard forwards the customer's documents to this company for uploading of data into computer and production of bill of lading along with other forms required by Customs, and then forwards the documents to the unloading port.
- 3) Customer pays costs to this company according to the S/O number and picks up his invoice and original copy of bill of lading.
- 4) As soon as the ships arrives at the port, this company sends a trailer to pick up container from container yard to the ship's side for loading onto the ship. For imports, this company arranges for a trailer to pick up container from ship's side to the container yard for storage.
- 5) Upon receipt of export documents from the exporting port, the unloading port produces notice of cargo's arrival and notifies customers to pick up the cargo and pay the related charges. Customer presents the original copy of bill of lading and settles all expenses in exchange of delivery order, then presents the delivery order to the container yard to pick up the laden container.

iii. Main materials supplier: Service industry, Not applicable

#### IV . Main clients' names, amount, and ratio

A. Main purchasers for the past two years : service industry, not applicable

B. None of our customers account for more than 10% of our revenue.

#### V . The production and sales value and volume for the past two years

A. The production volume for the past two years : Not applicable

B. The Sales volume and value for the past two years

##### 1. Sales volume/value

Item \ Year	2007	2008
Operating Income (TWD)	59.28billion	65.13billion
Operating Volume (TEU)	2.80million	2.93million
Vessels	86	82

Note : TEU: 20 feet container

2. Internal and export sales ratio : Not applicable

#### C. Status of Human Resources

Year		2007	2008	2009.01.01-2009.04.21
No. of employees	Office	683	707	681
	Wharf	79	82	84
	Total	762	789	765
Average Age		35.6	35.9	36.08
Average Years of Service		8.8	9.2	9.4
Education category	Ph. D	1	3	2
	Master	118	138	133
	Bachelor	455	471	463
	Other higher Education	128	124	119
	High School	51	45	40
	Below High School	9	8	8

## D. Disbursements for environmental protection

1. The Company has not been subjected to any environmental protection penalties over the past two years.
2. Future preventative and corrective measures:
  - 1) Each of our company's vessels has been insured against shipowner liability risks and equipped with or certified by the following:
    - (1) In accordance with revised MARPOL 73/78 Annex I, we have obtained the International Oil Pollution Prevention Certificate.
    - (2) In order to enhance the separation of bilge water and attain the utmost in environmental protection standards, all of our vessels are equipped with bilge water separators and also have Bilge Water Primary Tanks in the engine rooms. The Bilge water separator is equipped with automatic alarms (15ppm alarm) and automatic shut-off mechanisms for the three-way valve. Its functions satisfy and act in accordance with MARPOL 73/78 Rules. (The convention of International Oil Prevent Pollution in 1973, as Amended edition in 1978.)
    - (3) To process sanitary waste water, the sewage treatment plant has been installed in the engine room. This plant has passed all relevant examinations and received the International Sewage Pollution Prevention Certificate issued by the Classification Society based on the amendment edition as satisfied in MARPOL 73/78 Annex IV regulations.
    - (4) Each vessel of our company has satisfied the requirements of and subsequently received the International Air Pollution Prevention Certificate (IAPP). This certificate completely satisfies the resolution in 1997 for the amended edition of MARPOL 73/78 Annex IV regulations.
    - (5) The main engine and auxiliary engine equipment for all newly built ships conform to the IMO limiting the discharge of nitrogen oxide (Nox) compounds. Manufacturers provided the record book for the technical file and parameters of the diesel engine that has passed the relevant examinations and has been issued the Engine International Air Pollution Prevention Certificate (EIAPP) by the Classification Society in accordance with the amendment edition 13 article, as satisfied in MARPOL 73/78 Annex VI regulations.
    - (6) The engine room is equipped with an incinerator (according to Reg. VI/16 (2)) approved by the Classification Society, in accordance with Regulation 16 requirement (Shipboard Incineration) in amendment edition of MARPOL 73/78 Annex VI.
    - (7) To assist with discharging waste oil and sludge on-shore, the discharging piping system and connecting system are compatible with international standard flanges for waste oil and sludge on shore side receiving facilities. These facilities and standards are based on the amendment edition 17 article as outlined in MARPOL 73/78 Annex VI regulations.
    - (8) Our company received the International Pollution Prevention by Garbage Statement issued by the Classification Society. To comply with the amendment edition as satisfied in MARPOL 73/78 Annex V regulations, our company has enhanced the garbage disposal and trash treatment systems and recorded garbage incineration events in the garbage record book.
    - (9) The anti-fouling paint for the outside hull of the vessel has been certified by the material safety data sheet (MSDS), the statement of the AFS and the corresponding information by the paint maker in line with the convention of the IMO for International Convention on the Control of Harmful Anti-fouling System on Ship (to be called the AFS pact) based on the resolution A.882 (21) as amended by the 19 article of A.787 resolution revision. Our company passed the examination and received the international anti-fouling system (IAFS) certification issued by the Classification Society, and will continue to do so for the application of International Anti-fouling System Certificate before the required deadline.
    - (10) In order to prevent oil leakage, oil collection coamings are installed in the pipe joints at the filling pipe system and air vent piping of F.O. and L.O. system on the deck.
    - (11) The purchases of ship's bunker have been complied with the sulphur content limit as required by MARPOL, and also met with the International or local regulations, such as SECA of Europe, and California of USA.

All pollution prevention facilities are installed at the shipyard prior to delivery to the Company. Thus, all equipment costs and subsequent depreciation have been included into the total shipbuilding costs. Since all such facilities comply with international pollution control criteria and we have operated our ships in accordance with internationally accepted practices, the company has not been assessed with any environmental violations.
  - 2) The estimated capital expenditure of environmental protection for the next three years:

All pollution prevention facilities purchased in the future will correspond to MARPOL 73/78/97 Rules. These pollution prevention facilities for oil, water, and air anti pollution facilities will be installed at the time of shipbuilding. Thus, the cost will be included into the overall cost to build the vessel.
  - 3) The influence after installation of facilities  
In accordance with the MARPOL 73/78/97 Rules and regulations, all of our vessels are equipped with anti pollution facilities for the disposal of residue oil, bilge water, and polluted air to comply with the international environmental protection standards.
3. In accordance with industry practices, our company is not limited by ROHS.

## E. Labor-capital relations

### 1. Major labor agreements currently being implemented.

- (1) Our company processes National Health Insurance and Labor Insurance in line with all relevant laws and has set up the Employee Benefit Committee to be in charge of employee welfare in March of 1989. The major benefits are as follows:
- Employee welfare: meal allowances, group insurance, uniforms, bonus distribution, and regular health examinations.
  - The Employee Benefit Committee carries out the benefits including birthday parties, wedding cash gifts, allowances on childbirth, condolence, major accidents, tour reimbursement, etc.
- (2) Based on the Labor Standard Law and Labor Retirement Pension Regulations, our company inquires, in writing, our employees with respect to their choices between the new or old pension system and offers the statistics to the Bureau of Labor Insurance (BLI) before Jul 1st, 2005. According to the Labor Pension Act, our company contributes a sum equal to 15% of a worker's monthly wage into a special account every month. Under the previous guidelines, the company used to contribute 6% of a worker's monthly wage into an individual pension account overseen by the BLI. If the worker chooses to switch from the old pension system to the new one, the company will make up the balance and our appointed actuary will prepare actuarial reports to be filed on record.
- (3) Other major pacts: None.  
 Wan Hai has been in remarkable labor harmony.
- (4) Employee training and development: Training courses of shipping industry are held annually for all of our colleagues.
- Training and Education system includes OJT (On-the-job Training), OFF-JT (Off-the-job Training) and SD (Self-development).
  - Career Development system includes Overseas Expatriation, Job Rotation, Performance Appraisal and Smooth Position Promotion.

2. Because of a pleasant, harmonious, and secure working environment from this policy, our company has enjoyed superlative labor relations with our employees, which is clearly represented through the lack of labor disputes with employees over the past three years.

## F. Significant Contracts

Classification of contract	Party	Period	Major content
Agency contracts	The company assigned general agencies in different harbors.	According to the contracts signed by the agencies in each harbor.	The general agencies in different harbors are responsible for settling operational expenditures, such as inbound and outbound expenses. The company pays commission to the general agencies.
Contracts to lease a wharf	Oi Container Terminal New Berth No.5, Port of Tokyo, Japan	From April 2008 to March 2028 (Revised on April 2008)	Lease term: Twenty years, from April 2008. Payment of lease deposit amounting to USD 253,625,000 (TWD 73,135,000) was recorded as refundable deposits.
Vessel contract	China Shipbuilding Corp.	December 2007	The company purchased 6 vessels. The total contract price amounted to USD 218,309,000. By December 2007 the company had already prepaid TWD 708,993,000
Vessel contract	China Shipbuilding Corp.	June 2007	The company purchased 6 vessels. The total contract price amounted to USD 397,620,000. By December 2007 the company had already prepaid TWD 1,306,261,000

## Long-term loan contracts

Unit : TWD 1,000

Bank	Period	2008.12.31	2007.12.31
SOCIETE GENERALE PARIBAS Taipei Branch	Jan.25, 2007~Jan.25, 2012	492,900	486,645
BNP PARIBAS Taipei Branch	Dec.26, 2007~Dec.26, 2012	821,500	811,075
Mega International Commercial Bank Foreign Department	Apr.09, 2004~Apr.09, 2008	-	102,736
Mega International Commercial Bank Foreign Department	Jun.08, 2004~Apr.09, 2008	-	39,743
Mega International Commercial Bank Foreign Department	Oct.08, 2004~Apr.09, 2008	-	43,095
Mega International Commercial Bank Foreign Department	Dec.07, 2004~Apr.09, 2008	-	19,952
Mega International Commercial Bank Sales Department	Jul.24, 2006~Sep.10, 2014	54,962	60,462
Mega International Commercial Bank	Jul.24, 2006~Apr.02, 2017	145,035	145,035
DBS Bank	Jul.17, 2002~Jul.17, 2010	131,440	194,658
Mega International Commercial Bank Singapore Branch	Jul.07, 2004~Jul.07, 2009	144,585	285,498
Mega International Commercial Bank Singapore Branch	Dec.31, 2001~Dec.30, 2009	134,315	265,222
Mega International Commercial Bank Singapore Branch	Oct.26, 2006~Oct.26, 2011	704,143	811,075
Taipei Fubon Bank An Ho Branch	Nov.27, 2006~Nov.27, 2011	473,553	623,392
SMBC Bank Singapore Branch	May.18, 2007~May.18, 2010	657,200	1,081,433
Hun Nan Bank Singapore Branch	Mar.03, 2003~Mar.03, 2010	266,166	437,981
Syndication Loan organized by Mega International Commercial Bank Foreign Department	Sep.28, 2006~Sep.30, 2014	6,161,250	7,096,906
ING Bank Singapore Branch	Sep.02, 2002~Sep.02, 2010	287,525	425,814
CHB Singapore Branch	Jul.02, 2004~June.29, 2009	182,555	540,717
CHB Ji-Lin Branch	Oct.07, 2005~ Oct.07, 2008	-	583,974
ABN-AMRO Taipei Branch	Jun.07, 2006~Jun.07, 2010	328,863	324,690
ABN-AMRO Taipei Branch	July.26, 2006~Jun.7, 2010	173,645	171,442
Shanghai Commercial & Savings Bank, Ltd. Min Sheng Branch	Sep.15, 2006~Aug.31, 2008	-	53,531
Shanghai Commercial & Savings Bank, Ltd. Min Sheng Branch	Jan.24, 2007~Aug.31, 2008	-	52,022
Shanghai Commercial & Savings Bank, Ltd. Min Sheng Branch	Apr.19, 2007~Aug.31, 2008	-	116,341
Dai-Ichi Kangyo Bank Taipei Branch	Dec.27, 2005~Oct.26, 2011	262,768	259,434
Dai-Ichi Kangyo Bank Taipei Branch	Aug.11, 2005~Oct.26, 2011	127,776	126,155
Dai-Ichi Kangyo Bank Taipei Branch	Aug.31, 2005~Oct.26, 2011	77,221	76,241
Dai-Ichi Kangyo Bank Taipei Branch	Sep.20, 2005~Oct.26, 2011	65,063	64,237
Dai-Ichi Kangyo Bank Taipei Branch	Dec.16, 2005~Oct.26, 2011	388,323	383,395
Dai-Ichi Kangyo Bank Taipei Branch	Feb.7, 2006~Oct.26, 2011	213,084	210,380
Dai-Ichi Kangyo Bank Taipei Branch	Mar.2, 2006~Oct.26, 2011	238,380	235,354
Dai-Ichi Kangyo Bank Taipei Branch	Aug.29, 2006~Oct.26, 2011	247,847	244,701
	Subtotal	12,780,099	16,373,336
	Less: Current-portion of long-term loans	(3,467,873)	(3,594,533)
	Total	<u>\$ 9,312,226</u>	<u>\$ 12,778,803</u>

## VI. Financial Highlights

### A. Summarized financial statements for the past 5 years

#### 1. Summarized balance sheets

Unit : TWD 1,000

Item	Year	Figures for the past 5 years					Figures on Mar.31,2009 (Note2)
		2008	2007	2006	2005	2004	
Current Assets		20,639,117	33,784,842	28,688,106	31,801,989	18,246,267	21,424,970
Fund and Investment		16,559,449	15,083,695	11,679,276	10,711,826	19,713,266	16,150,490
Property ,Plant and Equipment		11,644,299	10,430,001	12,164,440	12,790,872	12,912,375	11,141,796
Intangible Assets		16,252	9,055	18,601	-	-	15,667
Other Assets		1,102,444	855,925	550,729	551,145	663,136	1,296,369
Total Assets		49,961,561	60,163,518	53,101,152	55,855,832	51,535,044	50,029,292
Current Liabilities	Before distribution	13,178,721	13,238,108	10,378,890	12,509,137	8,431,939	11,642,026
	After appropriation	(Note1)	15,547,093	12,687,875	18,233,892	14,402,658	(Note1)
Long-term Liabilities		8,696,122	12,393,749	12,857,657	12,451,952	16,734,538	10,393,905
Other Liabilities		459,611	760,189	639,059	355,825	370,275	441,508
Total Liabilities	Before distribution	22,334,454	26,392,046	23,875,606	25,316,914	25,536,752	22,477,439
	After distribution	(Note1)	32,118,134	26,184,591	31,041,669	31,507,471	(Note1)
Common stock		21,557,513	20,722,915	20,570,954	18,700,867	16,007,468	21,466,063
Capital surplus		2,495,565	2,480,713	2,282,366	2,274,223	436,962	2,479,527
Accumulated Earnings	Before distribution	5,498,325	11,219,122	7,245,563	9,859,609	10,352,215	5,333,521
	After distribution	(Note1)	5,493,034	4,936,578	4,134,854	4,381,496	(Note1)
Unrealized gain (loss) on financial instruments		(1,661,376)	(1,504)	(255,271)	(331,721)	(538,712)	(1,558,342)
Accumulated currency adjustments		(1,643)	(396,121)	(339,499)	313,253	61,257	417,464
Unrecognized pension cost		(137,305)	(217,157)	(242,071)	(240,817)	(282,875)	(137,305)
Total stockholders' equity	Before distribution	27,627,107	33,771,472	29,225,546	30,538,918	25,998,292	27,551,853
	After distribution	(Note1)	28,696,662	27,789,898	25,109,944	22,437,154	(Note1)

Note1: Retained earnings of year 2008 is not yet approved for distribution.

Note2: The summarized financial data for the past 5 years have been certified by CPA.

#### 2. Summarized income statements

Unit : TWD 1,000

Item	Year	Figures for the past 5 years					Figures from Jan.1 2009 to Mar.31,2009
		2008	2007	2006	2005	2004	
Operating revenue		65,125,847	59,278,971	51,043,903	49,649,136	45,983,103	10,673,754
Gross profit		(1,334,284)	3,369,789	1,203,097	4,348,027	6,344,427	(421,213)
Operating income		(3,122,761)	1,352,299	(524,631)	1,882,054	4,156,735	(827,843)
Non-operating income & gain		6,888,364	6,297,507	4,974,693	5,203,312	4,132,646	1,812,536
Non-operating expense & loss		4,856,745	636,402	1,169,461	1,088,108	286,054	1,111,408
Net income before income tax		(1,091,142)	7,013,404	3,280,601	5,997,258	8,003,327	(126,715)
Net income after income tax		5,291	6,282,544	3,124,096	5,425,521	6,782,367	(149,199)
Income(loss) from operations of discontinued segments		-	-	-	-	-	-
Extraordinary gain or loss		-	-	-	-	-	-
Cumulative effect of changes in accounting principles		-	-	(13,386)	-	-	-
Net income		5,291	6,282,544	3,110,710	5,425,521	6,782,367	(149,199)
Earning per share (Note 1)		0.002	2.893	1.432	2.498	3.123	(0.070)

Note1: Base on weighted average number of outstanding shares at end of year 2008.

Note2: The summarized financial data for the past 5 years have been certified by CPA.

#### 3. CPA and Audit results for the past 5 years

Year	CPA name	Audit results
2004	Chin Sun Wang Yu Feng Hsu	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2005	Chin Sun Wang Yu Feng Hsu	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2006	Yu Feng Hsu Yen Ling Fang	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2007	Yu Feng Hsu Yen Ling Fang	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2008	Lily Lu Yen Ling Fang	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.

#### 4. Independent Auditors' Report for Fiscal Year 2008

##### 1. The 2008 Financial Statements of Wan Hai Lines Ltd.

The Board of Directors  
Wan Hai Lines Ltd.

We have audited the accompanying balance sheets of Wan Hai Lines Ltd. (the Company) as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of some investee companies which were accounted for under the equity method and were audited by other auditors. The Company's investments in these companies at December 31, 2008 and 2007, were NT\$13,785,815 thousand and NT\$11,273,670 thousand, respectively, representing 27.59% and 18.74% of total assets, and investment income recognized by the Company was NT\$5,279,272 thousand and NT\$3,467,885 thousand, representing (483.83)% and 49.45% of income (loss) before income tax for the years ended December 31, 2008 and 2007, respectively. Other auditors, whose reports have been furnished to us, audited the financial statements of these companies, and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Wan Hai Lines Ltd. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

March 27, 2009

## 2.The 2008 Consolidated Financial Statements of Wan Hai Lines Ltd.

The Board of Directors

Wan Hai Lines Ltd.

We have audited the accompanying consolidated balance sheets of Wan Hai Lines Ltd. and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a audit report on these consolidated financial statements based on our audits. We did not audit the financial statements of some subsidiaries and investee company accounted for under the equity method, and the amounts for those subsidiaries included in the consolidated financial statements and long term equity investment accounted for under the equity method were based on the financial statements of those investee companies audited by other auditors. Those subsidiaries' assets amounted to NT\$36,388,349 thousand and NT\$25,875,077 thousand, which represented 52.49% and 30.07% of total consolidated assets, as of December 31, 2008 and 2007, respectively. Those subsidiaries' net operating revenues amounted to NT\$2,803,738 thousand and NT\$1,613,438 thousand, which represented 4.25% and 2.65% of total consolidated operating revenues, for the years ended December 31, 2008 and 2007, respectively. Long term equity investments accounted for by the equity method amounted to NT\$42,559 thousand and NT\$33,318 thousand, which represented 0.06% and 0.04% of total consolidated assets, as of December 31, 2008 and 2007, respectively, and related investment income amounted to NT\$38,859 thousand and NT\$34,137 thousand, which represented (3.90)% and 0.48% of the consolidated income before income tax, for the years ended December 31, 2008 and 2007, respectively.

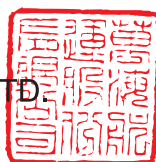
We conducted our audits in accordance with Republic of China generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants". Those standards and regulations require that we plan and perform the audit to obtain reasonable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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Wan Hai Lines Ltd. and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", and Republic of China generally accepted accounting principles.

March 27, 2009

## B. Summarized financial analysis for the past 5 years

WAN HAI LINES LTD.



Item		Year	Financial analysis for the past 5 years					Figures on Mar. 31, 2009
			2008	2007	2006	2005	2004	
Capital structure	Liabilities to total assets(%)		44.70	43.87	44.96	45.20	49.55	44.93
	Long-term capital to net properties(%)		311.94	442.62	345.95	336.11	330.94	340.57
Repayment ability	Current ratio (%)		156	255	276	250	216	184
	Quick ratio (%)		145	221	269	244	209	174
	Times interest earned (times)		(-2)	15	7	23	41	0
Operating performance	Turnover of receivable (times)		54	46	45	48	49	11
	Average collection days		7	8	8	8	7	34
	Turnover of inventories (times)		-	-	-	-	-	-
	Turnover of payable (times)		13.82	11.38	11.26	10.74	8.75	2.44
	Average sales days		-	-	-	-	-	-
	Turnover of properties (times)		5.59	5.68	4.20	3.86	3.62	0.96
	Turnover of total assets (times)		1.30	0.99	0.96	0.89	0.89	0.21
Profit ability	Return on total assets (%)		0.54	11.76	6.46	10.50	15.74	(0.15)
	Return on stockholders' equity (%)		0.02	19.95	10.41	19.19	28.31	(0.54)
	Ratio of capital stock	Operating income	(14.00)	7.00	(3.00)	13.00	26.00	(4.00)
		Income before income tax	(5.06)	33.84	15.95	32.07	50.00	(0.59)
	Profit margin (%)		0.00	10.00	6.00	11.00	15.00	0.00
Earnings per share base on weighted average (TWD)		0.002	2.893	1.432	2.498	3.123	(0.070)	
Cash flow	Cash flow ratio (%)		59.11	26.87	122.48	20.03	54.93	4.02
	Cash flow adequacy ratio (%)		88.10	88.32	75.57	41.00	40.10	89.38
	Cash reinvestment ratio (%)		6.62	2.24	16.98	(3.25)	3.04	0.93
Leverage	Operating leverage		(4)	12	(24)	1	4	(2)
	Financial leverage		0.89	1.60	0.49	1.13	1.05	0.89

(Note) : Please provide reasons for the variation in financial ratios over the past two years. (no need to provide if such variance is within 20%)

- The decrease of long-term capital to net properties ratio is mainly due to the decrease in stockholders' equity and long-term liabilities and the increase in net value of fixed assets.
- The fall in current ratio and quick ratio is caused by the decrease of current assets and quick assets.
- The decrease of operating income, income after income tax and operating profit leads to the falling of all the profit ability related ratios.
- The increase of cash flow ratio is mainly due to the increase in cash flows from operating activities.

### 1.Capital structure

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

### 2.Repayment ability

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

### 3.Operating performance

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

### 4.Profit ability

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

### 5.Cash flow

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

### 6.Leverage

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






## C. Supervisors' Report for Fiscal Year 2008

### 1. Year 2008 Financial Statements of Wan Hai Lines Ltd.

In accordance with Articles 219 of the Company Law, the Board of Directors has submitted year 2008 final statements, including the business report, financial statements and the earnings distribution proposal of the company. The supervisors have examined the reports and found that they fairly present the company's financial position. Based on this result, we issued this supervisors' report and submitted year 2008 financial statements herewith to be approved.

To the general shareholders' meeting of 2009

## WAN HAI LINES LTD.

Supervisors	Joyce Investment Corp. Representative	
	H.P. Lin	
Supervisors	C.C. Lin	
Supervisors	Yi Siang Corp. Representative	
	C.H. Chen	






April 27, 2009

2. Year 2008 Consolidated Financial Statements of Wan Hai Lines Ltd.

In accordance with Articles 219 of the Company Law, the Board of Directors has submitted year 2008 consolidated final statements, including the consolidated business report, and consolidated financial statements. The supervisors have examined the reports and found that they fairly present the financial group's position. Based on this result, we issued this supervisors' report and submitted year 2008 consolidated financial statements herewith to be approved.

To the general shareholders' meeting of 2009

**WAN HAI LINES LTD.**

Supervisors	Joyce Investment Corp. Representative	
	H.P. Lin	
Supervisors	C.C. Lin	
Supervisors	Yi Siang Corp. Representative	
	C.H. Chen	

April 27, 2009

## D. Financial Statements for Fiscal Year 2008

### 1. Financial Statements

**WAN HAI LINES LTD.**  
**Non-consolidated Balance Sheets**  
**December 31, 2008 and 2007**  
 (expressed in thousands of New Taiwan dollars, except for par value)

	Dec 31, 2008		Dec 31, 2007	
	Amount	%	Amount	%
<b>Current assets:</b>				
Cash and cash equivalents	\$ 9,591,857	19	12,461,746	21
Financial assets at fair value through profit or loss-current	229,477	1	1,332,185	3
Available for sale financial assets-current	2,904,577	6	4,439,953	8
Notes and accounts receivable	1,031,548	2	1,354,376	2
Accounts receivable-related parties	35,918	-	6,311	-
Other receivables	673,565	1	826,839	1
Other receivables-related parties	1,973,790	4	5,627,208	9
Fuels	684,491	1	1,321,400	2
Receivables from agents	1,409,540	3	3,043,799	5
Other current assets	2,104,354	4	3,371,025	6
<b>Total current assets</b>	<b>20,639,117</b>	<b>41</b>	<b>33,784,842</b>	<b>57</b>
<b>Investments:</b>				
Long term equity investments under equity method	13,921,661	28	11,309,357	19
Financial assets at fair value through profit or loss-non current	226,442	-	303,129	1
Available for sale financial assets-non current	104,046	-	105,287	-
Derivative financial assets for hedging-non current	-	-	23,372	-
Financial assets measured at cost-non current	500,000	1	265,625	-
Bond portfolios with inactive market-non current	1,807,300	4	3,076,925	5
<b>Long term investments-net</b>	<b>16,559,449</b>	<b>33</b>	<b>15,083,695</b>	<b>25</b>
<b>Fixed assets:</b>				
Cost:				
Land	297,242	1	297,242	-
Buildings	75,124	-	75,124	-
Containers	14,820,740	30	13,394,747	22
Computer equipment	206,971	-	291,996	-
Vessel equipment	4,143,127	8	4,143,127	7
Privileged wharf equipment	1,593,331	3	1,546,588	3
Furniture and fixtures	31,176	-	29,566	-
Revaluation	1,527	-	1,527	-
Cost and revaluation	21,169,238	42	19,779,917	32
Less: accumulated depreciation	11,845,645	23	10,846,716	18
Prepayments for equipment	2,320,706	5	1,496,800	3
<b>Net fixed assets</b>	<b>11,644,299</b>	<b>24</b>	<b>10,430,001</b>	<b>17</b>
<b>Intangible assets</b>	<b>16,252</b>	<b>-</b>	<b>9,055</b>	<b>-</b>
<b>Other assets:</b>				
Refundable deposits	182,297	-	167,958	-
Deferred charges	577,436	1	642,404	1
Deferred income tax assets-non current	342,711	1	45,563	-
<b>Total other assets</b>	<b>1,102,444</b>	<b>2</b>	<b>855,925</b>	<b>1</b>
	<b>\$ 49,961,561</b>	<b>100</b>	<b>60,163,518</b>	<b>100</b>
<b>Current liabilities:</b>				
Short term loans	\$ 209,351	-	4,676,897	9
Financial liabilities at fair value through profit or loss-current	4,238,084	9	795,433	1
Accounts payable	4,273,456	9	5,002,876	9
Payables to related parties	117,461	-	220,754	-
Income tax payable	-	-	438,106	1
Accrued expenses	98,480	-	440,188	1
Payables for purchase of equipment	-	-	398,504	1
Current portion of bonds payable	3,000,000	6	129,772	-
Current portion of long term loans	741,248	2	1,011,394	2
Payables to agents	351,887	1	51,389	-
Other current liabilities	148,754	-	72,795	-
<b>Total current liabilities</b>	<b>13,178,721</b>	<b>27</b>	<b>13,238,108</b>	<b>24</b>
<b>Long term liabilities:</b>				
Bonds payable	6,000,000	12	9,000,000	15
Long term loans	2,696,122	5	3,393,749	6
<b>Total long term liabilities</b>	<b>8,696,122</b>	<b>17</b>	<b>12,393,749</b>	<b>21</b>
<b>Other liabilities:</b>				
Accrued pension liability	191,059	-	266,831	-
Guarantee deposits received	11,754	-	4,526	-
Deferred credits-gains from inter affiliate accounts	256,798	1	298,718	-
Other liabilities	-	-	190,114	-
<b>Total other liabilities</b>	<b>459,611</b>	<b>1</b>	<b>760,189</b>	<b>-</b>
<b>Total liabilities</b>	<b>22,334,454</b>	<b>45</b>	<b>26,392,046</b>	<b>45</b>
<b>Stockholders' equity:</b>				
Common stock-\$10 par value per share; 2,500,000 thousand shares authorized in 2008 and 2007; 2,155,751 thousand shares and 2,072,292 thousand shares issued as of December 31, 2008 and 2007, respectively	21,557,513	43	20,722,915	34
Capital surplus	2,495,565	5	2,480,713	4
Retained earnings:				
Legal reserve	4,700,187	9	4,071,932	7
Special reserve	573,514	1	838,118	1
Unappropriated earnings	224,624	1	6,309,072	10
Total retained earnings	5,498,325	11	11,219,122	18
Other adjustments to stockholders' equity:				
Accumulated translation adjustments	(1,643)	-	(396,121)	(1)
Unrecognized pension cost	(137,305)	-	(217,157)	-
Unrealized gain (loss) on financial instruments	(1,661,376)	(4)	(1,504)	-
Unrealized revaluation increment	1,527	-	1,527	-
Total other adjustments to stockholders' equity	(1,798,797)	(4)	(613,255)	(1)
Treasury stock	(125,499)	-	(38,023)	-
<b>Total stockholders' equity</b>	<b>27,627,107</b>	<b>55</b>	<b>33,771,472</b>	<b>55</b>
<b>Commitments and contingencies</b>				
<b>Total liabilities and stockholders' equity</b>	<b>\$ 49,961,561</b>	<b>100</b>	<b>60,163,518</b>	<b>100</b>

**WAN HAI LINES LTD.**  
 Non-consolidated Statements of Income

For the years ended December 31, 2008 and 2007  
 (expressed in thousands of New Taiwan dollars, except for earnings per share)

	2008		2007	
	Amount	%	Amount	%
<b>Net operating revenue</b>	\$ 65,125,847	100	59,278,971	100
<b>Operating cost</b>	<u>66,460,131</u>	<u>102</u>	<u>55,909,182</u>	<u>94</u>
<b>Gross profit</b>	(1,334,284)	(2)	3,369,789	6
<b>Operating expenses</b>	<u>1,788,477</u>	<u>3</u>	<u>2,017,490</u>	<u>3</u>
<b>Operating income (loss)</b>	<u>(3,122,761)</u>	<u>(5)</u>	<u>1,352,299</u>	<u>3</u>
<b>Nonoperating revenue:</b>				
Interest income	254,516	-	401,243	1
Investment income under the equity method	5,291,431	8	3,461,021	6
Gain on disposal of fixed assets	428,345	1	483,072	1
Gain on valuation of financial assets	627,924	1	1,610,878	3
Gain on valuation of financial liabilities	-	-	172,857	-
Other income	<u>286,148</u>	<u>-</u>	<u>168,436</u>	<u>-</u>
	<u>6,888,364</u>	<u>10</u>	<u>6,297,507</u>	<u>11</u>
<b>Nonoperating expenses and loss:</b>				
Interest expenses (excluding capitalized interest)	390,209	1	506,709	1
Loss on disposal of fixed assets	370	-	666	-
Loss on disposal of investments	54,354	-	-	-
Foreign exchange loss, net	317,291	-	14,066	-
Loss on valuation of financial liabilities	4,075,389	6	-	-
Other loss	<u>19,132</u>	<u>-</u>	<u>114,961</u>	<u>-</u>
	<u>4,856,745</u>	<u>7</u>	<u>636,402</u>	<u>1</u>
<b>Net income (loss) before income tax</b>	(1,091,142)	(2)	7,013,404	13
<b>Income tax expenses (benefit)</b>	<u>(1,096,433)</u>	<u>(2)</u>	<u>730,860</u>	<u>1</u>
<b>Net income</b>	<u>\$ 5,291</u>	<u>-</u>	<u>6,282,544</u>	<u>12</u>
	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
<b>Earnings (losses) per share-basic (dollars)</b>	<u>\$ (0.502)</u>	<u>0.002</u>	<u>3.243</u>	<u>2.905</u>
<b>Earnings (losses) per share-diluted (dollars)</b>	<u>\$ (0.502)</u>	<u>0.002</u>	<u>3.221</u>	<u>2.885</u>
Pro forma information on earnings per share if subsidiaries' investments in the Company are not treated as treasury stock:				
			<u>Before tax</u>	<u>After tax</u>
<b>Earnings per share-basic (dollars)</b>			<u>\$ 3.236</u>	<u>2.899</u>
<b>Earnings per share-diluted (dollars)</b>			<u>\$ 3.214</u>	<u>2.879</u>

**WAN HAI LINES LTD.**  
 Non-consolidated Statements of Changes in Stockholders' Equity  
 For the years ended December 31, 2008 and 2007  
 (expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Accumulated Translation Adjustments	Unrecognized Pension Cost	Unrealized Gain or Loss on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	Total
<b>Balance on January 1, 2007</b>	\$ 20,570,954	2,282,366	3,760,861	259,285	3,225,417	(339,499)	(242,071)	(255,271)	1,527	(38,023)	29,225,546
Appropriations of retained earnings :											
Legal reserve	-	-	311,071	-	(311,071)	-	-	-	-	-	-
Special reserve	-	-	-	578,833	(578,833)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,262,805)	-	-	-	-	-	(2,262,805)
Bonus to employees	-	-	-	-	(23,090)	-	-	-	-	-	(23,090)
Remuneration to directors and supervisors	-	-	-	-	(23,090)	-	-	-	-	-	(23,090)
Net income for the year ended December 31, 2007	-	-	-	-	6,282,544	-	-	-	-	-	6,282,544
Convertible bonds converted into common stock	151,961	193,448	-	-	-	-	-	-	-	-	345,409
Valuation adjustment of available for sale financial assets	-	-	-	-	-	-	-	(81,551)	-	-	(81,551)
Unrealized profit or loss on cash flow hedge	-	-	-	-	-	-	-	335,318	-	-	335,318
Accumulated translation adjustments	-	-	-	-	-	(56,622)	-	-	-	-	(56,622)
Net loss not recognized as pension cost	-	-	-	-	-	-	24,914	-	-	-	24,914
Cash dividends paid to subsidiary for treasury stock	-	4,899	-	-	-	-	-	-	-	-	4,899
<b>Balance on December 31, 2007</b>	<u>20,722,915</u>	<u>2,480,713</u>	<u>4,071,932</u>	<u>838,118</u>	<u>6,309,072</u>	<u>(396,121)</u>	<u>(217,157)</u>	<u>(1,504)</u>	<u>1,527</u>	<u>(38,023)</u>	<u>33,771,472</u>
Appropriations of retained earnings :											
Legal reserve	-	-	628,255	-	(628,255)	-	-	-	-	-	-
Special reserve	-	-	-	(264,604)	264,604	-	-	-	-	-	-
Cash dividends	-	-	-	-	(4,572,387)	-	-	-	-	-	(4,572,387)
Stock dividends	1,039,179	-	-	-	(1,039,179)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	(57,261)	-	-	-	-	-	(57,261)
Remuneration to directors and supervisors	-	-	-	-	(57,261)	-	-	-	-	-	(57,261)
Net income for the year ended December 31, 2008	-	-	-	-	5,291	-	-	-	-	-	5,291
Treasury stock transactions	-	-	-	-	-	-	-	-	-	(424,946)	(424,946)
Treasury stock retired	(265,244)	(72,226)	-	-	-	-	-	-	-	337,470	-
Convertible bonds converted into common stock	60,663	77,225	-	-	-	-	-	-	-	-	137,888
Valuation adjustment of available for sale financial assets	-	-	-	-	-	-	-	(1,636,500)	-	-	(1,636,500)
Unrealized profit or loss on cash flow hedge	-	-	-	-	-	-	-	(23,372)	-	-	(23,372)
Accumulated translation adjustments	-	-	-	-	-	394,478	-	-	-	-	394,478
Net loss not recognized as pension cost	-	-	-	-	-	-	79,852	-	-	-	79,852
Cash dividends paid to subsidiary for treasury stock	-	9,853	-	-	-	-	-	-	-	-	9,853
<b>Balance on December 31, 2008</b>	<u>\$ 21,557,513</u>	<u>2,495,565</u>	<u>4,700,187</u>	<u>573,514</u>	<u>224,624</u>	<u>(1,643)</u>	<u>(137,305)</u>	<u>(1,661,376)</u>	<u>1,527</u>	<u>(125,499)</u>	<u>27,627,107</u>

**WAN HAI LINES LTD.**  
 Non-consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007  
 (expressed in thousands of New Taiwan dollars)

	2008	2007
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	\$ 5,291	6,282,544
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Depreciation	2,196,801	1,818,915
Amortization	74,872	65,410
Investment income under the equity method	(5,291,431)	(3,461,021)
Cash dividend from subsidiary	2,997,876	1,668,900
Gain on disposal of fixed assets	(427,975)	(482,406)
Amortized bond portfolios with inactive market	-	558
Deferred income tax benefit	(1,091,987)	(37,144)
<b>Changes in assets and liabilities:</b>		
Financial assets at fair value through profit or loss-current	749,187	2,211,548
Notes receivable and accounts receivable (including related parties)	293,221	(148,897)
Other receivables	149,180	2,192,456
Other receivables-related parties	1,524,244	(4,044,967)
Fuels	636,909	(697,325)
Receivables from agents	1,634,259	(1,312,641)
Other current assets	2,061,510	(1,507,214)
Financial assets at fair value through profit or loss-non current	76,687	110,335
Financial liabilities at fair value through profit or loss-current	3,442,651	(280,985)
Notes payable and accounts payable (including related parties)	(835,501)	622,723
Income tax payables	(441,198)	386,002
Accrued expenses	(342,120)	165,130
Payables to agents	300,498	24,644
Other current liabilities	72,679	(31,858)
Accrued pension liabilities	4,080	2,618
<b>Net cash provided by operating activities</b>	<u>7,789,733</u>	<u>3,547,325</u>
<b>Cash flows from investing activities:</b>		
Decrease in available for sale financial assets-current	326,684	1,863,088
Increase in financial assets measured at cost-non current	(234,375)	(140,625)
Decrease in bond portfolios with inactive market	1,269,625	13,400
Increase in long term investments under equity method	(213,780)	-
Payments for acquisition of fixed assets	(3,815,221)	(4,132,477)
Proceeds from sales of fixed assets	4,504,309	418,465
Increase (decrease) in refundable deposits	(11,339)	30,611
Payments for acquisition of intangible assets	(17,101)	(2,829)
Increase in deferred charges	-	(355)
Increase in other receivables-related parties-financing accommodation	(1,973,790)	(1,500,871)
Cash from merger of subsidiaries	37,196	-
<b>Net cash used in investing activities</b>	<u>(127,792)</u>	<u>(3,451,593)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short term loans	\$ (4,467,546)	2,002,139
Repayment of long term loans	(967,773)	(249,101)
Increase in bonds payable	8,116	18,185
Increase (decrease) in guarantee deposits received	7,228	(2,588)
Payment of bonus to employees and remuneration to directors and supervisors	(114,522)	(46,180)
Cash dividends	(4,572,387)	(2,262,805)
Treasury stock transactions	(424,946)	-
<b>Net cash used in financing activities</b>	<u>(10,531,830)</u>	<u>(540,350)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(2,869,889)</u>	<u>(444,618)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>12,461,746</u>	<u>12,906,364</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 9,591,857</u>	<u>12,461,746</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest (excluding capitalized interest)	<u>\$ 464,325</u>	<u>424,002</u>
Cash paid for income tax	<u>\$ 453,543</u>	<u>292,754</u>
<b>Investing and financing activities not affecting cash flows:</b>		
Long term equity investments transferred to other liabilities	\$ -	190,114
Portion of long term bonds payable due within one year	<u>\$ 3,000,000</u>	<u>129,772</u>
Portion of long term loans due within one year	<u>\$ 741,248</u>	<u>1,011,394</u>
Decrease in accrued pension liabilities and unrecognized pension cost	<u>\$ 79,852</u>	<u>24,914</u>
Convertible bonds converted into common stock and capital surplus	<u>\$ 137,888</u>	<u>345,409</u>
Accumulated translation adjustments	<u>\$ 394,478</u>	<u>(56,622)</u>
Stock dividends	<u>\$ 1,039,179</u>	<u>-</u>
Valuation adjustments of available for sale financial assets	<u>\$ (1,636,500)</u>	<u>(81,551)</u>
Unrealized profit or loss on cash flow hedge	<u>\$ (23,372)</u>	<u>335,318</u>
<b>Others:</b>		
Payments for acquisition of fixed assets	\$ 3,416,717	4,528,236
Add: payable for purchase of equipment at beginning of year	398,504	2,718
Add: containers found this year	-	27
Less: payable for purchase of equipment at end of period	-	(398,504)
Cash payment	<u>\$ 3,815,221</u>	<u>4,132,477</u>
Proceeds from sales of fixed assets	\$ 393,695	4,520,764
Add: other receivables at beginning of year	8,719	9,384
Add: other receivables-related parties at beginning of year	4,102,964	-
Less: other receivables at end of period	(1,069)	(8,719)
Less: other receivables-related parties at end of period	-	(4,102,964)
Cash received	<u>\$ 4,504,309</u>	<u>418,465</u>

**WAN HAI LINES LTD.**  
 List of Fixed Assets  
 December 31, 2008

Unit: TWD 1,000

Item	Cost	Accumulated depreciation	Net value
Land	297,242	-	297,242
Buildings	75,124	44,610	30,514
Less: Revaluation	1,527	-	1,527
Vessel equipment	4,143,127	2,742,438	1,400,689
Container	14,820,740	7,775,510	7,045,230
Less: Revaluation	-	-	-
Computer equipment	206,971	139,053	67,918
Furniture and Fixtures	31,176	24,338	6,838
Privileged wharf equipment	1,593,331	1,119,696	473,635
Leasehold improvement	-	-	-
Prepayments-equipment	2,320,706	-	2,320,706
<b>Total</b>	<u>\$ 23,489,944</u>	<u>\$ 11,845,645</u>	<u>\$ 11,644,299</u>

## 2. Notes to Non-consolidated Financial Statements

December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

### (1) Organization

Wan Hai Lines Ltd. (the Company) was incorporated as a company limited by shares on February 24, 1965. The Company is primarily involved in the business of international sea transportation, shipping agencies, container storage service, and the sale and rental of vessels and containers.

The Company set up branches in Taiwan (Keelung, Kaohsiung and Taichung) to function as shipping agencies and container freight stations.

The Company was approved by the former Securities and Futures Commission (now the Securities and Futures Bureau (SFB)) to have its stock publicly listed on the Taiwan Stock Exchange in May 1996.

As of December 31, 2008 and 2007, the Company had 945 and 894 employees, respectively.

### (2) Summary of Significant Accounting Policies

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

The Company's financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles. Significant accounting policies and the measuring basis were as follows:

#### 1) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

#### 2) Foreign currency transactions

The Company's reporting currency is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at foreign exchange rates at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

For long-term equity investments accounted for by the equity method, if the local currency is the functional currency, their foreign currency financial statements are translated into the Company's reporting currency. Translation adjustments resulting from the translation of foreign currency financial statements into the Company's reporting currency are accounted for as translation adjustment, a separate component of stockholders' equity.

For long-term equity investments accounted for by the equity method, if the local currency is not the functional currency, a remeasurement of the financial statements into the functional currency is performed first, and the remeasuring differences are accounted for as exchange gains or losses in the statements of income.

#### 3) Principles of classifying assets and liabilities as current and non-current

Cash or cash equivalents, and assets that will be held primarily for the purpose of trading or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets shall be classified as non-current.

Liabilities that will be held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities shall be classified as non-current.

#### 4) Impairment of assets

The Company does not have goodwill. The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

#### 5) Cash equivalents

All highly liquid investments with a maturity of three months or less at the date of purchase that can be timely converted into a fixed amount of cash and for which a change in interest rate would not materially affect their value are considered to be cash equivalents, including Treasury bills, commercial paper and bank acceptances maturing within 3 months of the investment date.

#### 6) Financial instrument measurement on initial recognition

At initial recognition, a financial instrument is recognized at fair value plus, in the case of a financial instrument not at fair value through profit or loss, directly attributable transaction costs. A regular way purchase or sale of financial assets is recognized and derecognized using the trade date.

## 7) Financial assets

The Company accounts for financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement", which classifies financial assets into one of the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets carried at cost, and bond portfolios with inactive market.

### 1. Financial instruments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial instruments with fair value changes recognized in profit or loss should be measured at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value; however, if a quoted market price is not available, fair value should be estimated using the best information available in the circumstances or estimated using pricing models. Estimation of fair value is usually based on recent trading prices of such financial instruments and supplemented by related valuation techniques available.

The realized and unrealized gain or loss on financial instruments whose changes in fair value are recognized in earnings should be recognized in current year's net income or loss. Interest income (expense) received (paid) during the holding period are recorded under "interest income (expense)" and "gain (loss) on financial instruments at fair value through profit or loss", respectively. Financial instruments for trading purposes are acquired or issued principally for the purpose of selling or repurchasing them in the short term. Derivative financial instruments can only be reclassified to this category if they are not designated and effective hedging instruments.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognized in the income statement.

### 2. Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, then for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

### 3. Financial assets measured at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

### 4. Bond portfolios with inactive market

Bond portfolios with inactive market are those that do not have public quotes in an active market and are recorded at amortized cost. When there is objective evidence which indicates that bond investments are impaired, impairment loss should be recognized. However, if there is any indication that the impairment loss recognized has decreased in a subsequent period, it should be reversed and recognized in current year's income. After reversal, the book value should not be greater than unamortized cost.

## 8) Derivative instruments and hedging activities

The Company designates derivatives as hedges of operating, financing and investment risk. Pursuant to the policy, the Company does not hold or issue derivatives for trading purposes. The Company accounts for financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement"; derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values or changes in the cash flow of the hedging instrument and the hedged item.

Changes in the fair value of a hedging instrument designated are recognized directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then the amount recognized in equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For hedges other than those covered by the preceding statement, the associated cumulative gain or loss is removed from equity and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

## 9) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on the estimated collectibility of receivables and analysis of the aging of receivables.

## 10) Fuels

Fuels are recorded at cost, which is determined by the FIFO method, and accounted for under the lower-of-cost-or-market method in gross amount, with market value representing replacement cost.

## 11) Equity investments under equity method

Long-term investments are accounted for under the equity method when the percentage of ownership held by the Company and its subsidiaries exceeds 20%, or when the Company and its subsidiaries own less than 20% of the investee's common stock ownership but have significant influence on the investee's operation.

The Company adopts revised ROC Statement of Financial Accounting Standards No. 5 (SFAS No. 5) "Long-term Investments under Equity Method". In accordance with SFAS No. 5, the difference between the cost of the investment and the amount of underlying equity in net assets of an investee is treated as follows:

1. The difference resulting from depreciable, depleted, or amortizable assets is amortized over the estimated remaining economic years.
2. The difference between the carrying amount and fair value of non-depreciated assets is written off entirely when the reason for the difference disappears.
3. The difference resulting from the cost of investment in excess of the fair value of identifiable net assets is recognized as goodwill. The Company should evaluate if the goodwill is impaired on the balance sheet date. If objective evidence of such has been identified, the Company should evaluate impairment loss on goodwill.
4. The difference resulting from the fair value of identifiable net assets in excess of the cost of investment would firstly decrease the carrying amount of non-current assets proportionally; when the carrying amount of non-current assets is decreased to zero, the remaining difference is through extraordinary gain or loss.
5. The difference between cost and net equity which cannot be analyzed was amortized using the straight-line method over five years before 2006. The remaining difference is no longer amortized from January 1, 2006.

When a long-term investment under the equity method is sold, the difference between the cost and the selling price at the disposal date is recognized as gain (loss) from disposal of long-term equity investment. If there is any capital surplus resulting from long term investments, the Company recognizes it as current income (loss) by the percentage sold.

Unrealized inter-affiliate profits or losses resulting from transactions between the Company and its subsidiaries and investees accounted for under the equity method are deferred until realized, or are amortized based on the useful lives of the assets that give rise to such unrealized profits or losses; other deferred gains or losses are recognized in the realized year.

If an investor company has significant influence but not control over an investee company, and if an investor company's share of an investee company's losses equals or exceeds the carrying amount of an investment accounted for under the equity method, plus advances made by an investor company, then the recognized investment losses shall be limited to the extent that makes the book value of a long-term investment and advances equal to zero. However, if any of the following conditions is met, the investor company shall continue to recognize investment losses in proportion to its stock ownership percentage:

1. the investor company intends to continue its support for the investee company, or
2. the investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations in the near future.

Such credit balance on the book value of a long-term equity investment and advances shall be treated as a liability on the balance sheet. If an investee company subsequently reports net income, an investor company shall resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

For investees over which the Company has control ability, the Company recognizes fully investment losses when the equity in net assets of such investees is negative and the Company has a binding obligation to, and is able to, make good the losses. The investor company should recognize the losses of the investee; once the investee company starts to earn a profit, the profit should be recognized by the investor company under the equity method.

The Company should prepare semiannual and annual consolidated financial statements in 2007, and quarterly, semiannual, and annual consolidated financial statement starting from 2008.

## 12) Fixed assets and related depreciation

Land is stated at acquisition cost. There are legal way to reassess, and record land value increment tax provision reasonably. As transferring land, land value increment and land value increment tax provision should be transferred simultaneously.

Fixed assets, except for land, are stated at acquisition cost ,including capitalization of interest and certain expenses which were incurred in connection with the construction of a plant and the installation of machinery and equipment. Major renewals, additions and improvements are capitalized, while maintenance and repairs are expensed. The cost, depreciation and impairment of fixed assets should record idle assets if they were no value or idle.

Starting from November 20, 2008, in accordance with Accounting Research and Development Foundation 97 Interpretation No. 340, the residual value, useful life, and amortization method of property and equipment should be evaluated at least annually.

Apart from land, useful lives of fixed assets were as follows:

<b>Assets</b>	<b>Useful lives</b>
Buildings	43~56 years
Containers	1~8 years
Computer equipment	3 years
Vessel equipment	15~18 years
Privileged wharf equipment	3~5 years
Furniture and fixtures	1~7 years

### 13) Intangible assets

Effective from January 1, 2007, the Company adopted Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets". In accordance with SFAS No. 37, other than an intangible asset acquired by way of a government grant, which should be measured at its fair value, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the related laws, less any accumulated amortization and any accumulated impairment losses.

The depreciable amount of an intangible asset is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Assets	Useful lives
Computer software	3 years

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

### 14) Deferred charges

Costs of privileged wharf construction having future economic benefit are capitalized and amortized using the straight-line method over three to sixteen years.

### 15) Financial liabilities

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement".

Financial liabilities for trading purpose or whose changes in fair value are charged to the profit or loss are recorded in financial liabilities at fair value through profit or loss. Financial liabilities should be classified as current and non-current. Financial instruments that are hedging instruments but do not adopt hedge accounting are classified as held for trading purposes.

### 16) Convertible bonds

Convertible bonds issued by the Company on or before January 1, 2006, continue to be recognized as a liability at the issued price.

When convertible bondholders exercise their conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the common stock, and the excess is credited to capital surplus.

### 17) Pension

The Company set up an employee retirement plan in January 1981 covering all its regular employees (exclusive of crewmembers, certain contract employees, and temporary contract employees). Under this plan, all employees contributed 4% of their salaries to the employees' pension fund, and the Company deposited the same amount. After the Labor Standards Law was promulgated in August 1984, employees stopped contributing, and the part of the fund contributed by employees was returned to the employees. The part of the fund contributed by the Company will be paid to employees based on years of service before 1984 when they retire.

Under the defined benefit pension scheme under the Labor Standards Law, the employees' pensions are calculated based on the employees' years of service and average monthly salaries or wages during the six-month period before retirement.

In accordance with the requirements of the ROC Labor Standards Law, the Company has contributed monthly payments of 15% of salaries and wages to a retirement fund maintained with Bank of Taiwan.

The R.O.C. Labor Pension Act ("the Act"), effective from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Company who were hired before July 1, 2005, may elect to be subject to either the Act and maintain their service years before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Company after July 1, 2005, are required to be covered by the pension plan as defined by the Act.

Pursuant to the Act, the Company contributed cash at the rate of 6% of gross salary of each employee to the Council of Labor Affairs. This contribution is recognized as pension expenses for the current period when the contribution is actually made.

For the defined benefit pension plan, the end of fiscal year is the measurement date of the actuarial report. When the accumulated benefit obligation exceeds the fair value of plan assets, the difference is recognized as a minimum pension liability. Net periodic pension cost recognized includes the current service cost, net transition asset or obligation, prior service cost, and unrecognized gain (loss) on the pension plan, which is amortized on a straight-line basis over the expected average remaining service period.

### 18) Treasury stock

When the Company buys back issued stock, it applies the provisions of Statement of Financial Accounting Standards (SFAS) No. 30, "Accounting for Treasury Stock", to debit the treasury stock account in the amount of cost paid. When the disposal price of treasury stock is higher than the cost, the difference is credited to capital surplus-treasury stock; otherwise, the cost in excess of the price is debited to capital surplus generated from the same type of treasury stock transactions. If the capital surplus-treasury stock account is insufficient to cover the cost in excess of the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted average cost and is calculated by each group according to the reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from the same type of treasury stock transactions. If the capital surplus-treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

The shares of the Company held by a subsidiary should be treated as treasury stock effective. For preparation of these financial statements for all periods presented, all inter-company investments in the shares of the Company by its subsidiaries have been treated as treasury stock.

#### 19) Revenue and cost recognition

Before freight arrives, revenues should be recognized as the estimated recoverable amount of cost incurred (zero profit method). Unrecognized revenue will be recognized after freight arrives.

#### 20) Income tax

Income tax is estimated based on the accounting income. Deferred tax liabilities are recognized for the tax consequences of taxable temporary differences by applying enacted statutory tax rates, and deferred tax assets are recognized for the tax consequences of deductible temporary differences, operating loss carryforwards, and tax credits. The allowance for deferred tax assets is based on the possibility of deferred tax assets being realized in future years.

Deferred income tax assets and liabilities are classified as current or non-current in accordance with the underlying assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or non-current according to the expected period of realization.

When the temporary differences will not be reversed in the future, deferred tax assets or liabilities will not be recognized for the tax consequences of taxable differences by investing in foreign subsidiaries.

The 10% surtax on undistributed retained earnings is recognized as current expense on the date of the stockholders' meeting resolution.

#### 21) Earnings per share

Basic earnings per share are calculated based on the weighted-average number of common shares outstanding during the year. The effect on earnings per share from an increase in stock through stock dividends distributed from unappropriated earnings or capital surplus is computed retroactively.

Convertible corporate bonds and estimated bonus to employees are regarded as potential common stock. If potential common stock would dilute earnings per share, the Company has to disclose basic earnings per share and diluted earnings per share. The calculation of diluted earnings per share should consider the effect on net income and outstanding common stock from the potential common stock.

### (3) Reason for and Effect of Changes in Accounting Principle

Starting from January 1, 2008, the Company adopted ROC Statement of Financial Accounting Standards No. 39 (SFAS No. 39), "Financial Instruments: Share based Payment" and Accounting Research and Development Foundation Interpretation (96) 052. The share-based payment transactions, such as payment of bonus to employees and remuneration to directors and supervisors, should be accounted for by SFAS No. 39 and the Interpretation. The change in accounting principle did not have any effect for the financial statements as of and for the year ended December 31, 2008.

### (4) Explanation of major account title

#### 1) Cash and Cash Equivalents

	December 31, 2008	December 31, 2007
Cash on hand	\$ 37,866	31,483
Demand deposits	210,077	217,283
Checking accounts	28,342	19,220
Time deposits	200,000	361,000
Foreign currency deposits-demand deposits	2,598,948	849,774
Foreign currency deposits-time deposits	4,666,640	3,631,381
Cash equivalents-securities with resale agreement	-	850,000
Cash equivalents-money market deposit accounts-foreign currency	1,849,984	6,202,702
Cash equivalents-short term paper	-	298,903
<b>Total</b>	<b>\$ 9,591,857</b>	<b>12,461,746</b>

As of December 31, 2008 and 2007, the interest rates for the unexpired time deposits ranged from 0.30% to 1.95% and from 0.35% to 4.65%, respectively.

#### 2) Financial Assets at Fair Value through Profit or Loss-Current

As of December 31, 2008 and 2007, Financial assets held for trading purposes were as follows:

	December 31, 2008	December 31, 2007
	\$ -	1,148,132
Domestic bonds	-	72,571
Add: valuation adjustment	-	1,220,703
	-	63,484
Oil swaps	84,287	25,815
Foreign exchange options	145,190	22,183
Interest rate swaps	229,477	111,482
<b>Total</b>	<b>\$ 229,477</b>	<b>1,332,185</b>

The above derivative financial instruments involving oil, foreign currency and interest rates are held for hedging, but hedge accounting is not adopted.

### 3) Available for sale Financial Assets - Current

	<b>December 31, 2008</b>		
	<b>Cost</b>	<b>Valuation adjustment</b>	<b>Fair value</b>
Domestic listed stocks	\$ 2,374,056	(1,033,960)	1,340,096
Domestic equity funds	397,204	(161,716)	235,488
Domestic balanced funds	286,981	(36,667)	250,314
Domestic bond funds	890,000	9,060	899,060
Domestic ETF funds	20,000	(9,208)	10,792
REITs fund	120,000	(57,772)	62,228
Domestic private placement funds	19,174	1,076	20,250
Foreign bond funds	64,802	(19,147)	45,655
Foreign equity funds	96,318	(55,624)	40,694
	<b>\$ 4,268,535</b>	<b>(1,363,958)</b>	<b>2,904,577</b>

	<b>December 31, 2007</b>		
	<b>Cost</b>	<b>Valuation adjustment</b>	<b>Fair value</b>
Domestic listed stocks	\$ 2,876,635	264,241	3,140,876
Domestic equity funds	254,851	7,725	262,576
Domestic balanced funds	297,660	(3,588)	294,072
Domestic bond funds	557,394	826	558,220
Domestic ETF funds	20,000	1,064	21,064
Domestic open end funds	155,000	(12,108)	142,892
Domestic private placement funds	19,885	368	20,253
	<b>\$ 4,181,425</b>	<b>258,528</b>	<b>4,439,953</b>

For the years ended December 31, 2008 and 2007, the details of movement of unrealized gain (loss) on available-for-sale financial assets-current were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Beginning balance	\$ 258,528	209,245
Recognized in this period	(1,622,486)	43,415
Realized in this period	-	5,868
Ending balance	<b>\$ (1,363,958)</b>	<b>258,528</b>

### 4) Long-term Equity Investments under the Equity Method

As of December 31, 2008 and 2007, equity investments under the equity method were as follows:

	<b>December 31, 2008</b>			<b>December 31, 2007</b>		
	<b>Percentage of ownership</b>	<b>Investment cost</b>	<b>Amount</b>	<b>Percentage of ownership</b>	<b>Investment cost</b>	<b>Amount</b>
Wan Hai Lines (Singapore) Pte Ltd.	100.00	\$ 1,956,935	13,749,816	100.00	1,956,935	11,164,148
Wan Hai Lines (America) Ltd.	100.00	132,000	24,529	100.00	6,220	-
Yi Chun Express Co., Ltd.	-	-	-	99.99	274,384	107,199
k.k. WH Corporation	100.00	7,141	8,547	100.00	7,141	1,113
Wan Hai Lines (Germany) GmbH	100.00	1,018	2,923	100.00	1,018	1,210
T.K. Logistics International Co., Ltd.	55.00	143,000	135,846	55.00	55,000	35,687
		<b>\$ 2,240,094</b>	<b>13,921,661</b>		<b>2,300,698</b>	<b>11,309,357</b>

The above equity investment had not been provided as guarantee or pledge.

For the years ended December 31, 2008 and 2007, the Company's investment gain (loss) from long-term equity investments was as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Wan Hai Lines (Singapore) Pte Ltd.	\$ 5,159,153	3,628,896
Wan Hai Lines (America) Ltd.	88,482	(190,374)
Yi Chun Express Co., Ltd.	23,871	30,179
k.k. WH Corporation	6,017	(2,042)
Wan Hai Lines (Germany) GmbH	1,749	1,226
T.K. Logistics International Co., Ltd.	12,159	(6,864)
	<b>\$ 5,291,431</b>	<b>3,461,021</b>

For the years ended December 31, 2008 and 2007, unrealized gain (loss) on financial instruments the Company recognized from long term equity investments was as follows:

	December 31, 2008	December 31, 2007
Wan Hai Lines (Singapore) Pte Ltd.	\$ (5,201)	1,229
Yi Chun Express Co., Ltd.	139,550	(49,623)
	<u>\$ 134,349</u>	<u>(48,394)</u>

Wan Hai Lines (Singapore) Pte Ltd. distributed cash dividends of \$2,961,000 thousand (USD90,000 thousand) and stock dividends of \$3,893,160 thousand (USD120,000 thousand) in December 31, 2008 and 2007, respectively. All cash dividends were received on December 29, 2008. The date of the stock dividend issuance was designated as December 29, 2007.

Yi Chun Express Co., Ltd. distributed cash dividends of \$36,876 thousand and \$107,552 thousand in August 2008 and 2007, respectively.

The board of directors of T.K. Logistics International Co., Ltd. resolved to increase the share capital by \$160,000 thousand in cash on March 27, 2008. The date of the capital increase was designated as April 15, 2008. The amount of \$88,000 thousand was remitted by the Company. The related registration procedures were completed on May 20, 2008.

The board of directors of Wan Hai Lines (America) resolved to increase the share capital by \$125,780 thousand (USD3,800 thousand) in cash on December 24, 2008. The amount of \$125,780 thousand was remitted by the Company on December 29, 2008.

As of December 31, 2008 and 2007, the accumulated translation adjustments for subsidiaries were as follows:

	2008	2007
Wan Hai Lines (Singapore) Pte Ltd.	\$ (6,827)	(399,543)
Wan Hai Lines (America) Ltd.	3,712	3,331
k.k. WH Corporation	1,443	26
Wan Hai Lines (Germany) GmbH	29	65
	<u>\$ (1,643)</u>	<u>(396,121)</u>

In order to expand the business scale, on October 29, the board of directors resolved to merge with Yi Chun Express Co. The merger was accomplished on November 5, 2008. Yi Chun Express Co. was the dissolved party and WHL (the Company) was the surviving party.

The character of the combination case is reorganized. The recorded base is book value of net assets. The accounting subjects on November 5, 2008 were follows:

Cash and cash equivalents	\$ 37,196
Accounts receivable net	3,556
Available for sale financial assets net	40,059
Fixed assets net	2,021
Refundable deposits	3,000
Accounts payable	(2,788)
Expenses payable	(412)
Income tax payable	(3,092)
Other liabilities	(3,280)
Less: investee under equity method	(76,260)
	<u>\$ -</u>

In 2007, the Company recognized the loss from its investment in Wan Hai Lines (America) Ltd. by reducing the balance of its investment to a negative amount, charging the excess against allowance for loss on receivables from the investee, and booking any remaining amount as long-term investment credit because the Company intended to hold the investee for the long term. The Company recognized investment losses in proportion to the percentage of ownership of common stock of the investee and transferred the credit balance of the long-term equity investment to other liability. After recognition of the income of investee Wan Hai Lines (America) Ltd., the balance of the investment was positive and was transferred to long-term equity investment.

For the year ended December 31, 2007, the changes in investments under the equity method with a credit balance were as follows:

	2007
Balance at the beginning of the period-Wan Hai Lines (America) Ltd.	\$ (2,097)
Investment loss	(190,374)
Translation adjustments	2,357
Other liabilities	<u>\$ (190,114)</u>

#### 5) Financial Assets at Fair Value through Profit or Loss-Non-current

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Financial assets designated as at fair value through profit or loss-non-current:		
Foreign bond investment	\$ 226,170	326,300
Add: valuation adjustment	<u>272</u>	<u>(23,171)</u>
	<u><b>\$ 226,442</b></u>	<u><b>303,129</b></u>

#### 6) Available-for-sale Financial Assets-Non-current

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Listed stocks-Shin Lin Paper Co., Ltd.	\$ 288,515	248,474
Add: valuation adjustment	<u>(184,469)</u>	<u>(143,187)</u>
	<u><b>\$ 104,046</b></u>	<u><b>105,287</b></u>

For the years ended December 31, 2008 and 2007, the details of movement of unrealized gain (loss) on available for sale financial assets-non current were as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ (143,187)	(66,615)
Changes in this period	<u>(41,282)</u>	<u>(76,572)</u>
Ending balance	<u><b>\$ (184,469)</b></u>	<u><b>(143,187)</b></u>

#### 7) Financial Assets Measured at Cost-Non-current

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Stock investments-Taipei Port Container Terminal Corp.	<u><b>\$ 500,000</b></u>	<u><b>265,625</b></u>

The board of directors of Taipei Port Container Terminal Corporation resolved to increase its capital by \$1,500,000 thousand in cash on December 4, 2007. The date of the capital increase was designated as March 15, 2008. The amount of \$234,375 thousand was remitted by the Company on March 31, 2008. The related registration procedures were completed on April 11, 2008.

#### 8) Bond Portfolios with Inactive Market-Non-current

Details of bond portfolios with inactive market-non current were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Foreign bonds	<u><b>\$ 1,807,300</b></u>	<u><b>3,076,925</b></u>

For the years ended December 31, 2008 and 2007, the accumulated rates of return for bond investments in inactive market-non-current were 3.70%~14.75% and 3.27%~14.00%, respectively.

#### 9) Financial Liabilities at Fair Value through Profit or Loss-Current

As of December 31, 2008 and 2007, the details of financial liabilities for trading purposes were as follows:

	<u>2008</u>	<u>2007</u>
Oil swap options	\$ 706,156	6,216
Exchange rate options	3,172,949	721,484
Interest rate swaps	<u>358,979</u>	<u>67,733</u>
	<u><b>\$ 4,238,084</b></u>	<u><b>795,433</b></u>

The above derivative financial liabilities were held for hedging, but hedge accounting was not adopted.

## 10) Pension Fund

The Company uses pension actuarial reports to assess its pension obligation.

The reconciliation between funded status and accrued pension cost as of December 31, 2008 and 2007, was as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Vested benefit:		
Vested benefit obligation	\$ (105,361)	(99,196)
Non vested benefit obligation	(336,318)	(377,434)
Accumulated benefit obligation	(441,679)	(476,630)
Additional benefit based on future salaries	(247,545)	(222,137)
Projected benefit obligation	(689,224)	(698,767)
Fair value of plan assets	250,620	209,799
Funded status	(438,604)	(488,968)
Unrecognized loss	384,850	439,294
Accrued pension liability	(137,305)	(217,157)
Accrued pension liability	<u>\$ (191,059)</u>	<u>(266,831)</u>
Unrecognized pension cost	<u>\$ 137,305</u>	<u>217,157</u>

As of December 31, 2008 and 2007, the vested benefit of the employee retirement plan was \$154,627 thousand and \$121,495 thousand, respectively.

The details of net periodic pension cost were as follows:

	<u>2008</u>	<u>2007</u>
Service cost	\$ 25,993	25,555
Interest cost	24,457	21,665
Actual return on plan assets	(8,362)	(6,299)
Amortization	19,443	19,940
Net periodic pension cost	<u>\$ 61,531</u>	<u>60,861</u>

Pension benefit obligation actuarial assumptions:

	<u>2008</u>	<u>2007</u>
Discount rate	3.50%	3.50%
Rate of increase in future salaries	3.00%	3.00%
Expected long-term rate of return on plan assets	3.50%	3.50%

As of and for the years ended, December 31, 2008 and 2007, the pension details were as follows:

	<u>2008</u>	<u>2007</u>
Accrued pension liability	<u>\$ 191,059</u>	<u>266,831</u>
Pension fund balance	<u>\$ 250,620</u>	<u>209,799</u>
Pension expense:		
Defined benefit retirement plan	\$ 61,531	60,861
Defined contribution retirement plan	39,931	50,932
	<u>\$ 101,462</u>	<u>111,793</u>

## 11) Stockholders' Equity

### 1) Common stock

During the stockholders' meeting in June 2008, the stockholders decided to increase the Company's capital from accumulated earnings of \$1,039,179 thousand, amounting to 103,918 thousand shares. The capital increase was approved by the SFB on July 8, 2008. The board of directors designated the appropriation of retained earnings dates as July 12 and August 20, 2008.

For the year ended December 31, 2008, bonds were converted into 6,066 thousand shares.

### 2) Capital surplus

Pursuant to the ROC Company Act, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. In addition, the amount to be capitalized cannot exceed ten percent of the capital surplus limit set by the Regulations Governing the offering and Issuance of Securities by Securities Issuers.

The Company's capital surplus as of December 31, 2008 and 2007, was as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Capital surplus-share premium		
Premium on capital stock	\$ 22,839	22,839
Paid-in capital in excess of par value through conversion	<u>2,457,246</u>	<u>2,410,536</u>
	2,480,085	2,433,375
Capital surplus-others		
Subsidiary's receipt of cash dividends from the Company	-	37,375
Long-term equity investments	9,963	9,963
Treasury stock transactions	<u>5,517</u>	<u>-</u>
	15,480	47,338
	<u><b>\$ 2,495,565</b></u>	<u><b>2,480,713</b></u>

### 3) Legal reserve

Pursuant to the ROC Company Act, 10% of annual net income after offsetting prior years' losses and paying tax is to be set aside as a legal reserve. Legal reserve is exclusively used to offset losses and not for any other purpose. The Company can convert up to half of its legal reserve into capital when it equals at least 50% of paid-in capital.

### 4) Special reserve

According to Securities and Futures Bureau regulations, the Company should provide a special reserve in the amount equal to unrealized foreign currency exchange gains resulting from long-term loans in accordance with Statement of Financial Accounting Standards No. 14. The special reserve can be transferred back to retained earnings when realized. Furthermore, the Company should provide a special reserve for any current-year stockholders' equity contra account from current year's earnings after tax and prior year's unappropriated earnings.

As of December 31, 2008 and 2007, the details of special reserve were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Provision for decline in stockholders' equity	\$ 838,118	259,285
Reversal of realized gain	(264,604)	-
Provision for unrealized amounts	-	<u>578,833</u>
Total	<u><b>\$ 573,514</b></u>	<u><b>838,118</b></u>

### 5) Appropriation of earnings

The industry of the Company is highly changeable and is capital intensive. The Company is in the stable growing stage. According to the Company's articles of incorporation, 10% of its annual net income after offsetting prior years' deficits and paying tax is to be set aside as a legal reserve, and special reserves are to be provided according to the regulations. Distribution of the remaining earnings minus unrealized gains on financial instruments will be as follows: (1) 1% as bonus to the employees, (2) 1% as remuneration to the directors and supervisors, and (3) 98% as bonus to the stockholders, with the cash dividend not less than 10% of the dividends to the stockholders. In consideration of future finance demands and the long term finance plan, the Company's stockholders' meeting could adjust the retained earnings distribution percentages.

If the annual net income after income tax is not enough for special reserve but there is prior year's accumulated income, the special reserve should be provided from prior year's earnings before distribution.

Employees' bonuses and remuneration to directors and superiors were not estimated according to the Company's articles of incorporation, because there were no available earnings to distribute, as the company recognized legal reserve and special reserve. Differences between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimate and recognized as profit or loss in 2009.

The related information on retained earnings distribution of 2007 and 2006 as employees' bonuses and directors' and supervisors' remuneration is as follows:

	<u>2007</u>	<u>2006</u>
Employees' bonuses	\$ 57,261	23,090
Directors' and supervisors' remuneration	<u>57,261</u>	<u>23,090</u>
Total	<u><b>\$ 114,522</b></u>	<u><b>46,180</b></u>

The stockholders' meeting decided to pay out a cash dividend of \$0.50 per share and stock dividend of \$2.20 per share on June 18, 2008. The related information can be obtained on the website of the Market Observation Post System.

The earnings distribution for 2008 has not yet been decided. the related information can be obtained on the website of the Market Observation Post System.

6) Treasury stock

1. According to Securities and Exchange Law No. 28 2, the Company buys treasury stocks in order to maintain credit and owner's equity. As of December 31, 2008 , the related information on treasury stock is as follows:

(expressed in thousand shares)

Reason	2008			Ending balance
	Beginning balance	Increase	Decrease	
To maintain credit and owners' equity	-	<b>30,967</b>	<b>21,822</b>	<b>9,145</b>

The shares were retired on February 27, 2009.

2. According to the Securities and Exchange Act, the buying percentage cannot exceed 10% of the shares issued, and the total amount cannot exceed the sum of retained earnings, paid in capital in excess of par, and realized capital surplus. For the year ended December 31, 2008, the maximum number of shares held by the Company was 30,967 thousand shares, amounting to \$424,947 thousand, which was within the limit.
3. According to the Securities and Exchange Act, the treasury stock which the Company holds cannot be pledged. The stockholders right do not attach to the treasury stock before transfer of ownership.
4. Yi Chun Express Co. Ltd. held the Company's stock for long term investment and accounted for it as treasury stock effective January 1, 2002. As of January 1, 2002, the market value of the stock was \$38,023 thousand. Yi Chun Express Co., Ltd. merged with the Company on November 5, 2008, and the 4,702 thousand shares were retired.

# E. Consolidated Financial Statements for Fiscal year 2008

## 1. Consolidated Financial Reports

### WAN HAI LINES LTD. Consolidated Balance Sheets

December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars, except for par value)

	Dec. 31, 2008		Dec. 31, 2007	
	Amount	%	Amount	%
<b>Current assets:</b>				
Cash and cash equivalents	\$ 15,312,255	22	18,984,158	22
Financial assets at fair value through profit or loss-current	261,654	-	1,352,707	2
Available for sale financial assets-current	2,904,577	4	4,450,215	5
Notes and accounts receivable	1,969,463	3	3,329,537	4
Accounts receivable-related parties	2,965	-	6,311	-
Other receivables	847,885	1	1,000,539	1
Fuels	684,491	1	1,321,400	2
Receivables from agents	848,779	1	1,092,895	1
Restricted assets	306	-	606	-
Other current assets	1,579,957	3	460,060	1
<b>Total current assets</b>	<b>24,412,332</b>	<b>35</b>	<b>31,998,428</b>	<b>38</b>
<b>Investment:</b>				
Long term equity investments under equity method	42,559	-	33,318	-
Other long term investments	15,833	-	15,695	-
Financial assets at fair value through profit or loss-non current	226,442	-	1,768,632	2
Available for sale financial assets-non current	104,046	-	239,628	-
Derivative financial assets for hedging-non current	-	-	23,372	-
Financial assets measured at cost-non current	500,000	1	265,625	-
Bond portfolios with inactive market-non current	1,807,368	3	3,563,651	4
<b>Long term investments-net</b>	<b>2,696,248</b>	<b>4</b>	<b>5,909,921</b>	<b>6</b>
<b>Fixed assets :</b>				
Cost:				
Land	339,835	-	339,295	-
Buildings	825,088	1	822,126	1
Containers	14,820,776	22	13,394,780	16
Computer equipment	345,046	-	421,381	-
Vessel equipment	45,576,559	67	50,427,652	59
Privileged wharf equipment	1,668,421	3	1,621,243	2
Leasehold improvement	7,665	-	61,747	-
Furniture and fixtures	106,395	-	146,410	-
Revaluation	1,527	-	1,527	-
Cost and revaluation	63,691,312	93	67,236,161	78
Less: accumulated depreciation	25,350,385	37	21,680,471	25
Prepayments for equipment	2,524,087	4	1,499,194	2
<b>Net fixed assets</b>	<b>40,865,014</b>	<b>60</b>	<b>47,054,884</b>	<b>55</b>
<b>Intangible assets</b>	<b>21,102</b>	<b>-</b>	<b>9,471</b>	<b>-</b>
<b>Other assets:</b>				
Refundable deposits	226,387	-	190,768	-
Deferred charges	756,249	1	828,250	1
Deferred income tax assets-non current	342,711	-	46,244	-
Other assets	473	-	629	-
<b>Total other assets</b>	<b>1,325,820</b>	<b>1</b>	<b>1,065,891</b>	<b>1</b>
<b>Total assets</b>	<b>\$ 69,320,516</b>	<b>100</b>	<b>86,038,595</b>	<b>100</b>
<b>Current liabilities:</b>				
Short term loans	\$ 219,851	-	6,286,717	7
Financial liabilities at fair value through profit or loss-current	6,998,327	10	1,758,751	2
Accounts payable	4,663,124	7	5,684,267	7
Payables to related parties	200,475	-	350,711	-
Income tax payable	61,075	-	492,595	1
Accrued expenses	437,030	1	674,684	1
Payable for purchase of equipment	-	-	398,504	-
Current portion of bonds payable	3,000,000	4	129,772	-
Current portion of long term loans	3,467,873	5	3,594,533	4
Payables to agents	4,157	-	2,375	-
Other current liabilities	1,016,616	2	656,002	1
<b>Total current liabilities</b>	<b>20,068,528</b>	<b>29</b>	<b>20,028,911</b>	<b>23</b>
<b>Long term liabilities:</b>				
Financial liabilities at fair value through profit or loss-non current	5,146,118	7	9,937,897	12
Bonds payable	6,000,000	9	9,000,000	10
Long term loans	9,312,226	13	12,778,803	15
<b>Total long term liabilities</b>	<b>20,458,344</b>	<b>29</b>	<b>31,716,700</b>	<b>37</b>
<b>Other liabilities:</b>				
Unrealized gain on sale and lease back	797,377	1	-	-
Accrued pension liability	205,347	-	283,278	-
Guarantee deposits received	11,954	-	4,864	-
Deferred income tax liabilities-non current	8,083	-	7,861	-
Other liabilities	-	-	177,059	-
<b>Total other liabilities</b>	<b>1,022,761</b>	<b>1</b>	<b>473,062</b>	<b>-</b>
<b>Total liabilities</b>	<b>41,549,633</b>	<b>59</b>	<b>52,218,673</b>	<b>60</b>
<b>Stockholders' equity :</b>				
Common stock-\$10 par value per share: 2,500,000 thousand shares authorized in 2008 and 2007; 2,155,751 thousand shares and 2,072,292 thousand shares issued as of December 31, 2008 and 2007, respectively	21,557,513	31	20,722,915	24
Capital surplus	2,495,565	4	2,480,713	3
Retained earnings:				
Legal reserve	4,700,187	7	4,071,932	5
Special reserve	573,514	1	838,118	1
Unappropriated earnings	224,624	-	6,309,072	7
<b>Total retained earnings</b>	<b>5,498,325</b>	<b>8</b>	<b>11,219,122</b>	<b>13</b>
Other adjustments to stockholders' equity:				
Accumulated translation adjustments	(1,643)	-	(396,121)	-
Unrecognized pension cost	(137,305)	-	(217,157)	-
Unrealized gain (loss) on financial instruments	(1,661,376)	(2)	(1,504)	-
Unrealized revaluation increment	1,527	-	1,527	-
<b>Total other adjustments to stockholders' equity</b>	<b>(1,798,797)</b>	<b>(2)</b>	<b>(613,255)</b>	<b>-</b>
Treasury stock	(125,499)	-	(38,023)	-
Minority interest	143,776	-	48,450	-
<b>Total stockholders' equity</b>	<b>27,770,883</b>	<b>41</b>	<b>33,819,922</b>	<b>40</b>
<b>Commitments and contingencies</b>				
<b>Total liabilities and stockholders' equity</b>	<b>\$ 69,320,516</b>	<b>100</b>	<b>86,038,595</b>	<b>100</b>

**WAN HAI LINES LTD.**  
 Consolidated Statements of Income

For the years ended December 31, 2008 and 2007  
 (expressed in thousands of New Taiwan dollars, except for earnings per share)

	2008		2007	
	Amount	%	Amount	%
<b>Net operating revenue</b>	\$ 66,003,204	100	60,892,409	100
<b>Operating cost</b>	<u>60,853,226</u>	<u>92</u>	<u>50,937,008</u>	<u>84</u>
<b>Gross profit</b>	5,149,978	8	9,955,401	16
<b>Operating expenses</b>	<u>3,363,519</u>	<u>5</u>	<u>3,652,224</u>	<u>6</u>
<b>Operating income</b>	<u>1,786,459</u>	<u>3</u>	<u>6,303,177</u>	<u>10</u>
<b>Nonoperating revenue:</b>				
Interest income	253,187	-	439,241	1
Investment income under the equity method	38,859	-	34,137	-
Gain on disposal of fixed assets	467,256	1	483,075	1
Gain on valuation of financial assets	966,530	1	2,066,807	3
Other income	<u>394,947</u>	<u>1</u>	<u>221,023</u>	<u>-</u>
	<u>2,120,779</u>	<u>3</u>	<u>3,244,283</u>	<u>5</u>
<b>Nonoperating expenses and loss:</b>				
Interest expenses	1,361,871	2	1,765,680	3
Loss on disposal of fixed assets	505	-	1,598	-
Foreign exchange loss, net	295,921	1	12,864	-
Impairment loss	-	-	270,143	-
Loss on valuation of financial liabilities	3,225,675	5	15,881	-
Other loss	<u>20,808</u>	<u>-</u>	<u>380,459</u>	<u>1</u>
	<u>4,904,780</u>	<u>8</u>	<u>2,446,625</u>	<u>4</u>
<b>Net income (loss) before income tax</b>	(997,542)	(2)	7,100,835	11
<b>Income tax expenses (benefit)</b>	<u>(1,024,498)</u>	<u>(2)</u>	<u>820,803</u>	<u>1</u>
<b>Net income</b>	<u>\$ 26,956</u>	<u>-</u>	<u>6,280,032</u>	<u>10</u>
Attributable to				
Parent company	\$ 5,291	-	6,282,544	10
Minority interest	<u>21,665</u>	<u>-</u>	<u>(2,512)</u>	<u>-</u>
	<u>\$ 26,956</u>	<u>-</u>	<u>6,280,032</u>	<u>10</u>
	<b>Before tax</b>	<b>After tax</b>	<b>Before tax</b>	<b>After tax</b>
<b>Earnings per share-basic (dollars)</b>	<u>\$ (0.502)</u>	<u>0.002</u>	<u>3.243</u>	<u>2.905</u>
<b>Earnings (loss) per share-diluted (dollars)</b>	<u>\$ (0.502)</u>	<u>0.002</u>	<u>3.221</u>	<u>2.885</u>

**WAN HAI LINES LTD.**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2008 and 2007**  
**(expressed in thousands of New Taiwan dollars)**

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Accumulated Translation Adjustments	Unrecognized Pension Cost	Unrealized Gain or Loss on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	Minority Interest	Total
<b>Balance on January 1, 2007</b>	\$ 20,570,954	2,282,366	3,760,861	259,285	3,225,417	(339,499)	(242,071)	(255,271)	1,527	(38,023)	47,943	29,273,489
Appropriations of retained earnings :												
Legal reserve	-	-	311,071	-	(311,071)	-	-	-	-	-	-	-
Special reserve	-	-	-	578,833	(578,833)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,262,805)	-	-	-	-	-	-	(2,262,805)
Bonus to employees	-	-	-	-	(23,090)	-	-	-	-	-	-	(23,090)
Remuneration to directors and supervisors	-	-	-	-	(23,090)	-	-	-	-	-	-	(23,090)
Net income for the year ended December 31, 2007	-	-	-	-	6,282,544	-	-	-	-	-	(2,512)	6,280,032
Convertible bonds converted into common stock	151,961	193,448	-	-	-	-	-	-	-	-	-	345,409
Valuation adjustment of available for sale financial assets	-	-	-	-	-	-	-	(81,551)	-	-	-	(81,551)
Unrealized profit or loss on cash flow hedge	-	-	-	-	-	-	-	335,318	-	-	-	335,318
Accumulated translation adjustments	-	-	-	-	-	(56,622)	-	-	-	-	-	(56,622)
Net loss not recognized as pension cost	-	-	-	-	-	-	24,914	-	-	-	-	24,914
Minority interest	-	-	-	-	-	-	-	-	-	-	3,019	3,019
Cash dividends paid to subsidiary for treasury stock	-	4,899	-	-	-	-	-	-	-	-	-	4,899
<b>Balance on December 31, 2007</b>	<u>20,722,915</u>	<u>2,480,713</u>	<u>4,071,932</u>	<u>838,118</u>	<u>6,309,072</u>	<u>(396,121)</u>	<u>(217,157)</u>	<u>(1,504)</u>	<u>1,527</u>	<u>(38,023)</u>	<u>48,450</u>	<u>33,819,922</u>
Appropriations of retained earnings :												
Legal reserve	-	-	628,255	-	(628,255)	-	-	-	-	-	-	-
Special reserve	-	-	-	(264,604)	264,604	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(4,572,387)	-	-	-	-	-	-	(4,572,387)
Stock dividends	1,039,179	-	-	-	(1,039,179)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	(57,261)	-	-	-	-	-	-	(57,261)
Remuneration to directors and supervisors	-	-	-	-	(57,261)	-	-	-	-	-	-	(57,261)
Net income for the year ended December 31, 2008	-	-	-	-	5,291	-	-	-	-	-	21,665	26,956
Treasury stock	-	-	-	-	-	-	-	-	-	(424,946)	-	(424,946)
Treasury stock retired	(265,244)	(72,226)	-	-	-	-	-	-	-	337,470	-	-
Convertible bonds converted into common stock	60,663	77,225	-	-	-	-	-	-	-	-	-	137,888
Valuation adjustment of available for sale financial assets	-	-	-	-	-	-	-	(1,636,500)	-	-	-	(1,636,500)
Unrealized profit or loss on cash flow hedge	-	-	-	-	-	-	-	(23,372)	-	-	-	(23,372)
Accumulated translation adjustments	-	-	-	-	-	394,478	-	-	-	-	-	394,478
Net loss not recognized as pension cost	-	-	-	-	-	-	79,852	-	-	-	-	79,852
Minority interest	-	-	-	-	-	-	-	-	-	-	73,661	73,661
Cash dividends paid to subsidiary for treasury stock	-	9,853	-	-	-	-	-	-	-	-	-	9,853
<b>Balance on December 31, 2008</b>	<u>\$ 21,557,513</u>	<u>2,495,565</u>	<u>4,700,187</u>	<u>573,514</u>	<u>224,624</u>	<u>(1,643)</u>	<u>(137,305)</u>	<u>(1,661,376)</u>	<u>1,527</u>	<u>(125,499)</u>	<u>143,776</u>	<u>27,770,883</u>

**WAN HAI LINES LTD.**  
**Consolidated Statements of Cash Flows**

For the years ended December 31, 2008 and 2007  
 (expressed in thousands of New Taiwan dollars)

	2008	2007
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	\$ 26,956	6,280,032
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	5,174,336	4,263,586
Amortization	82,230	71,743
Income from equity investments	(38,859)	(34,137)
Cash dividend from subsidiary	31,934	22,812
Gain on disposal of fixed assets	(466,751)	(481,477)
Fix assets transferred to expenses	29	112,711
Loss on impairment of financial assets measured at cost	-	270,143
Deferred income tax benefit	(1,092,585)	(38,024)
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss, net-current	1,091,053	2,856,994
Notes receivable and accounts receivable	1,363,420	(688,629)
Other receivables	145,004	(516,817)
Fullest	636,909	(697,325)
Receivables from agents	244,116	(309,302)
Other current assets	1,542,190	41,801
Financial assets at fair value through profit or loss, net-non current	(323,823)	(66,337)
Financial liabilities at fair value through profit or loss, net-current	5,239,576	80,997
Account payable	(1,171,379)	1,093,730
Income tax payables	(431,520)	384,326
Accrued expenses	(237,654)	387,014
Payables to agents	1,782	(9,067)
Other current liabilities	360,614	606,559
Financial liabilities at fair value through profit or loss, net-non current	(4,791,779)	(206,217)
Accrued pension liabilities	1,921	(1,529)
<b>Net cash provided by operating activities</b>	<u>7,387,720</u>	<u>13,423,587</u>
<b>Cash flows from investing activities:</b>		
Increase in other long term investments, net	(82)	(6,525)
Decrease in available for sale financial assets-current, net	44,720	1,905,166
Decrease in available for sale financial assets-non current, net	-	123,882
Decrease in bond portfolios with inactive market	1,756,283	16,454
Increase in financial assets measured at cost-non current	(234,375)	(141,794)
Payments for acquisition of fixed assets	(7,415,441)	(19,801,148)
Proceeds from sales of fixed assets	9,419,962	4,523,410
Decrease in restricted assets	300	15,678
Decrease (increase) in other assets	156	(283)
Increase in refundable deposits	(35,619)	11,236
Increase in deferred charges	-	(6,139)
Increase in intangible assets	(21,170)	(2,870)
<b>Net cash used in investing activities</b>	<u>3,514,734</u>	<u>(13,362,933)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short term loans	\$ (6,066,866)	3,611,959
Increase in convertible bonds payable	8,116	18,185
Decrease in long term loans	(3,593,237)	(2,478,620)
Increase (decrease) in guarantee deposits received	7,090	(2,563)
Increase (decrease) in other liabilities	(177,059)	176,814
Change of minority interest	73,661	-
Payment of bonus to employees and remuneration to directors and supervisors	(114,522)	(46,180)
Cash dividends	(4,562,534)	(2,257,906)
Treasury stock transactions	(424,946)	-
<b>Net cash used in financing activities</b>	<u>(14,850,297)</u>	<u>(978,311)</u>
Effect of exchange rate change	275,940	218,556
Effect of first time inclusion of merged subsidiary	-	(3,389)
<b>Net decrease in cash and cash equivalents</b>	<u>(3,671,903)</u>	<u>(702,490)</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>18,984,158</u>	<u>19,686,648</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 15,312,255</u>	<u>\$ 18,984,158</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest (excluding capitalized interest)	<u>\$ 1,542,891</u>	<u>1,689,049</u>
Cash paid for income tax	<u>\$ 485,989</u>	<u>382,697</u>
<b>Investing and financing activities not affecting cash flows:</b>		
Current portion of bonds payable within one year	<u>\$ 3,000,000</u>	<u>129,772</u>
Current portion of long term loans due within one year	<u>\$ 3,467,873</u>	<u>3,594,533</u>
Decrease in accrued pension liabilities and unrecognized pension cost	<u>\$ 79,852</u>	<u>24,914</u>
Convertible bonds converted into common stock and capital surplus	<u>\$ 137,888</u>	<u>345,409</u>
Accumulated translation adjustments	<u>\$ 394,478</u>	<u>(56,622)</u>
Valuation adjustment of available for sale financial assets	<u>\$ (1,636,500)</u>	<u>(81,551)</u>
Unrealized profit or loss on cash flow hedge	<u>\$ (23,372)</u>	<u>335,318</u>
<b>Others:</b>		
Payments for acquisition of fixed assets:	\$ 7,016,937	20,196,907
Add: payables for purchase of equipment at beginning of year	398,504	2,718
Add: transferred to fixed assets	-	27
Less: payables for purchase of equipment at end of period	-	(398,504)
Cash payments	<u>\$ 7,415,441</u>	<u>19,801,148</u>
Proceeds from sales of fixed assets	\$ 9,412,312	4,522,745
Add: other receivables at beginning of year	8,719	9,384
Less: other receivables at end of period	(1,069)	(8,719)
Cash received	<u>\$ 9,419,962</u>	<u>4,523,410</u>

## 2. Notes to Consolidated Financial Statements

(All amounts expressed in thousands of New Taiwan dollars unless otherwise specified)

### (1) Organization

Wan Hai Lines Ltd. (the Company) was incorporated as a company limited by shares on February 24, 1965. The Company is primarily involved in the business of international sea transportation, shipping agencies, container storage service, and the sales and rentals of vessels and containers.

The Company set up branches in Taiwan (Keelung, Kaohsiung and Taichung) to function as shipping agencies and container freight stations.

The Company was approved by the former Securities and Futures Commission (now the Securities and Futures Bureau (SFB)) to have its stock publicly listed on the Taiwan Stock Exchange in May 1996.

On October 29, the board of directors resolved to merged with Yi Chun Express Co. the merger was accomplished on November 5, 2008. Yi Chun Express Co. was the dissolved party and WHL (the Company) was the surviving party.

The companies in which the Consolidated Company owns more than 50% of the voting stock or which the Consolidated Company has the power to control are classified as subsidiaries.

As of December 31, 2008 and 2007, the names of these subsidiaries were as follows:

Holding company	Name of subsidiaries	Activities	Directly or indirectly held percentage	
			December 31, 2008	December 31, 2007
The Company	Wan Hai Lines (Singapore) Pte Ltd.(WHL-Singapore)	International freight transportation, acting as agent for transport affairs, leasing of vessels, and container chartering	100.00	100.00
The Company	Wan Hai Lines (America) Ltd.(WHL-America)	International freight transportation and acting as agent for transport affairs	100.00	100.00
The Company	Yi Chun Express Co., Ltd. (YCSC)	As above	-	99.99
The Company	T.K. Logistics International Co., Ltd. (TK)	Managing container terminals and storage facilities	55.00	55.00
The Company	k.k. WH Corporation (WH Corporation)	Operating and managing of container yard	100.00	100.00
The Company	Wan Hai Lines (Germany) GmbH(WHL-Germany)	Management of European agency	100.00	100.00
WHL-Singapore	Wan Hai Line (Malaysia) Sdn.Bhd.(WHL-Malaysia)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHL-Singapore	Wan Hai Lines (Hong Kong) Limited (WHL-Hongkong)	As above	100.00	100.00
WHL-Singapore	Wan Hai Lines (Philippines) Inc. (WHL - Philippines)	Acting as agent for transport affairs	100.00	100.00

Investor company	Name of subsidiaries	Activities	Directly or indirectly held percentage	
			December 31, 2008	December 31, 2007
WHL-Singapore	Wan Hai Lines (Korea) Ltd. (WHL-Korea)	As above	100.00	100.00
WHL-Singapore	Wan Hai International Pte Ltd. (WHL-INTL.)	International freight transportation, acting as agent for transport affairs	100.00	100.00
WHL-Singapore	Yi Chun Shipping Agencies Sdn. Bhd.(YCSA)	As above	100.00	100.00
WHL-Singapore	Wan Hai Lines (Thailand) Limited (WHL-Thailand) (note)	As above	49.00	49.00
WHL-INTL.	Wan Hai Lines (India) PVT Ltd.(WHL-India)	As above	100.00	100.00
WHL-Hongkong	Guangzhou Wan Hai I.T. and Network Ltd. (GWHIN)	Information software service	100.00	100.00
WHL-Hongkong	Dawin Logistics (International) Ltd. (DL)	Freight transportation, acting as agent for transport affairs, and investment	100.00	100.00
WHL-Hongkong	Shenzhen Uniwin International Logistics (SUIL)	Freight transportation acting as agent for transport affairs	90.00	90.00
WHL-Hongkong	Shenzhen Asia World Logistics Ltd. (SAWL)	As above	100.00	100.00
WHL-Hongkong	Shanghai Clipper International Shipping Agency Ltd.(SCSA)	As above	45.90	45.90
WHL-Hongkong	Bule Ocean Logistics (Shanghai) Ltd. (BOL)	As above	100.00	100.00

As of December 31, 2008 and 2007, the Company and its subsidiaries had 2,463 and 2,395 employees, respectively.

## (2) Summary of Significant Accounting Policies

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

The Company's consolidated financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and Republic of China generally accepted accounting principles. Significant accounting policies and the measuring basis were as follows:

### 1) Basis of preparation of consolidated financial statements

The companies in which the Consolidated Company owns more than 50% of the voting stock or which the Consolidated Company has the power to control are classified as subsidiaries. All above subsidiaries were included in the consolidated financial statements.

All material inter company transactions have been eliminated in the consolidated financial statements.

### 2) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

### 3) Foreign currency transactions

Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at foreign exchange rates at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

The Company's reporting currency is the New Taiwan dollar. For subsidiaries, if the local currency is not functional currency, a remeasurement of the financial statements into the functional currency is performed first, and the remeasuring differences are accounted for as exchange gains or losses in the statements of income.

#### 4) Principles of classifying assets and liabilities as current and non-current

Cash or cash equivalents, and assets that will be held primarily for the purpose of trading or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets shall be classified as non-current.

Liabilities that will be held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities shall be classified as non-current.

#### 5) Impairment of assets

The Consolidated Company does not have goodwill. The Consolidated Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Consolidated Company estimates the recoverable amount of the asset. The Consolidated Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Consolidated Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

#### 6) Cash equivalents

All highly liquid investments with a maturity of three months or less at the date of purchase that can be timely converted into a fixed amount of cash and for which a change in interest rate would not materially affect their value are considered to be cash equivalents, including Treasury bills, commercial paper and bank acceptances maturing within 3 months of the investment date.

#### 7) Financial instrument measurement on initial recognition

At initial recognition, a financial instrument is recognized at fair value plus, in the case of a financial instrument not at fair value through profit or loss, directly attributable transaction costs. A regular way purchase or sale of financial assets is recognized and derecognized using the trade date.

#### 8) Financial assets

The Consolidated Company accounts for financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement", which classifies financial assets into one of the following categories: financial assets at fair value through profit or loss, available-for-sale-financial assets, financial assets carried at cost, and bond portfolios with inactive market.

##### 1. Financial instruments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial instruments with fair value changes recognized in profit or loss should be measured at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value; however, if a quoted market price is not available, fair value should be estimated using the best information available in the circumstances or estimated using pricing models. Estimation of fair value is usually based on recent trading prices of such financial instruments and supplemented by related valuation techniques available.

The realized and unrealized gain or loss on financial instruments whose changes in fair value are recognized in earnings should be recognized in current year's net income or loss. Interest income (expense) received (paid) during the holding period are recorded under "interest income (expense)" and "gain (loss) on financial instruments at fair value through profit or loss", respectively. Financial instruments for trading purposes are acquired or issued principally for the purpose of selling or repurchasing them in the short term. Derivative financial instruments can only be reclassified to this category if they are not designated and effective hedging instruments.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognized in the income statement.

2. Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in a subsequent period, the amount of the impairment loss decreases, then for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

3. Financial assets measured at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

4. Bond portfolios with inactive market

Bond portfolios with inactive market are those that do not have public quotes in an active market and are recorded at amortized cost. When there is objective evidence which indicates that bond investments are impaired, impairment loss should be recognized. However, if there is any indication that the impairment loss recognized has decreased in a subsequent period, it should be reversed and recognized in current year's income. After reversal, the book value should not be greater than unamortized cost.

9) Derivative instruments and hedging activities

The Consolidated Company designates derivatives as hedges of operating, financing and investment risk. Pursuant to the policy, the Consolidated Company does not hold or issue derivatives for trading purposes. The Consolidated Company accounts for financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement"; derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values or changes in the cash flow of the hedging instrument and the hedged item.

Changes in the fair value of a hedging instrument are recognized directly in equity. If a hedge of a forecasted transaction subsequently results in the recognition of an asset or a liability, then the amount recognized in equity is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For hedges other than those covered by the preceding statement, the associated cumulative gain or loss is removed from equity and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

10) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on the estimated collectibility of receivables and analysis of the aging of receivables.

11) Fuels

Fuels are recorded at cost, which is determined by the FIFO method, and accounted for under the lower-of-cost-or-market method in gross amount, with market value representing replacement cost.

12) Equity investments under equity method

Long term investments are accounted for under the equity method when the percentage of ownership held by the Company and its subsidiaries exceeds 20%, or when the Company and its subsidiaries own less than 20% of the investee's common stock ownership but have significant influence on the investee's operation.

The Consolidated Company adopts revised ROC Statement of Financial Accounting Standards No. 5 (SFAS No. 5) "Long term Investments under Equity Method". In accordance with SFAS No. 5, the difference between the cost of the investment and the amount of underlying equity in net assets of an investee is treated as follows:

1. The difference resulting from depreciable, depleted, or amortizable assets is amortized over the estimated remaining economic years.
2. The difference between the carrying amount and fair value of non depreciated assets is written off entirely when the reason for the difference disappears.
3. The difference resulting from the cost of investment in excess of the fair value of identifiable net assets is recognized as goodwill. The Company should evaluate if the goodwill is impaired on the balance sheet date. If objective evidence of such has been identified, the Consolidated Company should evaluate impairment loss on goodwill.
4. The difference resulting from the fair value of identifiable net assets in excess of the cost of investment would firstly decrease the carrying amount of non current assets proportionally; when the carrying amount of non current assets is decreased to zero, the remaining difference is through extraordinary gain or loss.
5. The difference between cost and net equity which cannot be analyzed was amortized using the straight line method over five years before 2006. The remaining difference is no longer amortized from January 1, 2006.

When a long term investment under the equity method is sold, the difference between the cost and the selling price at the disposal date is recognized as gain (loss) from disposal of long term equity investment. If there is any capital surplus resulting from long term investments, the Consolidated Company recognizes it as current income (loss) by the percentage sold.

Unrealized inter affiliate profits or losses resulting from transactions between the Consolidated Companies and investees accounted for under the equity method are deferred until realized, or are amortized based on the useful lives of the assets that give rise to such unrealized profits or losses; other deferred gains or losses are recognized in the realized year.

If an investor company has significant influence but not control over an investee company, and if an investor company's share of an investee company's losses equals or exceeds the carrying amount of an investment accounted for under the equity method, plus advances made by an investor company, then the recognized investment losses shall be limited to the extent that makes the book value of a long term investment and advances equal to zero. However, if any of the following conditions is met, the investor company shall continue to recognize investment losses in proportion to its stock ownership percentage:

1. the investor company intends to continue its support for the investee company, or
2. the investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations in the near future.

Such credit balance on the book value of a long term equity investment and advances shall be treated as a liability on the balance sheet. If an investee company subsequently reports net income, an investor company shall resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

For investees over which the Company has control ability, the Company recognized fully investment losses when the equity in net assets of such investees is negative and the Company has a binding obligation to, and is able to, make good the losses. The investor company should recognize the losses of the investee; once the investee company starts to earn a profit, the profit should be recognized by the investor company under the equity method.

### 13) Fixed assets and related depreciation

Land is stated at acquisition cost, which can be revaluated in accordance with related laws. Reserve for land appreciation tax is allocated and recorded as other liabilities. During a land transfer, both land revaluation increments and the reserves for land revaluation increment tax should be transferred with the acquisition cost of such land.

Fixed assets, except for land, are stated at acquisition cost, including capitalization of interest and certain expenses which were incurred in connection with the construction of a plant and the installation of machinery and equipment. Major renewals, additions and improvements are capitalized, while maintenance and repairs are expensed. Fixed assets without use value or left unused should be reclassified as idle assets, where the cost, cumulative depreciation and cumulative impairment of such assets are all transferred to depreciation of idle assets.

Starting from November 20, 2008, in accordance with Accounting Research and Development Foundation Interpretation (97) No. 340, the residual value, useful life, and amortization method of property and equipment should be evaluated at least annually.

Apart from land, useful lives of fixed assets were as follows:

Assets	The Company	Subsidiaries
Buildings	43~56 years	30 years
Containers	1~8 years	2~16 years
Computer equipment	3 years	3~10 years
Vessel equipment	15~18 years	2~16 years
Privileged wharf equipment	3~5 years	3 years
Leasehold improvement	-	3~7 years
Furniture and fixtures	1~7 years	3~13 years

The consolidated company sold assets, and leased them back under operation lease. The disposal gain or loss should be deferred, recorded as unrealized gain or loss on sale and lease back, and amortized in the period of leased.

### 14) Intangible assets

Effective from January 1, 2007, the Consolidated Company adopted Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets". In accordance with SFAS No. 37, other than an intangible asset acquired by way of a government grant, which should be measured at its fair value, an intangible asset shall be measured initially at cost.

After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the related laws, less any accumulated amortization and any accumulated impairment losses.

The depreciable amount of an intangible asset is determined after deducting its residual value. Amortization is recognized as an expense on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Assets	Useful lives
Computer software	3 years

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

#### 15) Deferred charges

Assets	The Company	Subsidiaries
Cost of water and electricity system installation, cost of issuing bonds, and cost of equipment, privileged wharf construction, decoration	3~16 years	3~30 years

#### 16) Financial liabilities

The Consolidated Company adopted Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement".

Financial liabilities for trading purpose or whose changes in fair value are charged to the profit or loss are recorded in financial liabilities at fair value through profit or loss. Financial liabilities should be classified as current and non-current. Financial instruments that are hedging instruments but do not adopt hedge accounting are classified as held for trading purposes.

#### 17) Convertible bonds

Convertible bonds issued by the Company on or before January 1, 2006, continue to be recognized as a liability at the issued price.

When convertible bondholders exercise their conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the common stock, and the excess is credited to capital surplus.

#### 18) Pension

The Company set up an employee retirement plan in January 1981 covering all its regular employees (exclusive of crewmembers, certain contract employees, and temporary contract employees). Under this plan, all employees contributed 4% of their salaries to the employees' pension fund, and the Company deposited the same amount. After the Labor Standards Law was promulgated in August 1984, employees stopped contributing, and the part of the fund contributed by employees was returned to the employees. The part of the fund contributed by the Company will be paid to employees based on years of service before 1984 when they retire.

Under the defined benefit pension scheme under the Labor Standards Law, the employees' pensions are calculated based on the employees' years of service and average monthly salaries or wages during the year before retirement.

In accordance with the requirements of the ROC Labor Standards Law, the Company has contributed monthly payments of 15% of salaries and wages to a retirement fund maintained with Bank of Taiwan.

The R.O.C. Labor Pension Act ("the Act"), effective from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Company who were hired before July 1, 2005, may elect to be subject to either the Act and maintain their service years before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Company after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Company is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages and to deposit the contribution in a personal retirement benefit account.

Pursuant to the Act, the Company contributed cash at the rate of 6% of gross salary of each employee to the Council of Labor Affairs. This contribution is recognized as pension expenses for the current period when the contribution is actually made.

For the defined benefit pension plan, the end of fiscal year is the measurement date of the actuarial report. When the accumulated benefit obligation exceeds the fair value of plan assets, the difference is recognized as a minimum pension liability. Net periodic pension cost recognized includes the current service cost, net transition asset or obligation, prior service cost, and unrecognized gain (loss) on the pension plan, which is amortized on a straight-line basis over the expected average remaining service period.

In accordance with local law and regulations, the employee pension plans of the consolidated subsidiaries are defined contribution pension plans, and the consolidated subsidiaries make contributions at the rate required.

#### 19) Treasury stock

When the Consolidated Company buys back issued stock, it applies the provisions of Statement of Financial Accounting Standards (SFAS) No. 30, "Accounting for Treasury Stock", to debit the treasury stock account in the amount of cost paid. When the disposal price of treasury stock is higher than the cost, the difference is credited to capital surplus-treasury stock; otherwise, the cost in excess of the price is debited to capital surplus generated from the same type of treasury stock transactions. If the capital surplus-treasury stock account is insufficient to cover the cost in excess of the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average cost and is calculated by each group according to the reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from the same type of treasury stock transactions. If the capital surplus-treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

**20) Bonus to employees and remuneration to directors and supervisors**

Employees' bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are accounted for by Interpretation (96) 052 issued by the Accounting Research and Development Foundation. The Consolidated Company estimates the amount of employees' bonuses and directors' and supervisors' remuneration according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as current profit or loss.

**21) Revenue and cost recognition**

Before freight arrives, revenues should be recognized as the estimated recoverable amount of cost incurred (zero profit method). Unrecognized revenue will be recognized after freight arrives.

**22) Income tax**

Income tax is estimated based on the accounting income. Deferred tax liabilities are recognized for the tax consequences of taxable temporary differences by applying enacted statutory tax rates, and deferred tax assets are recognized for the tax consequences of deductible temporary differences, operating loss carryforwards, and tax credits. The allowance for deferred tax assets is based on the possibility of deferred tax assets being realized in future years.

Deferred income tax assets and liabilities are classified as current or non-current in accordance with the underlying assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or non current according to the expected period of realization.

The 10% surtax on undistributed retained earnings is recognized as current expense on the date of the stockholders' meeting resolution.

Tax expenses of the consolidated subsidiaries are according to the local tax law of each of the consolidated subsidiaries. Tax expense of the Consolidated Company is the sum of tax expenses of the consolidated entities.

**23) Earnings per share**

Basic earnings per share are calculated based on the weighted-average number of common shares outstanding during the year. The effect on earnings per share from an increase in stock through stock dividends distributed from unappropriated earnings or capital surplus is computed retroactively.

Convertible corporate bonds and estimated bonus to employees are regarded as potential common stock. If potential common stock would dilute earnings per share, the Company has to disclose basic earnings per share and diluted earnings per share. The calculation of diluted earnings per share should consider the effect on net income and outstanding common stock from the potential common stock.

**(3) Reason for and Effect of Changes in Accounting Principle**

Starting from January 1, 2008, the Consolidated Company adopted ROC Statement of Financial Accounting Standards No. 39 (SFAS No. 39), "Financial Instruments: Share based Payment" and Accounting Research and Development Foundation Interpretation (96) No. 052. The share-based payment transactions, such as payment of bonus to employees and remuneration to directors and supervisors, should be accounted for by SFAS No.39 and the Interpretation. The change in accounting principle is not significant effect for the consolidated financial statements.

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

## VII. Financial status review, analysis, and risk items

### A. Financial status comparison

Unit : TWD 1,000

Item \ Year	2008	2007	Difference	
			Amounts	%
Current assets	20,639,117	33,784,842	(13,145,725)	(38.91)
Long-term investment	16,559,449	15,083,695	1,475,754	9.78
Fixed assets	11,644,299	10,430,001	1,214,298	11.64
Other assets	1,102,444	855,925	246,519	28.80
Total assets	49,961,561	60,163,518	(10,201,957)	(16.96)
Current liabilities	13,178,721	13,238,108	(59,387)	(0.45)
Long-term liabilities	8,696,122	12,393,749	(3,697,627)	(29.83)
Other liabilities	459,611	760,189	(300,578)	(39.54)
Total liabilities	22,334,454	26,392,046	(4,057,592)	(15.37)
Capital stock	21,557,513	20,722,915	834,598	4.03
Capital reserve	2,495,565	2,480,713	14,852	0.60
Retained earnings	5,498,325	11,219,122	(5,720,797)	(50.99)
Total stockholder's equity	27,627,107	33,771,472	(6,144,365)	(18.19)

#### Illustration for significant variance

- (1) The decrease of current assets in 2008 results from the sale of vessels to Wan Hai Singapore, a subsidiary of Wan Hai Lines Ltd., with TWD 4,102,964 thousand have been received and decreasing the financial investment due to financial crisis.
- (2) The decrease of retained earnings results from the cash dividend TWD4,572,387,000 and stock dividend TWD1,039,179,000.

### B. Analysis of operation results

#### 1. Comparative analysis of operation results

Unit : TWD 1,000

Item \ Year	2008		2007		Increase (Decrease)	Variation percentage (%)
	Subtotal	Total	Subtotal	Total		
Operating revenue	65,169,955		59,323,585		5,846,370	10
Less : operating income return	<u>44,108</u>		<u>44,614</u>		(506)	(1)
Net operating revenue		65,125,847		59,278,971	5,846,876	10
Operating cost		<u>66,460,131</u>		<u>55,909,182</u>	10,550,949	19
Gross profit		(1,334,284)		3,369,789	(4,704,073)	(140)
Operating expense		<u>1,788,477</u>		<u>2,017,490</u>	(229,013)	(11)
Operating profit		(3,122,761)		1,352,299	(4,475,060)	(331)
Nonoperating income and gain		6,888,364		6,297,507	590,857	9
Nonoperating expenses and loss		<u>4,856,745</u>		<u>636,402</u>	4,220,343	663
Net income before income tax		(1,091,142)		7,013,404	(8,104,546)	(116)
Less : income tax		<u>(1,096,433)</u>		<u>730,860</u>	(1,827,293)	(250)
Net income after income tax		<u>\$ 5,291</u>		<u>\$ 6,282,544</u>	(6,277,253)	(100)

- (1) The decrease of gross profit in year 2008 results from the soar of oil price and financial crisis.
- (2) The increase of nonoperating expenses and loss in year 2008 results from financial crisis and increasing unrealized loss of derivative transactions.

#### 2. The impact of gross profit fluctuation: None.

## C. Analysis of short-term liquidity

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

Items \ Year	2008	2007	Increase (Decrease) (%)
Cash flow ratio	59.11	26.87	119.97%
Cash flow adequacy ratio	88.10	88.32	(0.26)%
Cash reinvestment ratio	6.62	2.24	195.34%
Analysis of increase/decrease ratios : The increase of other receivables resulted in the increase on the cash flow ratio and cash reinvestment ratio. The cash flow adequacy ratio decreased due to the increase in cash dividend.			

### 2. Analysis of cash flow for the next year

Unit : TWD 1,000

Cash as of beginning of the year	Cash inflow from operating activities	Cash inflow in the whole year	Cash surplus (insufficiency)	Projected countermeasures for the shortage of cash	
				Investment project	Financial project
9,591,857	1,329,270	2,534,182	13,455,309	-	-

#### (1) Analysis of cash flow for this year

- Operating activities: The expected demand and the average ocean freight rate is expected to drop slightly as compared with the rate of fiscal year 2008. Our company forecasts the cash inflow from the operating activities would be TWD1,329,270,000.
- Investing activities: In year 2009, our company will increase the ratio of leasing containers and decrease the cost of own containers. Moreover, some fixed assets and short-term/long-term investments will be disposed. Our company forecasts the cash inflow from the investing activities would be TWD1,111,794,000.
- Financing activities: The cash inflow is estimated to be TWD1,460,604,000 due to the increase of loan.

#### (2) Solution for insufficient cash and analysis for liquidity: Not applicable.

## D. Analysis of significant capital expenditure and the funding source

### 1. The detail and funding source of significant capital expenditure

Unit : TWD 1,000

Project Item	Actual or expected funding source	Actual or expected completion date	Total amounts needed	Actual or expected capital expenditure (Note2)						
				2006	2007	2008	2009	2010	2011	2012
Purchasing vessels Purchasing containers Investing terminal	Loans:70% interal Funds:30%	New Vessel (Note1) : 3 full-container vessels in year 2006 7 full-container vessels in year 2007 3 full-container vessels in year 2008 2 full-container vessels in year 2009  Invest container terminal in Vietnam	45,258,478	3,930,610	14,967,967	6,556,652	1,415,001	5,518,630	9,761,038	3,108,580

NOTE 1: 10 new-built full-container vessels had been sold to Wan Hai Lines (Singapore) Pte Ltd.

NOTE 2: Including subsidiary company, Wan Hai Lines (Singapore) Pte Ltd., into the planning on actual / forecast of working capital.

### 2. The expected benefit

#### Purchasing new vessels:

- One new full-container vessel with capacities of 6,039 TEUs is leased to MISC. Expected operating revenue will be increased by TWD355,813,000 per year.
- One new full-container vessel with capacities of 4,252TEUs is expected to be deployed in the service routes of CNTAO-CNLYG-CNSHA-CNNBO-HKHKG-CNSHK-SGSIN-MYPKG-AEDBX-IRBND-PKKHI-INMUN-MYPKG-SGAIN-HKHKG-CNTAO, with 42 days per voyage and 9 voyages per year. Expected operating revenue will be increased by TWD513,747,000 per year.
- One new full-container vessel with capacities of 2,646TEUs is expected to be deployed in the service routes of CNSHA-CNNBO-HKHKG-SGSIN-MYPKG-INNSA-LKCMB-MYPKG-SGSIN-HKHKG-CNSHA, with 35 days per voyage and 10 voyages per year. Expected operating revenue will be increased by TWD466,792,000 per year.
- Two new full-container vessels with capacities of 1,805TEUs:
  - One new full-container vessels is expected to be deployed in the service routes of THBKK-THLCH-SGSIN-IDJKT- SGSIN-MYPKG-SGSIN-THLCH-THBKK, with 14 days per voyage and 26 voyages per year. Expected operating revenue will be increased by TWD391,929,000 per year.
  - One new full-container vessels is expected to be deployed in the service routes of SGSIN- MYPKG -INMAA-MYPKG-SGSIN, with 14 days per voyage and 26 voyages per year. Expected operating revenue will be increased by TWD233,018,000 per year.

**E. The main reasons of profit and loss, the improvement plan for the investment policy in the past year, and the investment plan for the next one year:**

To fortify the company's position in the market, enhance service standards to customers, and reduce operating costs, we have invested in outstanding companies that are involved shipping-related businesses. The profit generated from investing them amounted to TWD 5,279,272,000 was mainly due to earnings from vessel chartering activities. As for long-term investments plans in future, there are neither new projects for this year nor any investing plan for the next year.

**F. Analysis regarding risk items for the past year and up to the annual report publishing date:**

- (1) The influence of interest rate variation, foreign exchange rate variation, and inflation on the net income of the company and the future reaction.  
The company's short-term loan cost reduced due to lower interest rates in recent years, as a result, the fluctuation of interest rate will not influence the company's profit dramatically. In respect to foreign exchange exposure, although the company's USD income is greater than its expenses, exposure to exchange rate fluctuations has been minimized by USD loans and financial derivatives. Inflation risk has been inconspicuous in Taiwan in recently years.
- (2) The policy and main reasons of profit and loss regarding: high risk, high leverage investments, fund loaned to other parties, endorsed guarantees, and derivative transactions.  
The company controls its cash flow in safe and liquidity is a first concern and thus it is not involved in high risk or high leverage investments. The company only lend funds to Wan Hai Lines (Singapore) Pte. Ltd. The company provides guarantees for Wan Hai Lines (Singapore) Pte. Ltd. on long-term vessel loans and TK Logistics(International) Ltd. on operating capital and construction funds. The company engages in derivative transactions to minimize its exposure to fuel price volatility. During the past few years the company has benefited from these transactions. In order to further minimize exchange and interest rate risks the company also engages in options and swaps.
- (3) The estimated expenses for future research and development plans.  
In the future, the company will continue to follow our long-term goals and objectives to develop services that cover Mainland China, India, West Asia, U.S.A., and Europe. The company plans to level up competitiveness by replacing the old vessels with new ones and increasing self-owned vessels.
- (4) The influence of changes in major domestic/ foreign policies toward the company's financials and the company's reaction.  
All foreign and domestic changes in policy and law had no apparent influence toward our company so far. We adhere to all rules and regulations set by authorities.
- (5) Technical and industrial influences to the company's financials and the company's reaction.  
Technology develops rapidly. Based on business demand, the company increases IT capital expenditure and enhances both hardware and software facilities. In consideration of efficiency and safety, the company is effectively increasing the financial managing ability as well as planning financial operations.
- (6) Any changes of company image that have influenced our corporate crisis management.  
None
- (7) Anticipated benefits and possible risks from mergers and acquisitions.  
None
- (8) Anticipated benefit and possible risk from expanding factories.  
None
- (9) Risks from centralization of stocking or sales.  
None
- (10) The influence and risk from the share transfer and change from the company directors, supervisors, and major stockholders who hold over 10% of the company shares.  
None
- (11) The influence and risk from the change of company management.  
None
- (12) For the company directors, supervisors, general managers, the substantial person in charge, and the main stockholders who hold company shares over 10%, the company should list out the decided or in process lawsuit issues which is significant in influencing the shareholders' interests or security prices. The enclosed details shall include the facts, amount, lawsuit starting date, the main parties, and the updated situation up to the annual report publishing date.  
None
- (13) Other important risks.  
None

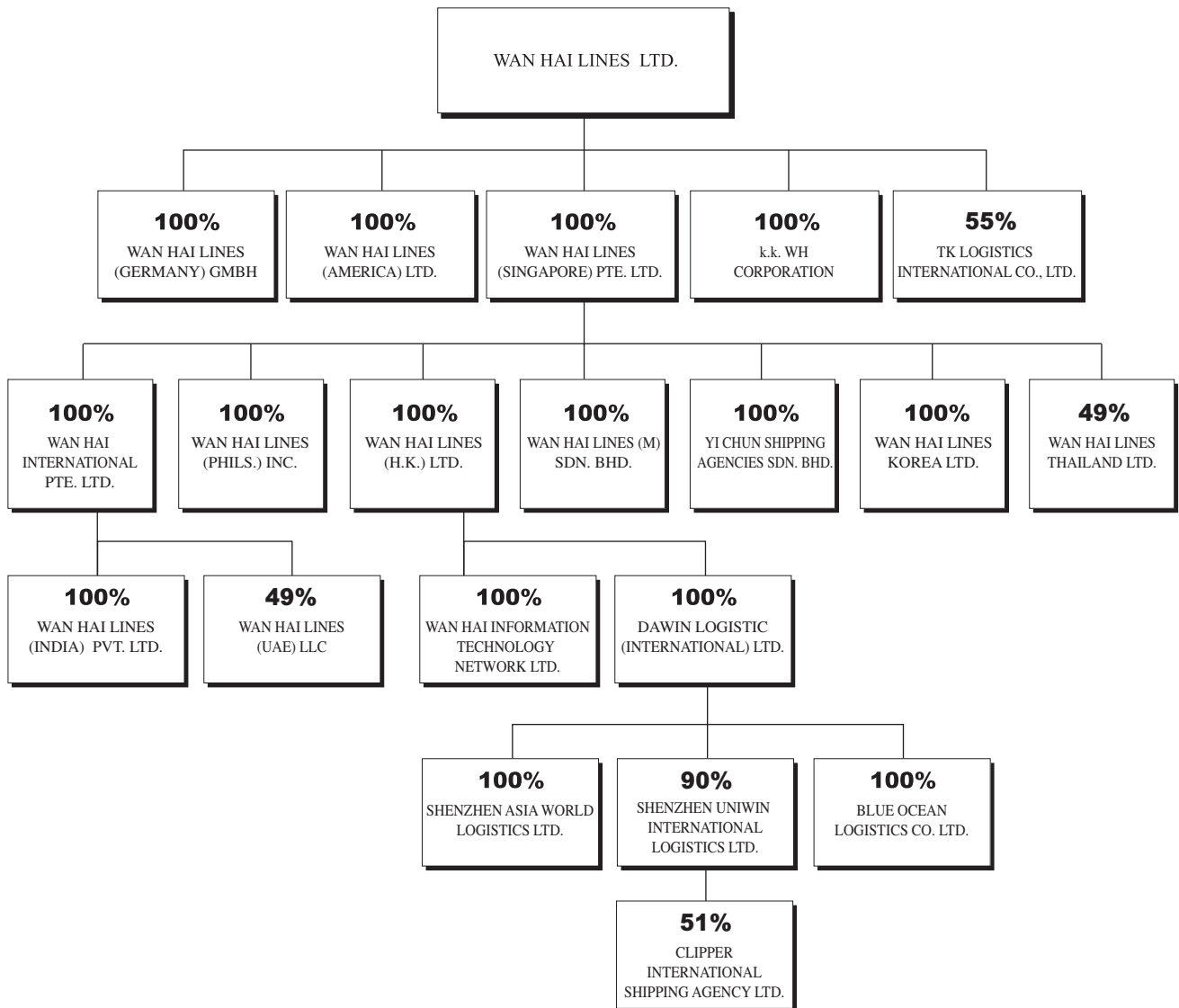
**G. Other significant information : None**

## VIII. Special Items Recorded

### A.Related Parties Information

#### 1. Consolidated Operating Report

Related Parties' Structure



## 2. Related Parties' Basic Information

2008.12.31

Company Name	Establish Date	Address	Capital Amount	Nature of Business
Wan Hai Lines (Phils.) Inc.	2000.10.05	11/F PBCOM Tower 6795 Ayala Avenue cor VA Rufino Sts. Makati City 1226 Philippines	9,015,400(PHP) ex. rate:47.52/32.86	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (HK) Ltd.	1986.10.17	3F.,Singga Comm Centre,148. Connaught Road,West,Central,Hong Kong	15,000,000(HKD) ex. rate:7.7506/32.86	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (Singapore) Pte. Ltd.	1991.05.09	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	184,190,795(USD) ex. rate:1.438/32.86	International sea transportation, operations, agencies for transport affairs, leasing of vessels, and container chartering
Wan Hai Lines (M) Sdn. Bhd.	1992.02.28	35,Jalan Tiara3,Bandar Baru Klang, 41150 Klang,Selangor Malaysia	500,000( MYR) ex. rate:3.458/32.86	International sea transportation, operations, agencies for transport affairs
Yi Chun Shipping Agencies Sdn. Bhd.	1992.10.30	35,Ground Floor,Jalan Tiara3, Bandar Baru Klang,41150 Klang, Selangor,Malaysia	200,000(MYR) ex. rate:3.458/32.86	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines Korea Ltd.	2000.12.14	15th FL., Hanway bldg., 70, Da-Dong, Chung-Gu, Seoul, Korea	100,000,000(WON) ex. rate:1264.7/32.86	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (America) Ltd.	2000.08.16	2510W. Dunlap Ave. Ste 425 Phoenix, AZ 85021	4,000,000(USD) ex. rate:32.86	International sea transportation, operations, agencies for transport affairs
Guangzhou Wan Hai Information Technology Network Ltd.	2000.07.13	RM3503 -3504,35FL.Guangdong Telecom Plaza,18 Zhongshan ER Rd., Guangzhou,China	2,125,450(RMB) ex. rate:6.8211/32.86	Design Computer Softwares
Wan Hai International Pte. Ltd.	1992.09.01	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	50,000(SGD) ex. rate:1.438/32.86	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (India) Pvt. Ltd.	2002.05.28	01,Ground Floor , Bombay Dyeing & Mfg Co.Ltd Admn. Offices Building, Pandurang Budhkar Marg , Worli Mumbai 400 025	100,000(INR) ex. rate:48.52/32.86	International sea transportation, operations, agencies for transport affairs
k.k. WH Corporation	2002.11.27	OI New NO.5 Terminal Bldg. 4F 4-9, Yashio 2-Chome Shinagawa-Ku, Tokyo 140-0003,Japan	25,000,000(YEN) ex. rate:90.3/32.86	Operation & Management of Terminal
Wan Hai Lines (Germany) GmbH	2004.04.29	Brandstwiete 1, 20457 Hamburg, Germany	25,000(EUR) ex. rate:0.7093/32.86	International sea transportation, operations, agencies for transport affairs
Dawin Logistic (International) Ltd.	1980.11.18	2/F.,Singga Comm Centre,144-151 Connaught Road,West,Central,Hong Kong	1,920,000(HKD) ex. rate:7.7506/32.86	Cargo handling, warehousing and haulage service
Shenzhen Asia World Logistics Ltd.	2004.08.09	RM505,5FL. ZhongTie Logistics Bld, ShenYan Road ShenZhen,China	9,831,920(RMB) ex. rate:6.8211/32.86	Cargo handling, warehousing and haulage service
Shenzhen Uniwin International Logistics Ltd.	2002.06.14	25/F Tianmian City BLD.,MID. Shennan Road, Shenzhen, China.	17,228,668(RMB) ex. rate:6.8211/32.86	Agencies for handling cargos and related business
Clipper International Shipping Agency Ltd.	2004.12.30	Room 2205,22FL.Haitong Securities Tower, No. 689 Guangdong Road, Shanghai	1,000,000(RMB) ex. rate:6.8211/32.86	International sea transportation, operations, agencies for transport affairs
TK Logistics International Co., Ltd.	2005.09.26	No.28 Zhong Shan 4th Road Keelung City	260,000,000(TWD)	free trade zone business, international logistics service, stevedoring service, on-dock container terminal and warehouse.
Blue Ocean Logistics Co., Ltd.	2006.09.21	C-802C,Senling Real Estate, No. 469 WuSong Road , Shanghai	7,824,000(RMB) ex. rate:6.8211/32.86	Cargo handling, warehousing and international haulage service.
Wan Hai Lines (UAE) LLC	2004.07.01	C308, Nashwan Building, Al Mankhool Road, Al Rafaa, Bur Dubai, United Arab Emirates	300,000(AED) ex. rate:3.6734/32.86	International sea transportation, operations, agencies for transport affairs
Wan Hai Lines (Thailand) Ltd.	2006.05.01	21 st floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok 10120	5,000,000(THB) ex. rate:34.74/32.86	International sea transportation, operations, agencies for transport affairs

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

4. The business scope covered by the related parties.

The related parties work in various field including marine transportation, warehousing, shipping agency, leasing of vessels and containers with the goal of supplementing Wan Hai's core business.

5. The name of the directors, supervisors, and general manager of related parties and the details of their shareholding or capital contribution in related parties

2008.12.31

Company Name	Title	Name	Position taken date	Tenure	Shareholding on current date		Spouse, minors shareholding	
					shares	%	shares	%
Wan Hai Lines (Phils.) Inc.	Chairman Board of Directors	WH-SG Representative Po-Ting Chen	2000.10.17	—	901,540	100.00%	—	—
	Director & President	WH-SG Representative Hsuan-Hong Lee	2000.10.17	—			—	—
	Director	WH-SG Representative Jen-Yi Liao	2008.03.03	—			—	—
	Director	WH-SG Representative Valeriano Del Rosario	2000.10.17	—			—	—
	Director	WH-SG Representative Cornelio T. Peralta	2000.10.17	—			—	—
Wan Hai Lines Korea Ltd.	Director	WH-SG Representative Hae-Chul Song	2006.10.19	3 year	20,000	100.00%	—	—
	Chairman Board of Directors	WH-SG Representative Po-Ting Chen	2006.10.19	3 year			—	—
	Director	WH-SG Representative Huey-Jiuan Chen	2005.04.15	3 year			—	—
	Director	WH-SG Representative Yi-Cheng Lin	2007.06.15	3 year			—	—
	Statutory Auditor	WH-SG Representative Hsuan-Hong Lee	2006.03.20	3 year			—	—
Wan Hai Lines (M) Sdn. Bhd.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	—	500,000	100.00%	—	—
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	—			—	—
	Director	WH-SG Representative Chu, Han-Peng	2007.02.26	—			—	—
	Director	WH-SG Representative Teck Leong Chua	1994.07.29	—			—	—
	Director	WH-SG Representative Tiong Meng Lim	2000.01.28	—			—	—
Yi Chun Shipping Agencies Sdn. Bhd.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	—	20,000	100.00%	—	—
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	—			—	—
	Director	WH-SG Representative Teck Leong Chua	1994.06.07	—			—	—
	Director	WH-SG Representative Chen Teck Wong	2004.05.31	—			—	—
	President	Teck Leong Chua	1998.08.21	—			—	—
Wan Hai Lines (Singapore) Pte. Ltd.	Director	WH-TPE Representative Po-Ting Chen	1994.05.01	1 year	273,496,000	100.00%	—	—
	Director	WH-TPE Representative Chih-Yuan Chen	1994.05.01	1 year			—	—
	Director	WH-TPE Representative Randy Chen	2006.04.01	1 year			—	—
	Director	WH-TPE Representative Huey-Jiuan Chen	2007.07.02	1 year			—	—
Wan Hai Lines (America) Ltd.	Director	WH-TPE Representative Chih-Chao Chen	2000.08.16	—	90,000	100.00%	—	—
	Director	WH-TPE Representative Hsuan-Hong Lee	2000.08.16	—			—	—
	Director	WH-TPE Representative Po-Ting Chen	2000.08.16	—			—	—
	Director	WH-TPE Representative Huey-Jiuan Chen	2004.06.13	—			—	—
	Director	WH-TPE Representative Randy Chen	2008.04.01	—			—	—
Wan Hai International Pte. Ltd.	Director	WH-SG Representative Po-Ting Chen	2002.09.05	1 year	50,000	100%	—	—
	Director	WH-TPE Representative Huey-Jiuan Chen	2007.07.02	1 year			—	—
Wan Hai Information Technology Network Ltd.	Director	WH-HK Representative Po-Ting Chen	2000.07.13	—	—	100%	—	—
	Director	WH-HK Representative Chih-Chao Chen	2000.07.13	—			—	—
	Director	WH-HK Representative Tse-Yu Lin	2000.07.13	—			—	—
Wan Hai Lines (HK) Ltd.	Director	WH-SG Representative Chaw-Chuan Chen	1996.04.01	—	15,000,000	100%	—	—
	Director	WH-SG Representative Ching-Chih Chen	1989.03.20	—			—	—
	Director	WH-SG Representative Chih-Chao Chen	2000.12.05	—			—	—
	Director	WH-SG Representative Wen-Chau Yeh	2005.05.16	—			—	—
	Director	WH-SG Representative Po-Ting Chen	2006.12.04	—			—	—
	Director	WH-SG Representative Wei-Chien Chuang	2006.12.04	—			—	—
	Director	WH-SG Representative Chow Bai Chih	2007.07.01	—			—	—

2008.12.31

Company Name	Title	Name	Position taken date	Tenure	Shareholding on current date		Spouse, minors shareholding	
					shares	%	shares	%
Dawin Logistic (International) Ltd.	Director	WH-HK Representative Po-Ting Chen	2005.07.19	—	1,920,000	100%	—	—
	Director	WH-HK Representative Chih-Chao Chen	2005.07.19	—			—	—
	Director	WH-HK Representative Chaw-Chuan Chen	2005.07.19	—			—	—
	Director	WH-HK Representative Ching-Chih Chen	2005.07.19	—			—	—
	Director	WH-HK Representative Wen-Chau Yeh	2005.07.19	—			—	—
	Director	WH-HK Representative Wei-Chien Chuang	2006.12.04	—			—	—
Shenzhen Asia World Logistics Ltd.	Director	DAWIN Representative Chi-Yin Yeung	2005.07.19	—	—	100%	—	—
	Director	DAWIN Representative Yu-Hung Li	2005.07.19	—			—	—
	Director	DAWIN Representative Hon Hui	2005.07.19	—			—	—
Shenzhen Uniwin International Logistics Ltd.	Director	DAWIN Representative Tse-Yu Lin	2005.07.19	—	—	90%	—	—
	Director	DAWIN Representative Hong-Hui Chen	2005.07.19	—			—	—
	Director	DAWIN Representative Jen-Yee Huang	2005.07.19	—			—	—
	Director	DAWIN Representative Yu-Man Chan	2005.07.19	—			—	—
	Director	DAWIN Representative Chu Kwan Wah	2008.11.13	—			—	—
Clipper International Shipping Agency Ltd.	Director	UNIWIN Representative Lin,Jeong-Shin	2008.12.01	—	—	51%	—	—
	Director	UNIWIN Representative Chok Chin Shen	2008.12.01	—			—	—
	Director	UNIWIN Representative Yeh,Wen-Chau	2008.12.01	—			—	—
Wan Hai Lines (India) Pvt. Ltd.	Director	Wan Hai International Pte.Ltd. Representative Po-Ting Chen	2002.05.30	—	10,000	100%	—	—
	Director	Wan Hai International Pte.Ltd. Representative Huey-Juan Chen	2004.09.01	—			—	—
	Director	Wan Hai International Pte.Ltd. Representative Wen- De Tseng	2008.07.01	—			—	—
k.k. WH Corporation	Representative Director	WH-TPE Representative Ching-Chih Chen	2007.02.18	10year	500	100%	—	—
	Representative Director	WH-TPE Representative Kc Tang	2008.06.01	10year			—	—
	Director	WH-TPE Representative Chao-Hon Chen	2007.02.18	10year			—	—
	Director	WH-TPE Representative Po-Ting Chen	2007.02.18	10year			—	—
	Supervisor	WH-TPE Representative Rex Huang	2007.02.18	10year			—	—
Wan Hai Lines (Germany) Gmbh	Managing Director Representation	Juang- Jyh Juang	2006.09.01	—	500	100%	—	—
TK Logistics International Co., Ltd.	Chairman Board of directors	"LUCKY OCEAN SHIPPING CO.,LTD " C.C.CHUANG	2008.09.15	3year	2,600,000	10.00%	—	—
	Director	"NEW SPEED TRANSPORTATION & TERMINAL CORP" Jeffrey Chen	2008.09.15	3year	2,600,000	10.00%	—	—
	Director	"ZANG CHUN ASSETS MANAGEMENT CO., LTD" Billy Chen	2008.09.15	3year	2,600,000	10.00%	—	—
	Director	WH-TPE Representative Huey-Juan Chen	2008.09.15	3year	14,300,000	55.00%	—	—
	Director	WH-TPE Representative Yih-Shun Suen	2008.09.15	3year			—	—
	Director	WH-TPE Representative Chen-Chu Ling	2008.09.15	3year			—	—
	Director	WH-TPE Representative Chih-Heng Wan	2008.09.15	3year			—	—
	Supervisor	WH-TPE Representative Fur-Lung Hsieh	2008.09.15	3year			—	—
	Supervisor	WH-TPE Representative Jenn-Gang Sung	2008.09.15	3year			—	—
Director	DAWIN Representative Huang Jen-Yee	2008.10.28	3year	—			100%	—
Director	DAWIN Representative Lin,Jeong-Shin	2008.10.28	3year		—	—		
Director	DAWIN Representative Cheng,Chia-Yuan	2008.10.28	3year		—	—		
Wan Hai Lines (UAE) LLC	Director	Wan Hai International Pte.Ltd. Representative Po-Ting Chen	2004.04.13	—	147	49%	—	—
	Director	Wan Hai International Pte.Ltd. Representative Hsuan-Hong Lee	2004.04.13	—			—	—
	Director	Sharaf Representative Ibrahim Sharaf	2004.04.13	—	153	51%	—	—
	Director	Sharaf Representative Kapil Celly	2004.04.13	—			—	—
Wan Hai Lines (Thailand) Ltd.	Director	WH-SG Representative Po-Ting Chen	2006.05.01	—	24,500	49%	—	—
	Director	WH-SG Representative Hui-Chung Chen	2006.05.01	—			—	—
	Director	WH-SG Representative Chang-Peng Wu	2006.05.01	—			—	—
	Director	WH-SG Representative Yi-Der Lin	2008.02.06	—			—	—
	Director	Pitak Pisessith	2006.05.01	—	13,000	26%	—	—
	Director	Sumate Lopinich	2006.05.01	—	12,500	25%	—	—

**6. Related parties' financial position & operation results**

Unit : TWD 1,000

 Earnings per share : TWD  
 2008.12.31

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income	Porfit on Operating	Profit Loss	Earning per Share
Wan Hai Lines (Phils.) Inc.	6,234 (PHP 9,015,400)	40,743 (PHP 58,920,228)	46,102 (PHP 66,669,728)	(5,359) (PHP -7,749,500)	32,161 (PHP 46,509,842)	(1,842) (PHP -2,663,666)	(883) (PHP -1,277,373)	(0.98) (PHP -1.42)
Wan Hai Lines (HK) Ltd.	63,595 (HKD 15,000,000)	2,577,285 (HKD 607,897,293)	872,959 (HKD 205,902,566)	1,704,326 (HKD 401,994,727)	1,306,647 (HKD 308,195,398)	165,945 (HKD 39,141,078)	255,573 (HKD 60,281,294)	17.04 (HKD 4.02)
Wan Hai Information Technology Network Ltd.	10,239 (RMB 2,125,450)	11,462 (RMB 2,379,271.20)	2,425 (RMB 503,295.78)	9,037 (RMB 1,875,975.42)	45,290 (RMB 9,401,241)	2,544 (RMB 528,099.21)	1,886 (RMB 391,432.10)	N/A
Dawin Logistic (International) Ltd.	8,140 (HKD 1,920,000)	1,474,719 (HKD 347,837,967)	1,332,662 (HKD 314,331,415)	142,057 (HKD 33,506,552)	538,908 (HKD 127,110,892)	(34,055) (HKD- 8,032,557)	(22,249) (HKD- 5,247,754)	(11.59) (HKD- 2.73)
Shenzhen Asia World Logistics Ltd.	47,364 (RMB 9,831,920)	48,209 (RMB 10,007,176.68)	2,407 (RMB 499,625.43)	45,802 (RMB 9,507,551.25)	21,257 (RMB 4,412,521.05)	(703) (RMB -146,029.99)	(757) (RMB -157,126.49)	N/A
Shenzhen Uniwin International Logistics Ltd.	82,997 (RMB 17,228,668)	1,331,743 (RMB 276,444,095.77)	1,123,997 (RMB 233,320,120.37)	203,036 (RMB 42,146,443.91)	503,857 (RMB 104,590,876.77)	48,998 (RMB 10,170,947.01)	27,765 (RMB 5,763,494.52)	N/A
Clipper International Shipping Agency Ltd.	4,817 (RMB 1,000,000)	457,145 (RMB 94,894,417.01)	447,534 (RMB 92,899,454.78)	9,611 (RMB 1,994,962.23)	50,815 (RMB 10,548,204.06)	15,159 (RMB 3,146,743.01)	11,096 (RMB 2,303,329.65)	N/A
Wan Hai Lines (Singapore) Pte. Ltd.	6,052,510 (USD 184,190,795)	30,273,140 (USD 921,276,310)	17,664,719 (USD 537,575,128)	12,608,421 (USD 383,701,182)	13,078,626 (USD 398,010,544)	4,737,467 (USD 144,171,253)	5,816,550 (USD 177,010,034)	21.26 (USD 0.65)
Wan Hai International Pte. Ltd.	1,143 (SGD 50,000)	505,532 (SGD 22,122,805)	245,464 (SGD 10,741,851)	260,068 (SGD 11,380,954)	200,839 (SGD 8,789,018)	49,942 (SGD 2,185,551)	84,008 (SGD 3,676,328)	1,680.25 (SGD 73.53)
Wan Hai Lines (M) Sdn. Bhd.	4,751 (MYR 500,000)	287,614 (MYR 30,266,876)	151,974 (MYR 15,992,908)	135,640 (MYR 14,273,968)	136,236 (MYR 14,336,689)	22,965 (MYR 2,416,727)	16,658 (MYR 1,752,957)	33.35 (MYR3.51)
Yi Chun Shipping Agencies Sdn. Bhd.	1,901 (MYR 200,000)	2,015 (MYR 212,015)	15 (MYR 1.602)	1,999 (MYR 210,413)	0 (MYR 0)	23 (MYR 2,420)	99 (MYR 10,413)	0.48 (MYR 0.05)
Wan Hai Lines Korea Ltd.	2,598 (WON 100,000,000)	80,727 (WON 3,106,983,079)	91,289 (WON 3,513,503,242)	(10,562) (WON -406,520,163)	68,647 (WON 2,642,045,406)	5,816 (WON 223,857,848)	6,262 (WON 241,015,118)	313.11 (WON 12,051)
Wan Hai Lines (India) Pvt. Ltd.	68 (INR 100,000)	111,310 (INR 164,356,368)	97,602 (INR 144,116,485)	13,707 (INR 20,239,984)	82,216 (INR 121,396,773)	10,802 (INR15,950,097)	6,579 (INR9,714,214)	657.89 (INR971.42)
Wan Hai Lines (America) Ltd.	131,440 (USD4,000,000)	30,958 (USD 942,120)	6,429 (USD 195,646)	24,529 (USD746,474)	245,369 (USD7,467,106)	55,075 (USD 1,676,063)	92,219 (USD 2,806,408)	1,024.57 (USD 31.18)
Wan Hai Lines (Germany) GmbH	1,158 (EUR 25,000)	6,631 (EUR 143,130.51)	3,708 (EUR80,036.10)	2,923 (EUR 63,094.41)	32,429 (EUR 700,000)	2,850 (EUR61,510.75)	1,750 (EUR 37,776.05)	3,500.03 (Eur 75.55)
k.k. WH Corporation	9,097 (JPY25,000,000)	58,045 (JPY159,507,828)	49,498 (JPY136,020,444)	8,547 (JPY23,487,384)	67,145 (JPY184,516,798)	7,304 (JPY 20,070,641)	7,148 (JPY 19,644,175)	14,296.96 (JPY 39,288.35)
TK Logistics International Co., Ltd.	260,000	484,289	237,296	246,993	151,146	27,812	22,107	0.85
Blue Ocean Logistics Co., Ltd.	37,691 (RMB 7,824,000)	45,102 (RMB 9,362,241.13)	7,596 (RMB 1,576,850.14)	37,505 (RMB 7,785,390.99)	9,515 (RMB 1,975,155.88)	969 (RMB201,155.50)	825 (RMB 171,202.65)	N/A
Wan Hai Lines (UAE) LLC	2,684 (AED 300,000)	139,390 (AED 15,582,360)	52,536 (AED 5,873,011)	86,854 (AED 9,709,349)	139,740 (AED 15,621,449)	82,293 (AED 9,199,491)	82,651 (AED 9,239,512)	275,503.47 (AED 30,798.37)
Wan Hai Lines (Thailand) Ltd.	4,729 (THB 5,000,000)	27,896 (THB 29,491,899)	12,077 (THB 12,767,474)	15,819 (THB16,724,425)	67,127 (THB 70,967,952)	11,068 (THB 11,701,077)	7,733 (THB 8,175,720)	154.66 (THB 163.51)

20081231 CLOSE RATE

 USD/NTD : 32.86    USD/HKD : 7.7506    USD/SGD : 1.438    USD/MYR : 3.458    USD/WON(KRW) : 1264.70    USD/PHP : 47.52    USD/RMB : 6.8211    USD/INR : 48.52    USD/YEN(JPY) : 90.30  
 USD/EUR : 0.7093    USD/AED : 3.6734    USD/THB : 34.74

- B ∨ The detail of private-equity over the past year and up to the annual report publishing date: None.
  
- C ∨ The acquisition or disposal of parent's shares by subsidiary over the past year and up to the annual report publishing date: None.
  
- D ∨ These events that had substantial impacts on shareholders' equity or securities prices described on Article 36 of the Securities and Exchange Act over the past year and up to the annual report publishing date: None.
  
- E ∨ Other necessary disclosure: None.



**WAN HAI LINES LTD.**

**CHAIRMAN : P. T. CHEN**



# WAN HAI LINES LTD.

## ANNUAL REPORT 2008

---

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

Head office: 10F., No.136 Sung Chiang Rd., Taipei, Taiwan, R.O.C.  
Neihu Office: 5F., No. 185, Sec. 2, Tiding Blvd., Taipei, Taiwan, R.O.C.  
Tel: +886-2-2567-7961 (50 Lines)  
Website: <http://www.wanhai.com.tw>

---

### Keelung Branch

7F., No. 255 Rern 2<sup>nd</sup> Rd., Keelung, Taiwan, R.O.C.  
Tel: +886-2-2424-8176~9

### Taichung Branch

6F.-2, No. 396, Ying Tsai Rd., Taichung, Taiwan, R.O.C.  
Tel: +886-4-2328-7008

### Kaohsiung Branch

12F., No. 456, Chung Shiao 1 Rd., Kaohsiung, Taiwan, R.O.C.  
Tel: +886-7-236-9636 (15 Lines)

---

### Spokesman

Name: Ms. Laura Su  
Position: Administration Division Vice President  
Tel: +886-2-2567-7961 ext. 6350  
E-mail Address: [laura\\_su@wanhai.com](mailto:laura_su@wanhai.com)

### Deputy Spokesman

Name: Mr. James Yeh  
Position: Senior Vice President  
Tel: +886-2-2567-7961 ext. 6169  
E-mail Address: [James\\_Yeh@wanhai.com](mailto:James_Yeh@wanhai.com)

---

### Stock Transfer Underwriter

Name: Hua Nan Securities Co., Ltd. Department of registrar  
Address: 4F., No.54, Ming-Sheng East Road, Taipei, R.O.C.  
Tel: +886-2-2718-6425  
Website: <http://www.entrust.com.tw>

---

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

CPA: Lily Lu, Fang Yen Ling  
Firm name: KPMG Certified Public Accountants  
Address: 68F, TAIPEI 101 TOWER, No.7, Sec.5, Xinyi Road, Taipei, 11049, Taiwan, R.O.C  
Tel: +886-2-8101-6666  
Website: <http://www.kpmg.com.tw>

---

### Basic Information of ECB

Place where ECB are listed: Luxembourg Stock Exchange  
Website of ECB Website: <http://newmops.tse.com.tw>



[www.wanhai.com](http://www.wanhai.com)

