



Annual Report 2010
PUBLISHED DATE: April 29, 2011

WE CARRY WE CARE

WAN HAI LINES LTD. Annual Report 2010

www.wanhai.com.tw



WAN HAI LINES LTD.
ANNUAL REPORT 2010

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Spokesman

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In the 17th board of directors meeting of Term XXXIV granted to serve spokesman from the date of May 9th,2011

Name: Ms. Laura Su

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Officially relieved the spokesman position on the date of May 9th,2011

Deputy Spokesman

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CPA : Lily Lu, Fu-Wei Chen

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Basic Information of ECB : None

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Bring the World Together!

For the past 46 years, our services link the human life living from different countries and cultures. Wan Hai will continue to bring the world closer to you in the future.

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 46 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.

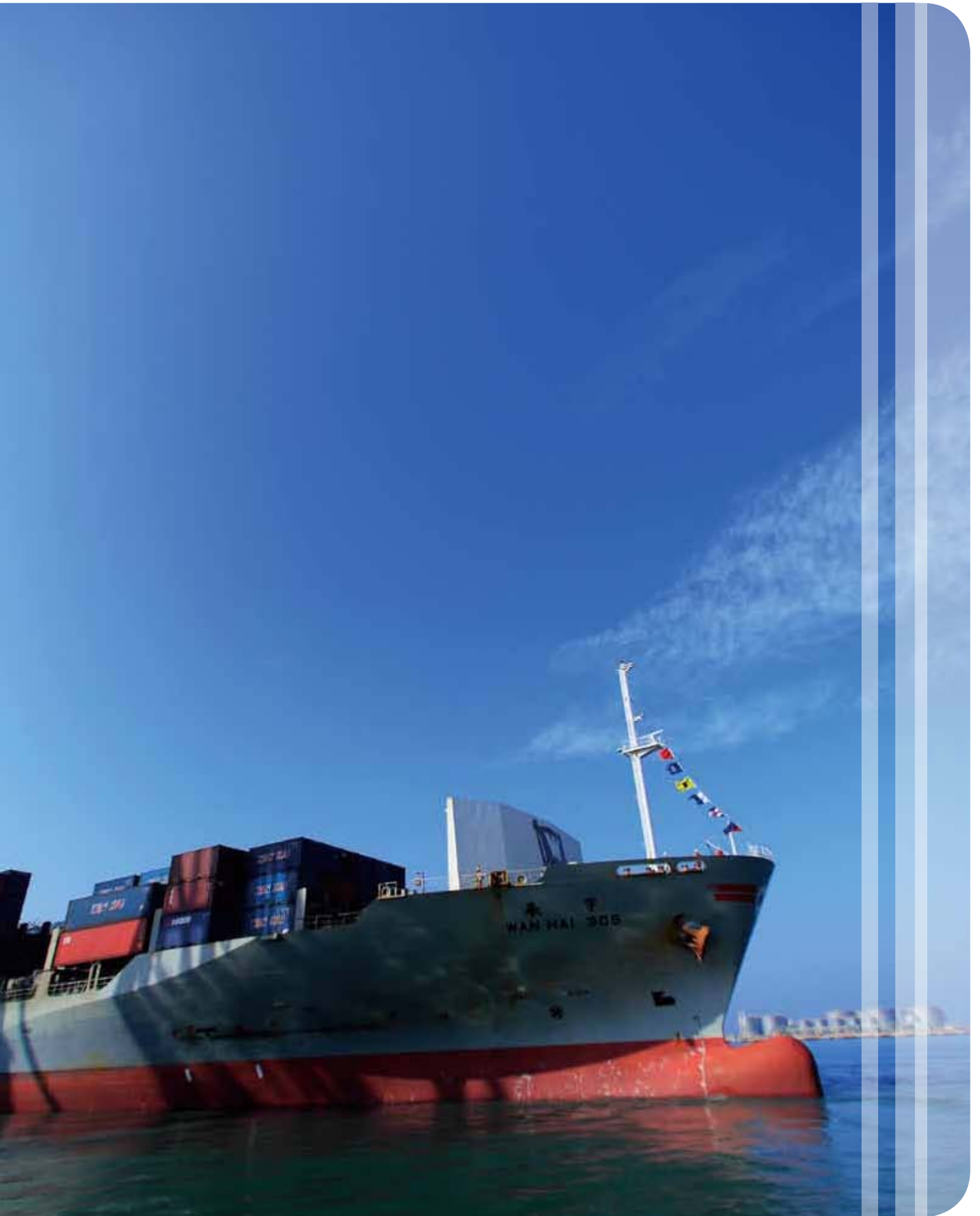
By constantly exploring new deployment options, rationalizing our service network, pursuing new build vessel programs, and replacing old containers and terminal equipment Wan Hai Lines is able to ensure optimal operational performance and further reinforce its competitive advantages in the market.

• Stable Capital Structure

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.



•We Carry, We Care•





Departure from Asia

Wan Hai built up the most comprehensive service network throughout the Intra-Asia since 1965. We have successfully launched Middle East service in April 1998, started the first transpacific service in May 1999 and commenced Black Sea service in November 2007, and launched South America, East Africa services in 2010. Aims to be a premier global carrier, WAN HAI was committed to meeting the demand and fulfilling the needs of global community by serving and connecting the world; we do cherish every opportunity of carrying the goods from our customers.

Milestones and Highlights

- 1965 Feb** Establishment of WAN HAI Steamship Co., Inc.
Aug Purchase of a "Liberty" type vessel named "Fosmar", carrying steel between Japan and America.
- 1966** 1966Bought a 5,000 DWT second-hand log carrier from Japan, named "Wan Shou".
- 1976 Jun** Full-container vessel, M.V. Ming Chun, was deployed in Taiwan/Japan Service which initiated WHL's container liner service.
- 1982 Apr** The first 1300 units of twenty-foot containers were built for business expansion.
Jun HP 3000/42 was installed. the start of WHL's computerization.
Oct Undertook LEIF HOEGE & Co., A/S agency in Taiwan.
- 1988 Oct** Commenced the Taiwan/Korea Service.
- 1989 Jun** Commenced the Singapore/Malaysia Service.
Oct Commenced the Thailand Service.
- 1990 May** Commenced the Indonesia Service.
Jul Commenced the Philippines Service.
- 1991 Mar** Tonnage sharing agreement with Hyundai Merchant Marine Co., Ltd. in Thailand and Southeast Asia Service.
Apr Cross-charter slot with Main Group in Japan/Taiwan. Taiwan/Southeast Asia Service.
- 1995 Feb** Held the 30th Anniversary Party at Taipei's Grand Hotel on Feb. 24, and awarded an honorable tablet by the President of R.O.C. Mr. Teng-Hui Lee.
- 1996 Apr** Commenced Vietnam-Haiphong Service.
May WHL Stock was listed in the Stock Market and was classified as the first category stock of the transportation industry.
Jun Commenced India Service.
- 2000 May** Commenced West America Service
- 2003 Mar** OHI pier 5, port of Tokyo, Japan was commenced to be the exclusive berth of WHL
Aug Establishment of WAN HAI CHARITY FOUNDATION
- 2004 May** Establishment of a subsidiary office in Germany.
- 2005 Feb** Implement ISO 14001 Environmental Management System (EMS).
- 2007 Nov** Commenced China/Black Sea Service
- 2008 Jul** Commenced UAE/Iran/Pakistan Service, the first feeder service in the Middle East.
- 2009 May** Launched Singapore/Malaysia / India(SC1) service with Bengal Tiger Line (BTL).
- 2010 Feb** Wan Hai, CCNI, Hanjin, Hapag-Lloyd and Zim announce co-operation on Asia South America East Coast service.
Mar Wan Hai Lines Ltd, Evergreen and Simatech Shipping to launch an East Africa Joint Service.
Apr Wan Hai awarded for its environmental efforts by the Port of Long Beach for the third year in succession.





We carry the world ,We care about the future



Corporation Social Responsibility(CSR)

1. Policies Implemented and Promoted by the Company:

- The promotion and implementation of the ISO 14001 environmental management system, and a creation of an ISO committee for regular inspection of the effectiveness of improvements to environmental protection Policies which for the control of electricity use, conservation of paper and water have all be implemented within the office, resulting an improvement of 152 tons of carbon emission over 2009, a drop of 12.17%.
- PBFC (Propeller Boss Fin Caps) have been fitted on all newly constructed and current ships, resulting in a reduction of 1,920 tons of CO2 emission, and 2% reduction in fuel in 2010.
- To satisfy the unique demands of the laws and regulations in various countries, the ship's Ballast Water Management Plan (BWMP) is given to the Classification Society for examination and approval.
- The working group on fuel economy inspects fuel consumption on 10 different shipping lines a month, and actively searches for methods of reducing fuel consumption.

2. Developing a Sustainable Environment:

- Both newly built and current vessels have been fitted with sewage and bilge water treatment system, so waste water is treated before being release, this reduces the ocean pollution caused by waste water.
- Engines and generators on ships built after 2010 are all up to Tier 2 emissions standards, thereby reducing the effect of emissions on the atmosphere and environment.
- Energy saving software has been added to all freezer containers, reducing energy consumption by 48%.
- The anti-fouling paint for the outside hull has been changed to a silicon-based paint, reducing fuel oil consumption by 3.896% and reducing carbon emissions by 407 tons.
- Beginning in 2004, the gradual implementation of bamboo floorboards in order to satisfy our plans for "green" shipping container manufacture.

3. Upholding Public Good

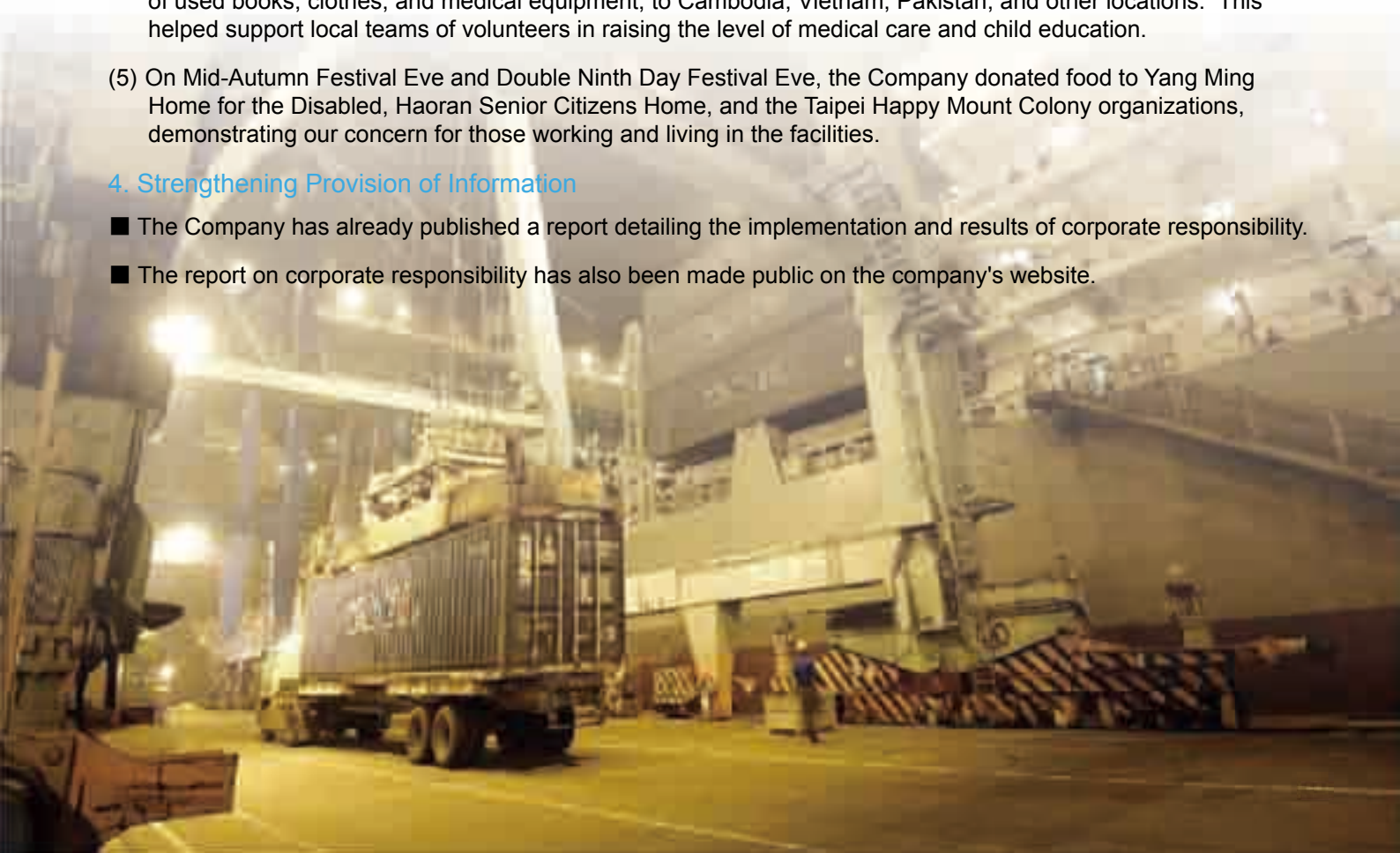
- The company conducts itself according to the relevant labor laws and regulations, and protects the legal rights of its employees, and has set up an appropriate management process.
- The Company provides safe and healthy working environment and education to its employees.



- The Company has instituted policies for the protections consumers' rights and interests, and are recorded amongst the provisions on the back of the bill of lading.
- In order to protect the environment and the health of our employees, the Company uses products conforming to environmental standards and green products and materials that are provided by suppliers. We also strive to use recyclable materials.
- Beginning in 2003, the company has donated funds to the Wanhai Charity Organization, the organization provides help to the elderly, children, people with disabilities, disaster relief, impoverished citizens, and other relevant societal aid, as well as medical treatment, medical equipment donation, public charity, etc.. Donations to the Wanhai Charity Organization and charity-related expenditures totaled TWD 26,750,394 in 2010. In addition to this, the Company has also promoted the following charity and community participation:
 - (1) Support of the "National Day Charity Concert" run by the Wanhai Charity Organization. All income from the sale of tickets were used for services for as funds for the betterment of impoverished and marginalized family's living education, and medical treatment.
 - (2) Continuation of the bi-annual "Wanhai Blood Donation Drive," held in February and August. Employees from the Taipei, Keelung, Taichung, and Kaohsiung offices, as well as surrounding business were encouraged to participate. The two events had 1,161 participants, collecting a total of 1,616 donations, totaling 404,000cc.
 - (3) Called for corporate volunteers to participate in two "Kindergarten Outdoor Adventure" events, five "Double Ninth Festival Nursing Home Concert" events, and four "Remote Village Medical Treatment" events, all run by Wanhai Charity Organization.
 - (4) Donated shipping containers to Noordhoff Craniofacial Foundation and Love Without Borders, for the shipment of used books, clothes, and medical equipment, to Cambodia, Vietnam, Pakistan, and other locations. This helped support local teams of volunteers in raising the level of medical care and child education.
 - (5) On Mid-Autumn Festival Eve and Double Ninth Day Festival Eve, the Company donated food to Yang Ming Home for the Disabled, Haoran Senior Citizens Home, and the Taipei Happy Mount Colony organizations, demonstrating our concern for those working and living in the facilities.

4. Strengthening Provision of Information

- The Company has already published a report detailing the implementation and results of corporate responsibility.
- The report on corporate responsibility has also been made public on the company's website.





Letter to Shareholders

This is simply meant as a report for stockholders during this year's annual stockholder's meeting. Please do not refrain from providing relevant criticism and advice.

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, reflecting an operational revenue TWD64,712,060,000 in 2010, and increase of 38 % compared to TWD47,088,130,000 in 2009.

2010 can be seen as a year of dramatic change. The bursting of the housing market, and the collapse of many important investment banks in the U.S. created shock waves that influenced the entire global market. The result was a shrinking of credit, slowing of investment, and a halt, or recession in some cases, of expansion of global trade. The scope of the crisis that began in the financial market quickly spread to consumer markets. Fortunately, after a full year of adjustments in 2009, the global economy began to recover from the recession. Starting in the first quarter of 2010, the growth of demand for shipping space and the controlled supply of fleet tonnage drove an increase in freight rates. The result was a significant increase in profit compared to 2009.

For the shipping industry, profiting while dealing with the effects of the global financial crisis in 2009 was difficult. Many strategically chose to lay-up ships, or increased the number of ships while decreasing speed as a way of tackling a surplus of shipping capacity. The economic recovery of the following year and the subsequent increase in demand for shipping space tested the adaptability of shipping company's management strategies and ship arrangement.

In the first quarter of 2010, markets in the U.S. and Europe had already begun a gradual recovery. Wan hai maintained its consistent record of adaptability, by deploying the optimum ships to both our intra-Asia and long-haul services. The company has made quick responses tailored to changes in the market, and has made rapid re-adjustments to our fleets. In time with the recovery in fleet capacity, we have utilized the vessel chartering market to deal with lower end opportunities. In order to satisfy the needs of our wide-ranging customers, we have also opened new services to enlarge our network to the South Africa and East Coast of South American markets.

In order to the strengthening of our fleet of ships, not only has Wan hai utilized vessel charters to adjust our overall fleet capacity, we have also ordered six 4250 TEU and six 1800 TEU container ships. In order

to fulfill the demands of our fleet in the future, as well as conform with new global environmental policies, we have been actively working with the shipyard to coordinate adjustments to these ships. Based on these adjustment plans, the timetable for the release of new ships is as follows:

Planned for 2011, we will launch two new 1800 TEU ships into service. In 2012, three 4500 TEU, two 1800 TEU, and four 1600 TEU ships will begin service. In 2013, there are three 4500 TEU ships that are planned to enter our fleet. In the end, our fleet will include 73 ships, with a freight capacity of 177,831 TEU.

At the same time, in order to better respond to large changes in the market, Wan hai plans a diversification in its employment of capital and investment opportunities. In April 2010, we decommissioned a 545 TEU container ship in order to save on repair and maintenance fees. We have also added to the mobility and efficiency of our application of capital. Additionally, we have devoted ourselves to the management of our internal costs, with a goal of reduction of expenses. By carrying out an item by item examination of whether or not there is room for reduction. This guarantees that every cent of our resources is being appropriately used, making it easier to adjust to the challenges that lie ahead.

On January 1, 2010, ASEAN +China has been formed which brings about more trade exchanges. It is expected that up to 90% of transported goods would be tariff-free. This has helped to spur along the flourishing trade and economic relations within the region. Furthermore, followed by the opening of direct transportation links across the Taiwan Strait, the Economic Cooperation Framework Agreement (ECFA) officially went into effect on September 12, has also opened the door for much greater cross-Strait economic exchanges. Wan hai has a strong footing in Taiwan, and adheres to its principles of "Customer First, Full Participation, Environmental Protection, and Business Continuity." It is with deep roots in both the cross-strait and Asian markets that we approach this critical moment, and we will maintain our cautiously optimistic outlook as we face the challenges of the upcoming year. It is with even greater caution that we hope to fulfill the expectations and support of both our stockholders and society, and bring about even greater achievements in the coming years.

Sincerely,

Po-Ting Chen

Chairman

Mar 25, 2011



Company Profile

2.1 Date of Establishment: February 24, 1965

2.2 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

2.3 Major Event of Corporate History

1. Founded on February 24, 1965, Wan Hai started as a log carrier servicing Taiwan, Japan, and Southeast Asia. Recognizing the coming trend of containerization, Wan Hai transitioned to a fully containerized fleet in 1976. Initially serving the Taiwan and Japan trade, Wan Hai has expanded our network and now offers Asia's most comprehensive service network and has extended our global reach.

2. With the management philosophy of "customer first, full participation, business continuity" in mind, Wan Hai is devoted to providing high quality service to our customers. We are committed to providing punctual schedules and personalized service across our service network. Under dedicated management, we have won widespread support and trust from customers, which enable us to grow at an impressive pace. To better serve society and clients, we continually improve our hardware and set up branch offices in Kaohsiung, Keelung, and Taichung. Wan Hai also leased dedicated wharves at Kaohsiung, Taichung, and Tokyo Port and leased the exclusive container yard at Keelung Port. Wan Hai is an investor in Taipei Port, which began operations in 2009, to provide an additional service and option to our customers.

3. In June of 1983 Wan Hai introduced two separate shuttle services to Kanto and Kansai of Japan. As the first carrier to pioneer this revolutionary service model, we benefited from reduced transit time and improved punctuality, which allowed Wan Hai to secure its position as number one in the Taiwan - Japanese trade. In response to the relocation of Taiwanese manufacturing facilities to the Southeast Asia, we launched new service strings to Korea, Singapore, Malaysia, Thailand, Indonesia, Philippines, and Vietnam beginning 1989. Since then, we have increased and maintained large cargo volumes establishing Wan Hai as the third ranked Taiwanese carrier and the leading carrier in the Intra-Asia trade. Wan Hai has also received numerous awards from the Ministry of Transportation & Communications in recognition of our remarkable performance. In May 1996, Wan Hai was listed on the Taiwan Stock Exchange. In August 1997, we began to operate Taiwan-Hong Kong-Xiamen cross-straits service via a third country, to serve the booming trade between Taiwan and China. Wan Hai then launched the Taiwan-Hong Kong-Shanghai service in July 1998 to further enhance our service network in China.

In April 1998, we succeeded in creating a shipping service to the Middle East. Our results were favorable, and received the praise of our clients, leading us to establish a second shipping service to the Middle East in November of the same year. Connecting Singapore, Port Kelang, Dubai, and Karachi as our main stops, this move greatly improved our competitive power in the market.

In May 1999, in order to further expand the scope of our operations into a global shipping company, Wanhai invested in a trans-Pacific shipping service by means of a strategic alliance. Our results were outstanding, and in June 2001 we invested in ships for independent operation.

From the second half of 2002, the global goods market was showing a marked improvement, and the markets in the US and Europe were rebounding. This resulted in a flourishing environment for long haul container shipping.

In 2004, with its deep roots in the Asian market, and the support of our clients, Wanhai, by means of strategic alliance, launched a joint venture service from Far East to Northwestern Europe . With this, we established ourselves as a link to the U.S. and Europe, the two largest consumer markets.

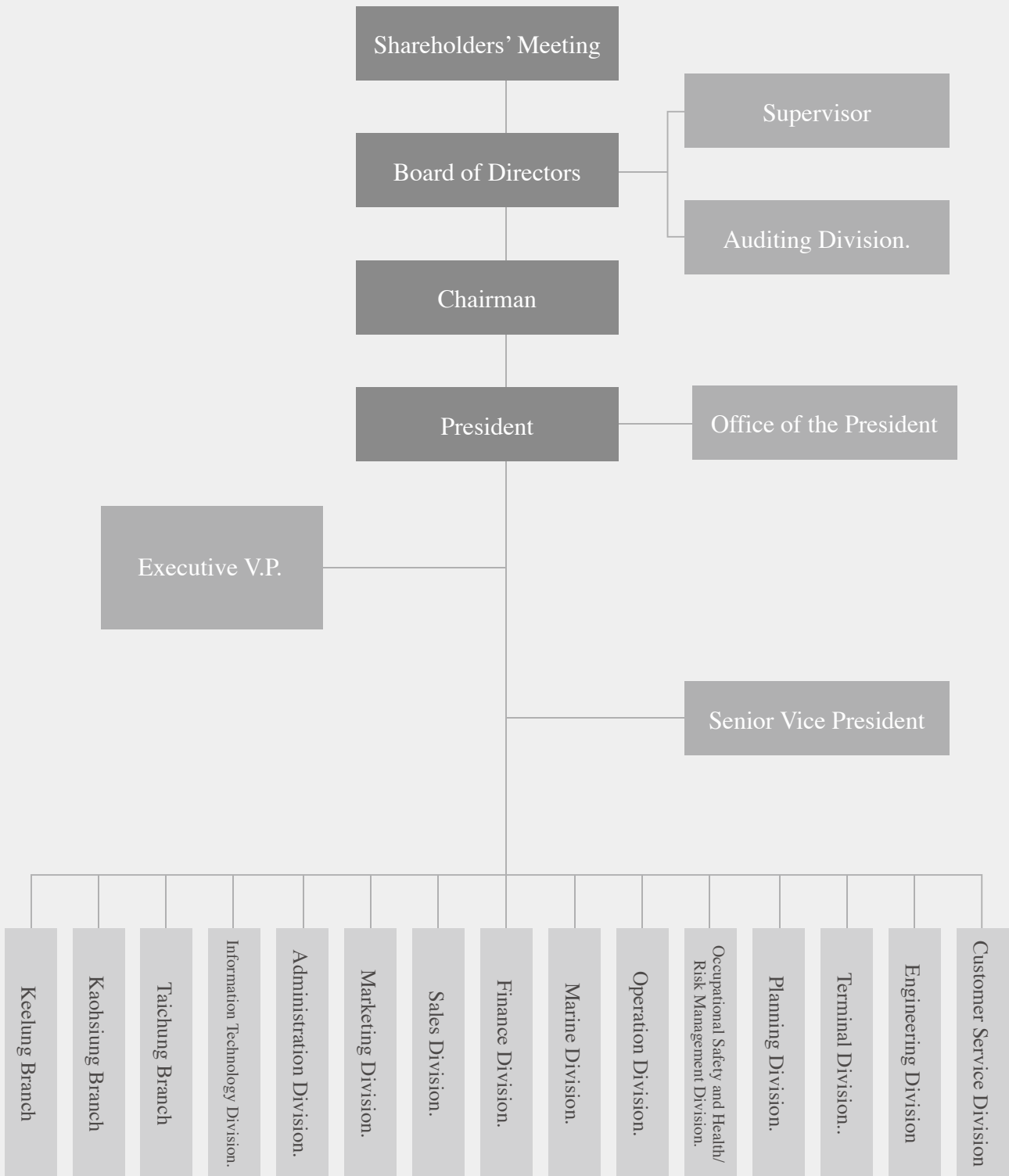
In November 2007, we launched a second string service from the Far East to the Black Sea. With the delivery of ships between year 2005 and 2008, we continued to restructure the presence of our long-haul services. Additionally, in April 2010, we began an Asia - South Africa - South American East Coast shipping service. In May of the same year, we started a joint service from Colombo to East Africa. With the continuing efforts of Wan hai to expand the scope of our shipping services, we come closer and closer to achieving our goals of becoming a truly global shipping company.



Corporate Governance

3.1. Organization Structure

3.1.1. Organization Chart



3.1.2 Description of each division's operation under the company

Division	Responsibilities
Operation Division	Domestic and international allocation, deployment, and management of cargo containers; design, construction, and maintenance of cargo containers; management of loading and unloading cargo containers; planning and management of shipping schedules.
Sales Division	Solicitation of domestic cargo shipments; creation of relevant sales plans.
Marketing Division	Promotion and marketing of core services; management of overseas marketing.
Customer Service Division	Issuance and payment of shipping documents; collections of shipping tariffs and service fees.
Information Technology Division	Promotion of the wider use of technology company-wide; maintenance of the domestic and overseas information systems. Carries out operation of computers, programming and planning of computer systems; design of computer programs; management and use of computer-related resources.
Finance Division	Planning and execution of domestic and overseas financial forecasts and budgets; record-keeping of accounting matters; review of billing documentation; allocation of capital; foreign exchange; stock services; and other matters pertaining to finance.
Terminal Division	Supervision and management of the operation of domestic and overseas terminals, container yards, and warehouses; evaluation of investment results of terminals; business solicitation and promotion; maintaining customer relations; establishing proposals and plans for terminal construction.
Administration Division	Management of domestic and overseas human resources matters and general affairs.
Planning Division	Research and construction of business strategies; planning of mid to long-term business operations.
Occupational Safety and Health/ Risk Management Division	Compliance with all relevant occupational safety and health laws and regulations; legal affairs.
Marine Division	Supervision of crew, and the evaluation, registration of safety documents; marine security, safety, and insurance; purchase of fuel; other matters relevant to marine operation.
Engineering Division	Planning and supervision of new ship construction; routine and annual maintenance of vessel fleet; purchase of components.
Auditing Division	Auditing the operational, financial, and accounting matters of every division of the company, as well as domestic and overseas branch offices and agents.
Office of the President	Transfer of investments, risk management, cost management, financial market analysis and recommendations; public relations; management of corporate identity.
Branch Office	Responsible for local shipping business; issuance of shipping documents; arrangement of vessels and containers.

3.2 Information of Directors, Supervisors, President, Executive Vice President, and the Chiefs of all the Company's divisions and branches

3.2.1 Director and Supervisors

1. The list of Directors and Supervisors

Title		Chairmen	Director	Director		Director		Director	
Name		Po-Ting Chen	Hui-Ying Chen	Yi Teh Optical Technology Co., Ltd.	Representative: Chih-Chao Chen	Yi Chun (Liberia) Shipping Co., Ltd.	Representative: Randy Chen	Baltimore International Ltd.	Representative: Ye-Tsan Lee
Date elected		2008-06-18	2008-06-18	2008-06-18		2008-06-18		2008-06-18	
Tenure		3 years	3 years	3 years		3 years		3 years	
Date first elected (Note 2)		1999-05-06	2005-06-23	2008-06-18		1999-05-06		1999-05-06	
Shareholding on date elected	No. of shares	8,710,702	42,325,719	6,982,336	0	258,715,911	0	1,632,611	0
	Holding Ratio	0.42%	2.04%	0.34%	0.00%	12.45%	0.00%	0.08%	0.00%
Current Shareholding	No. of shares	9,146,237	44,442,005	7,331,452	8,088,270	271,651,706	0	1,714,241	0
	Holding Ratio	0.43%	2.10%	0.35%	0.38%	12.86%	0.00%	0.08%	0.00%
Current shareholding of Spouse and Minor Children	No. of shares	0	0	0		0		0	
	Holding Ratio	0%	0%	0%		0%		0%	
Shareholding under other names	No. of shares	0	0	0		0		0	
	Holding Ratio	0%	0%	0%		0%		0%	
Major Academic qualification and professional experience (Note 3)		Master of Business Administration, University of San Francisco	Master in College of Education, Harvard University	Stanford University		Master of Business Administration MIT SLOAN School of Management		Department of Economics, National Taiwan University	
Positions held in the Company and other companies		FORMOSA WONDERWORLD CO., Ltd. Chairman WAN HAI LINES (INDIA) PVT. LTD. Director k.k. WH Corporation Director WAN HAI LINES(UAE)LTD. Director WAN HAI LINES THAILAND LTD. Director WAN HAI LINES (PHILS) INC. Chairman WAN HAI LINES KOREA LTD. Director WAN HAI LINES(M) SDN.BHD. Director WAN HAI LINES (SINGAPORE) PTE. LTD. Director WAN HAI LINES(AMERICA) LTD. Director WAN HAI INTERNATIONAL PTE. LTD. Director WAN HAI LINES(H.K.)LTD. Director DAWIN LOGISTIC(INTERNATIONAL) LTD. Director	ASIA PACIFIC LOGISTICS INTERNATIONAL CO., Ltd. Vice Chairman, Board of Directors	YI CHAO CORP. Director DAWIN LOGISTIC (INTERNATIONAL) LTD. Director WAN HAI LINES (H.K.) LTD. Director WAN HAI LINES (AMERICA) LTD. Director BAO SHENG SHIPPING AGENCY CO., LTD Chairman	EVERVALIANT CORP. Director WAN HAI LINES (PHILS) INC. Director WAN HAI LINES (SINGAPORE) PTE. LTD. Director WAN HAI LINES(AMERICA) LTD. Director		SHIH LIN PAPER CORP. Director SUNSHINE SHIH LIN DEVELOPMENT CO., Ltd. Director FORMOSA WONDERWORLD CO., Ltd. Consultant		
officer, director, or supervisor held by spouse or relatives within two levels Title Name of blood relations	Title	Director	Chairman	Supervisor		-		-	
	Name	Hui-Ying Chen	Po-Ting Chen	Chih Hsiang Chen		-		-	
	Relation	Siblings	Siblings	Siblings		-		-	

Title		Director		Director		Supervisor		Supervisor		Supervisor
Name		Hsin Feng Co., Ltd.	Representative: Bai-Chih Chow(note 1)	Blue Moon Investment Co., Ltd.	Representative: Cheng-Hsien Lin	Chao Shih International Development Co., Ltd.	Representative: Hsin-Pei Lin	Yi Hsiang Industrial Co., Ltd.	Representative: Chih-Hsiang Chen	Chia-Chin Lin
Date elected		2008-06-18		2008-06-18		2008-06-18		2008-06-18		2008-06-18
Tenure		3 years		3 years		3 years		3 years		3 years
Date first elected (Note 2)		2005-06-23		2008-06-18		1999-05-06		2008-06-18		1999-05-06
Shareholding on date elected	No. of shares	2,443,719	0	2,646,100	0	28,293,018	0	5,832,703	0	7,939,321
	Holding Ratio	0.12%	0.00%	0.13%	0.00%	1.36%	0.00%	0.28%	0.00%	0.38%
Current Shareholding	No. of shares	2,565,905	0	2,778,405	0	29,707,668	22,266	6,124,338	2,629,653	8,336,287
	Holding Ratio	0.12%	0.00%	0.13%	0.00%	1.41%	0.00%	0.29%	0.12%	0.39%
Current shareholding of Spouse and Minor Children	No. of shares	0		0		0		0		0
	Holding Ratio	0%		0%		0%		0%		0%
Shareholding under other names	No. of shares	0		0		0		0		0
	Holding Ratio	0%		0%		0%		0%		0%
Major Academic qualification and professional experience (Note 3)		Department of Marine & Trans. Management, National Chiao Tung University,		Southern Methodist University, LL.M		Master in Business Administration, University of California, Berkeley		New Jersey College of Science and Engineering		Department of Business Administration Sophia University
Positions held in the Company and other companies		WAN HAI LINES LTD. President WAN HAI LINES(H.K.) LTD. Director		SHIH LIN PAPER CORP. Representative Director for legal entity CHANG HWA BANK Representative Director for legal entity		Chao Shih International Development Co., Ltd. Chairman		SHIH LIN PAPER CORP. Director		UNI COOPERATE INTERNATIONAL CO., Ltd. Supervisor
officer, director, or supervisor held by spouse or relatives within two levels Title Name of blood relations	Title	-		-		-		Director		-
	Name	-		-		-		Chih-Chao Chen		-
	Relation	-		-		-		Siblings		-

* Note1 : 1. Hsin Feng Corp. Representative: Bai-Chih Chow resigned on 2011/03/18.

2. Major shareholders of corporation stockholders

Corporation shareholders	Major Shareholders and holdings %					
Yi Teh Optical Technology Co., Ltd.	Chih-Yuan Chen 99.909%	Yi-Wen Hsieh 0.023%	Te-Ming Lin 0.017%	Wen-Tsung Sue 0.017%	Yu-Lin Wang 0.017%	Hsiu-Chin Liaw 0.017%
Yi Chun (Liberia) Shipping Co., Ltd.	Pacific Foundation 100%					
Baltimore International Ltd.	In-Ru Chen 20%	Fu-kuei Wu 20%	Po-Ting Chen 44%	Mei-Ru Chen 10%	Jau-Di Chen 6%	
Hsin Feng Co., Ltd.	Eastern Iron Enterprise Corp. 83.333%		Eyon Corp. 3.730%		Yi Chao Corp. 3.532%	
	Yi Siang Corp. 3.532%	Chih-Yuan Chen 2.603%	Chih-Hsiang Chen 1.258%	Chih-Chao Chen 1.218%	Wan-Yun Chang 0.794%	
Blue Moon Investment Co., Ltd.	Po-Ting Chen 72%					
Chao Shih International Development Co., Ltd.	Thermos Foundation 10%		Kung-Shin Lin 26.25%		Hsin-Pei Lin 19.50%	
	Wun-Shiung Lin 10.75%	Su-Mei Lin 2.50%	Chien-Fang Wu 13.50%		Hsin-Ying Lin 17.50%	
Yi Hsiang Industrial Co., Ltd.	Chih-Hsiang Chen 63.026%		Eastern Iron Enterprise Corp. 34.211%			
	Chao-Heng Chen 0.033%	Wan-Yun Chang 0.033%	Chih-Yuan Chen 0.033%	Chih-Chao Chen 0.033%	Hsin Feng Co., Ltd. 2.631%	

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

Corporation shareholders	Major shareholders of corporation shareholders					
Eastern Iron Enterprise Corp.	Skyway Industrial Limited 100%					
Eyon Corp.	Chih-Yuan Chen 73.238%			Eastern Iron Enterprise Corp. 22.616%		
	Meng-Li Tsou 1.885%	Chao-Heng Chen 1.877%	Yu-An Chen 0.196%	Wan-Yun Chang 0.188%		
Yi Chao Corp.	Chih-Chao Chen 68.732%			Eastern Iron Enterprise Corp. 30.434%		
	Chih-Yuan Chen 0.009%	Chao-Heng Chen 0.009%	Wan-Yun Chang 0.009%	Shao-Ning Chang 0.009%	Hsin Feng Co., Ltd. 0.798%	

4. Information of Directors and Supervisors

2011.04.29

Names	Conditions	Whether the directors and supervisors hold hands-on experience accumulated in the field for a minimum of five years and whether they meet the following professional qualification requirements:			Consistent in the independence: (note 1) :										Number of other public companies where they are concurrently serving
		Being an instructor or professor teaching Commerce, Law, Finance or other expertise required by the Company in public or private universities & colleges	As a judge, prosecutor, lawyer, Certified Public Accountant or other professional or engineer in the expertise required by the Company, having successfully passed the National Examinations and held licenses	Having accumulated hands-on experiences in Commerce, Law, Finance, Accounting or other expertise required by the Company	1	2	3	4	5	6	7	8	9	10	
Po-Ting Chen			V			V					V		V	V	0
Hui-Ying Chen			V		V						V		V	V	0
Yi Teh Optical Technology Co., Ltd. Statutory representative: Chih-Chao Chen			V			V		V		V		V			0
Yi Chun (Liberia) Shipping Co., Ltd. Statutory representative: Randy Chen			V			V		V		V	V	V			0
Ju Hsi Co., Ltd. Statutory representative: Yi-Tsan Lee		V	V			V	V	V		V	V	V			0
Hsin Feng Co., Ltd. Statutory representative: Bai-Chih Chou (note2)			V			V	V	V	V	V	V	V			0
Blue Moon Investment Co., Ltd. Statutory representative: Cheng-Hsien Lin		V	V		V	V	V				V	V			0
Chao Shih International Development Co., Ltd. Statutory representative: Hsin-Pei Lin			V		V	V	V			V	V	V			0
Chia-Chin Lin			V		V	V	V		V	V	V	V	V		0
Yi Hsiang Industrial Co., Ltd. Statutory representative: Chih-Hsiang Chen			V		V	V		V		V		V			0

Note 1: Please tick with a "V" mark under the box(es) as appropriate when the directors and supervisors meet the following qualification requirements in two years prior to appointment to the positions:

- (1) Not an employee of the Company or a director, supervisor or employee of an affiliated company.
- (2) Not a director or supervisor of the Company or its affiliate (except the case of an independent director of the Company or its parent company, subsidiary where the Company holds more than 50% of the voting power either directly or indirectly).
- (3) Not as a natural person (individual) shareholder of a company where he or she, his or her spouse, minor child or in another's name holds more than 1% of the total outstanding issued shares or a shareholder ranking among the top ten.
- (4) Not a person as the spouse, relative within the second degree of kinship or blood relative within the fifth degree of kinship of a person defined under the three preceding paragraphs.
- (5) Not as a director or supervisor or employee of a juristic (corporate) person shareholder who holds more than 5% of the total outstanding issued shares of the Company or a director or supervisor or employee of a juristic (corporate) person shareholder ranking among the top five in shareholding.
- (6) Not as a director (council member), supervisor (supervisory officer), managerial officer or a shareholding holding more than 5% in shareholding of a specific company or institution in financial or business transaction with the Company.
- (7) Not as a professional, proprietor of sole proprietorship, partnership, company, a partner, director (council member), supervisor (supervisory officer), managerial officer or spouse thereof of a company or institution that renders commercial, legal, financial, accounting or such professional services to the Company or its affiliates.
- (8) Not as the spouse or a relative within relative within the second degree of kinship with other director.
- (9) Not meeting any situations under Article 30 of the Company Law.
- (10) Not elected as a government, juristic (corporate) person or the representative thereof falling under Article 27 of the Company Law.

Note 2: Hsin Feng Corp. Bai-Chih Chow resigned on 2011/03/18.

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

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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 Chou	2008-07-24 (2011-03-18 Retire)	0	0.00%	0	0.00%	0	0.00%	Department of Marine & Trans. Management, National Chiao Tung University	WAN HAI LINES(H.K.)LTD. Director	-	-	-
Executive President	Kuo-Chi Tang	1999-08-01 (2010-11-01 Retire)	625,005	0.03%	271,556	0.01%	0	0.00%	Banking Management, Taw Sui Oxford	k.k. WH Corporation Director TK LOGISTICS INTERNATIONAL Co. LTD. Director	-	-	-
Executive President	Huey-Juan Chen	2007-01-01	117,303	0.01%	0	0.00%	0	0.00%	Department of International Trade, Tamkang University	WAN HAI LINES KOREA LTD. Director WAN HAI LINES (AMERICA) LTD. Director WAN HAI LINES (INDIA) PVT. LTD. Director WAN HAI LINES(U.A.E) L.L.C Director TK LOGISTICS INTERNATIONAL Co. LTD. Director	-	-	-
Senior Vice President	Jen-Yee Huang	2008-08-01	10,322	0.00%	4,146	0.00%	0	0.00%	Department of Business Administration, National Cheng Kung University	BLUE OCEAN LOGISTICS CO.LTD. Director SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD. Director	-	-	-
Senior Vice President	Wen-Chau Yeh	2008-01-01	892	0.00%	21,269	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Director DAWIN LOGISTIC (INTERNATIONAL) LTD. Director WAN HAI LINES(H.K.)LTD. Director BLUE OCEAN LOGISTICS CO.LTD. Director	-	-	-
Senior Vice President	Jiong-Xin Lin	2006-06-01	120,971	0.01%	0	0.00%	0	0.00%	Department of Merchant Marine, Chinese Culture University	CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Director SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Director	-	-	-
Senior Vice President	Fu-Lung Hsieh	2007-01-01	104,107	0.00%	88,305	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	WAN HAI LINES THAILAND LTD. Director WAN HAI LINES KOREA LTD. Supervisor TK LOGISTICS INTERNATIONAL Co. LTD. Supervisor BAO SHENG SHIPPING AGENCY CO., LTD Supervisor	-	-	-
Vice President	Li-Kuang Huang	1995-07-01	100,598	0.00%	10,987	0.00%	0	0.00%	Mast of Business Administration, University of Buffalo, New York	WAN HAI LINES (INDIA) PVT. LTD. Director	-	-	-
Vice President	Kuo-Loong Kao	1999-02-01	87,805	0.00%	41,575	0.00%	0	0.00%	Department of Merchant Marine, Chinese Culture University	WAN HAI LINES (SINGAPORE) PTE. LTD. Director WAN HAI INTERNATIONAL PTE. LTD Supervisor	-	-	-
Vice President	Ming-Shan Huang	2000-02-01	16,710	0.00%	6,530	0.00%	0	0.00%	Department of International Trade, Soochow University	-	-	-	-
Vice President	Ching-Seng Huang	2005-03-01	0	0.00%	18,647	0.00%	0	0.00%	Department Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Vice President	Juang-Jyh Juang	1998-08-01	0	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, China Junior College of Technology	-	-	-	-
Vice President	Wei-Chien Chuang	2002-12-01	8,924	0.00%	433	0.00%	0	0.00%	Department of International Trade, National ChengChi University	TK LOGISTICS INTERNATIONAL Co. LTD. Supervisor	-	-	-
Vice President	Wei-Hsin Hsu	2000-09-01	122,394	0.01%	377	0.00%	0	0.00%	Department of Electrical Engineering, Chung Yuan Christian University	-	-	-	-

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	Chung-Yi Kao	2008-01-01	135,598	0.01%	105	0.00%	0	0.00%	Department of Public Finance, Tamkang University	-	-	-	
Vice President	Yen-Ju Chen	2008-04-15	62,811	0.00%	0	0.00%	0	0.00%	Department of Transportation and Navigation Science,National Taiwan Ocean University	SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD.Director	-	-	
Vice President	Hung-Chuan Chien	2008-08-01	0	0.00%	0	0.00%	0	0.00%	Department of Transportation Technology & Management, Feng Chia University	k.k. WH Corporation Director	-	-	
Vice President	Hui-Chang Chung	2006-09-01	167,902	0.01%	30,722	0.00%	0	0.00%	Department of Shipping and Transportation Managemnet,National Taiwan Ocean University	-	-	-	
Vice President	Ming-Hsiung Hsieh	2007-01-13	35,444	0.00%	0	0.00%	0	0.00%	Department of Merchant Marine,Tamkang University	SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD.Director	-	-	
Vice President	Chih-Heng Wan	2009-02-16	22,397	0.00%	55,442	0.00%	0	0.00%	Department of International Trade, Chinese Culture University	TK LOGISTICS INTERNATIONAL Co. LTD.Director BAO SHENG SHIPPING AGENCY CO., LTD Director	-	-	
Vice President	Li-Mei Su	2009-02-16	1,155	0.00%	0	0.00%	0	0.00%	Department of International Trade, National ChengChi University	BAO SHENG SHIPPING AGENCY CO., LTD Director	-	-	
Vice President	Cheng-Hsien Huang	2009-02-16	0	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Sun Yat-sen University	-	-	-	
Deputy Vice President	Tai-Chih Liu	2009-07-25	0	0.00%	0	0.00%	0	0.00%	Department of Nuclear Engineering and Science,National Tsing Hua University	BAO SHENG SHIPPING AGENCY CO., LTD Director	-	-	
Deputy Vice President	Yi-Pai Chan	2007-05-15	251	0.00%	0	0.00%	0	0.00%	Department of Social Work, Fu Jen Catholic University	-	-	-	
Assistant Vice President	Wan-Li Jen	2010-09-01	0	0.00%	0	0.00%	0	0.00%	Department of International Business , Ming Chuan University	-	-	-	
Assistant Vice President	Chia-Yi Hsiao	2007-08-13	7,809	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Chung Hsing University	-	-	-	

3.2.3. Remuneration to directors, supervisors, president and executive vice presidents

1. Remuneration to directors

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Title		Chairman	Director	Director	Director	Director	Director	Director		
Name		Po-Ting Chen	Hui-Ying Chen	Yi Chun (Liberia) Shipping Co., Ltd Representative: Randy Chen	Baltimore INT'L Ltd Representative: Yi-Tsan Lee	Blue Moon Investment Co., Ltd. Representative: Cheng-Hsien Lin	Hsin Feng Co., Ltd. Representative: Bai-Chih Chow	Yi De Technology Corp. Representative: Chih-Chao Chen		
Remuneration to directors	(A) Allowance	Unconsolidated						0		
		Consolidated						0		
	(B) Retirement pension	Unconsolidated						0		
		Consolidated						0		
	(C) Remuneration from retained earnings	Unconsolidated						23,574,406		
		Consolidated						23,574,406		
	(D) Transportation allowance	Unconsolidated						641,654		
		Consolidated						641,654		
Percentage of (A+B+C+D) in net income after tax	Unconsolidated						0.44%			
	Consolidated						0.44%			
Related remuneration for serving in the company concurrently	(E) Salary, bonus and specific subsidy	Unconsolidated						5,755,428		
		Consolidated						16,305,588		
	(F) Retirement pension	Unconsolidated						0		
		Consolidated						133,884		
	(G) Employee's bonus from retained earnings	Unconsolidated	Cash bonus						86,910	
			Stock bonus						0	
		Consolidated	Cash bonus						86,910	
			Stock bonus						0	
(H) Shares of employee's stock warranty	Unconsolidated						0			
	Consolidated						0			
Percentage of (A+B+C+D+E+F+G+H) in net income after tax	Unconsolidated						0.55%			
	Consolidated						0.75%			
Other income							378,210			

Levels of remuneration

Level of remuneration paid to directors	Name of directors			
	Total remuneration for (A+B+C+D)		Total remuneration for (A+B+C+D+E+F+G)	
	Unconsolidated	Consolidated	Unconsolidated	Consolidated
Lower than TWD 2,000,000				
From TWD 2,000,000 to 4,999,999	Po-Ting Chen, Hui-Ying Chen, Randy Chen, Yi-Tsan Lee, Cheng-Hsien Lin, Bai-Chih Chow, Chih-Chao Chen	Po-Ting Chen, Hui-Ying Chen, Randy Chen, Yi-Tsan Lee, Cheng-Hsien Lin, Bai-Chih Chow, Chih-Chao Chen	Po-Ting Chen, Hui-Ying Chen, Randy Chen, Cheng-Hsien Lin, Yi-Tsan Lee, Chih-Chao Chen	Po-Ting Chen, Hui-Ying Chen, Cheng-Hsien Lin
From TWD 5,000,000 to 9,999,999			Bai-Chih Chow	Yi-Tsan Lee, Bai-Chih Chow, Chih-Chao Chen, Randy Chen
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	Po-Ting Chen, Hui-Ying. Chen, n, Randy Chen, Yi-Tsan Lee, Cheng-Hsien Lin, Bai-Chih Chow, Chih-Chao Chen,	Po-Ting Chen, Hui-Ying. Chen, Randy Chen, Yi-Tsan Lee, Cheng-Hsien Lin, Bai-Chih Chow, Chih-Chao Chen,	Po-Ting Chen, Hui-Ying. Chen., Randy Chen, Yi-Tsan Lee, Cheng-Hsien Lin, Bai-Chih Chow, Chih-Chao Chen,	Po-Ting Chen, Hui-Ying. Chen., Randy Chen, Yi-Tsan Lee, Cheng-Hsien Lin, Bai-Chih Chow, Chih-Chao Chen,

2. Remuneration to supervisors

Title			Supervisor	Supervisor	Supervisor
Name			Chia Chin Lin	Chao Shih International Development Co.,Ltd Representative: Hsin Pei Lin	Yi Hsiang Industrial Co., Ltd. Chih Hsiang Chen
Remuneration to supervisors	(A) Allowance	Unconsolidated	0		
		Consolidated	0		
	(B) Remuneration from retained earnings	Unconsolidated	10,103,313		
		Consolidated	10,103,313		
	Transportation allowance	Unconsolidated	0		
		Consolidated	0		
Percentage of (A+B+C+D) in net income after tax		Unconsolidated	0.19%		
		Consolidated	0.18%		
Other income			0		

Levels of remuneration

Level of remuneration paid to supervisors	Name of supervisors	
	Total remuneration for(A+B+C)	
	Unconsolidated	Consolidated
Lower than TWD 2,000,000		
From TWD 2,000,000 to 4,999,999	Chia Chin Lin, Hsin Pei Lin, Chih Hsiang Chen	Chia Chin Lin, Hsin Pei Lin, Chih Hsiang Chen
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	Chia Chin Lin, Hsin Pei Lin, Chih Hsiang Chen	Chia Chin Lin, Hsin Pei Lin, Chih Hsiang Chen

3. Remuneration to President and Vice presidents

Unit: TWD

Title		President	Executive President	Executive President	Senior Consultant	Senior Consultant
Name		Bai-Chih Chow	Huey-Jiuan Chen	Kuo Chi Tang	Chih-Chao Chen	Yi-Tsan Lee
(A) Salary	Unconsolidated	8,240,849				
	Consolidated	15,347,249				
(B) Retirement pension	Unconsolidated	18,308,850				
	Consolidated	18,394,049				
(C) Bonus and specific subsidy, etc.	Unconsolidated	1,765,998				
	Consolidated	2,418,169				
(D) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	123,123			
		Stock bonus	0			
	Consolidated	Cash bonus	123,123			
		Stock bonus	0			
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	0.52%				
	Consolidated	0.66%				
Shares of employee's stock warranty	Unconsolidated	0				
	Consolidated	0				
Other income		94,553				

Levels of remuneration

Level of remuneration paid to the President and Vice presidents	Name of President and Vice presidents	
	Unconsolidated	Consolidated
Lower than TWD 2,000,000	Chih-Chao Chen, Yi-Tsan Lee	
From TWD 2,000,000 to 4,999,999	Bai-Chih Chow, Huey-Jiuan Chen	Bai-Chih Chow, Huey-Jiuan Chen
From TWD 5,000,000 to 9,999,999		Chih-Chao Chen, Yi-Tsan Lee
From TWD 10,000,000 to 14,999,999		
From TWD 15,000,000 to 29,999,999	Kuo Chi Tang	Kuo Chi Tang
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	Bai-Chih Chow, Huey-Jiuan Chen, Kuo Chi Tang, Chih-Chao Chen, Yi-Tsan Lee	Bai-Chih Chow, Huey-Jiuan Chen, Kuo Chi Tang, Chih-Chao Chen, Yi-Tsan Lee

4. Bonus to Executives

Unit: TWD

Title	Name	Stock Bonus	Cash Bonus	Total	Percentage in Net Income after tax
President	Bai-Chih Chow	0	1,035,678	1,035,678	0.02%
Special Assistant to President	Randy Chen				
Executive President	Huey-Jiuan Chen				
Executive President	Kuo Chi Tang (Note 1)				
Senior Vice President	Jen-Yee Huang				
Senior Vice President	Wen-Chau Yeh				
Senior Vice President	Jiong-Xin Lin				
Senior Vice President	Fu-Lung Hsieh				
Vice President	Ching-Seng Huang				
Vice President	Wei-Hsin Hsu				
Vice President	Chung-Yi Kao				
Vice President	Kuo-Lung kao				
Vice President	Wei-Chien Chuang				
Vice President	Ming-Shan Huang				
Vice President	Juang-Jyh Juang				
Vice President	Li-Kuang Huang				
Vice President	Yen-Ru Chen				
Vice President	Hui-Chang Chung				
Vice President	Chih-Heng Wan				
Vice President	Li-Mei Su				
Vice President	Hung-Chuan Chien				
Vice President	Cheng-Hsien Huang				
Vice President	Ming-Hsiung Hsieh				
Assistant Vice President	Chia-Yi Hsiao				

Note 1 : Retired on 2010/11/1

3.2.4. 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 2010		Percentage of total remuneration in net income after tax in 2009		Description
	Unconsolidated	Consolidated	Unconsolidated	Consolidated	
Directors	0.55%	0.75%	(Note 1)	(Note 1)	Remuneration of retained earnings to directors and supervisors is according to the company's articles of incorporation.
Supervisors	0.19%	0.18%	(Note 1)	(Note 1)	
President and Executive vice president	0.52%	0.66%	(Note 1)	(Note 1)	

Note1: The company had the net loss after tax in 2009, therefore the percentage of total remuneration paid to the directors, supervisors, presidents, and executive vice presidents in net income after tax was not applicable.

3.3 Implementation of Corporate Governance

3.3.1 Information of Performance by the Board of Directors:

In recent year(s), the Board of Directors convened a total of 13th board of directors meetings (A) The directors and supervisors show the following facts of attendance:

Position	Name	Number of actual participations (or as an observer)	Number of actual participations through a proxy	Rate of actual participations (or as an observer) (%)	Remarks
Chairman	Po-ting Chen	13	0	100%	
Director	Hui-ying Chen	10	3	77%	
Director	Yi Chun (Liberia) Shipping Co., Ltd.; statutory representative: Randy Chen	12	1	92%	
Director	Ru Hsi Co., Ltd. ; statutory representative: Yi-Tsan Lee	13	0	100%	
Director	Blue Moon Investment Co., Ltd. ; statutory representative: Cheng-Hsien Lin	12	1	92%	
Director	Hsin Feng Co., Ltd. ; statutory representative: Bai-Chih Chou	12	1	92%	
Director	Yi Teh Optical Technology Co., Ltd. ; statutory representative: Chih-Chao Chen	10	3	77%	
Supervisor	Chao Shih International Development Co., Ltd. ; statutory representative: Hsin-Pei Lin	8	0	62%	
Supervisor	Chia-Chin Lin	6	0	46%	
Supervisor	Yi Hsiang Industrial Co., Ltd. ; statutory representative: Chih-Hsiang Chen	6	0	46%	

Other noteworthy items:

Article 14-3 of the Securities and Exchange Act states that when an independent director has a dissenting opinion or holds reservations, it shall be recorded, along with the date and term of the meeting, content of proposal, the opinion of all independent directors and how the opinion is dealt with by the company. This is not applicable as the company has not established any independent director thus far.

In the event of a recusal by one of the directors due to shared interests, a record of the names of the directors, content of the proposal, cause of the recusal, and the resolution of the issue by participants shall be made.

1. On removing the non-competition restrictions of directors Hui-Ying Chen, Bai-Chih Chow, and colleagues at the level of assistant manager and above.

(1) Directors' names: Hui-Ying Chen, Bai-Chih Chow

(2) Content of the proposal: In the 22nd board of directors meeting of Term XVII (25 March, 2010), a proposal was made to remove the non-competition restrictions of directors Hui-Ying Chen, Bai-Chih Chow, and colleagues at the level of assistant manager and above.

(3) Reason for recusal: As directors or managers of subsidiaries or re-investment companies, there is thus competitive behavior from the directors.

(4) Resolution of the issue: Hui-Ying Chen and Bai-Chih Chow already recused themselves, and the matter was passed unanimously by the remaining directors present.

2. The Company's investment in the creation of Bao Sheng Shipping Agency Co., LTD

(1) Director's name: Chih-Chao Chen

(2) Content of the proposal: In the 22nd board of directors meeting of Term XVII (25 March, 2010), the Company invested in the creation of Bao Sheng Shipping Agency Co., LTD

(3) Reason for recusal: Director is also the Chairman of Bao Sheng Shipping Agency

(4) Resolution of the issue: Chih-Chao Chen recused himself, and the matter was passed unanimously by the remaining directors present.

Assessment of the progress made toward the goal of strengthening the functions of the board of directors (e.g., establishing an audit committee, increasing transparency, etc.) in the current and recent years: the Company has acted in accordance to the rules set by the competent authority.

3.3.2 Performance of the Audit Committee: Not applicable, as the Company has not established any independent director so far.

3.3.3 Performance by supervisors while participating in the board of directors:

In recent year(s), the Board of Directors convened a total of 13th board of directors meetings

(A). The facts of attendance as an observer:

Position	Name	Number of actual participations (or as an observer)	Rate of actual participations (or as an observer) (%)	Remarks
Supervisor	Chao Shih International Development Co., Ltd. ; statutory representative: Hsin-Pei Lin	8	62%	
Supervisor	Chia-Chin Lin	6	46%	
Supervisor	Yi Hsiang Industrial Co., Ltd. ; statutory representative: Chih-Hsiang Chen	6	46%	

Other remarks required:

The organization of Supervisors and their duties and responsibilities:

(I) Communications between the supervisors and the Company's employees and shareholders: e.g., the channels, methods of communications: In excellent channels of communications. The Supervisors duly audit the Company's business operation and financial standing to exercise the supervisory powers independently.

(II) Communications between the supervisors and the Company's Chief Auditor and Certified Public Accountant (e.g., regarding the Company's financial standing, business operation, the methods and results):

1. On all occasions of the board of directors meeting, the Chief Auditor reported the performance and results of auditing and discussed with directors and supervisors about extensive issues.
2. The Internal Audit Report completed by the Audit Department as required under the Annual Operating Plan has been submitted to and reviewed by the Chairman and Supervisors.

Where the supervisors participated in the board of directors meeting to voice their opinions, the date, term of the board of directors meeting, contents of the agenda, results of the resolutions in the board of directors meeting should be expressly stated, and the acts taken by the Company in response to the opinions of the supervisors:

(I) Date and term of board of directors meeting:

- The 17th Board of Directors Meeting of Term XXIII (April 29, 2010).
- Highlights of agenda: Other issues
- Supervisors' opinions: This is a new market with potential, if there are suitable real estate options, research can be conducted on the feasibility of entry
- Decision resolved in the board of directors: An area with long-term stability and development, research can be conducted at the appropriate time for purchase of an office or use of an outside person's accommodations
- Actions taken by the Company: We will continue to monitor changes in the market

(II) Date and term of board of directors meeting:

- The 17th board of directors meeting of Term XXVII (August 26, 2010).
- Category of agenda: Other issues.
- Supervisors' opinions: Changes in subsidiary companies should not be entered into the report, it is recommended that the changes in supervisors at the management level and higher should be interested into items for discussion
- Decision resolved in the board of directors: We will seek counsel with various lawyers, or begin discussions with directors and supervisors before the business begins
- Actions taken by the Company: Carried out according to decision of Board of Directors.

(III) Date and term of board of directors meeting:

- The 17th board of directors meeting of Term XXVII (August 26, 2010).
- Category of agenda: Other issues.
- Supervisors' opinions: As a way of curtailing risk from large events relating to public safety and shipping, it is recommended that the marine/engineering divisions consider choosing a crew member with on-ship experience, or else with accident management responsibilities. Also, Chinese crew members are an abundant resource, more could be selected to be included in important places of development
- Decision resolved in the board of directors: The auditor is able to give his or her opinion during meetings of the Board of Directors, if there are related opinions to be considered in the case, it will be brought up by the directors
- Actions taken by the Company: The opinion stated by the auditor is highly respected, but it may only be presented as a motion from the floor after the agreement of the directors. After this, it may be discussed and decided upon.

3.3.4 Distinctions between the Company's corporate governance and companies listed on the Taiwan Stock Exchange Corporation (TSEC) and the GreTai Securities Market (or together as "TSEC/GTSM listed companies")

Item	Description of Operation	Distinction from the operation and governance of those TSEC/GTSM listed companies
1. Shares structure and shareholder's rights (a) Procedure for dealing with shareholder's suggestions and disputes (b) The status of the roster of company's controlling shareholders and major shareholders (c) Establishment of a risk control mechanism and a firewall between company and its affiliates	(a) The company has appointed a spokesperson to handle the suggestions or disputes of the stockholders (b) The Company has entrusted its stock affairs to Hua Nan Securities, which in turn provides the latest share register of the company, including the major and controlling stockholders (c) Risk control mechanisms for trades, capital transaction, and information independence have already been established between the Company and its affiliates, and have been strictly followed.	None None None
2. Formation and responsibilities of the board of directors (a) Appointment of an independent director (b) regular review on the independence of the CPA's attesting for the company's financial reports	(a) The Company has not established an independent director (b) The CPA firm employed by the company is among the three largest in the country and is well known for its independence and expertise.	Although no independent director has been appointed, the Company's Board of Directors has followed the relevant law and regulations, the Company's bylaws, and the resolutions of the Company's shareholders meeting for execution. None
3. Establishment of communication channel with interested parties/individuals	The Company designated a special task for whose main purpose is handling communication with interested parties/individuals and ensuring the flow of communication	None
4. Availability of Information (a) Establishment of company website for disclosing financial matters and corporate governance related matters (b) Other means for information disclosure adopted by the company, such as establishing an English language website, appointment of a taskforce for the collection and disclosure of company information, enforcement of company spokesperson mechanism, placement on company website of the calls made with company investors	The Company's website http://www.wnhi.com.tw discloses the following information: (a) Financial and business related information (b) Information relating to the Company's corporate governance including the Company's bylaws, information relating to asset acquisition and arrangement endorsement and guarantee by the Company, capital financing and lending, and derivative financial products purchase and arrangement, etc.	None None
5. Establishment and operation of committees concerning the company's other functionality, such as procedures for nomination, and wages determination, among others	The Company has designated a task force primarily for handling collection and disclosure of company information. The Company is fully committed to the thorough enforcement of the spokesperson mechanism, and making available any and all conference calls made with the Company investors on the Company website	Establishment of a functional committee will depend on the actual need of the Company and in compliance with requirement of relevant regulations
6. In the event that a company has applied corporate governance practice and principles pursuant to "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies," explain the difference between said company and Wanhai: this company has not adopted such corporate governance practice and principles		
7. Any other information that may enhance the understanding of corporate governance (for example, employees rights, employees welfare, investor relation, supplier relation, rights of interested parties/individuals, continuing education for corporate directors and supervisors, risk management policy and risk assessment criteria and their execution, execution of customer policy, and purchase of liability insurance for company directors and supervisors, etc.): • The Company's Director/President Mr. Bai-Chih Chow has completed the 143rd class of the workshop for directors and supervisors (including independent director/supervisor), administered by the Securities and Futures Institute (Taiwan), held in Taipei. • The Taiwan Stock Exchange Corporation has held a seminar for "Regulations and practice concerning Insider Trading," designated for the Company's directors, supervisors, and officers • Beginning in 2006, liability insurance for the Company's directors, supervisors, and officers has been subscribed and provided by Taian Insurance. The liability coverage for 2010 is 10 million USD.		
8. If there is a self evaluation report for corporate governance or an evaluation report conducted by an outside professional firm available, explain and summarize the conclusion of the report (or evaluation conducted by an outside professional firm), the major problems (or recommendations), and solutions: * The Company has not established a self evaluation report for corporate governance, nor has it appointed an outside professional firm for such a report. Note 1: For continuing education for corporate directors and supervisors, please refer to "Guidelines for Corporate Directors and Supervisors Continuing Education" (translation), issued by the Taiwan Stock Exchange Corporation. Note 2: In the event of a securities firm, securities investment and trust, securities investment consulting firm, or futures firm, its risk management policy, risk assessment criteria, and policy and implementation shall be made available for consumer or client protection Note 3: The so-called self evaluation report for corporate governance refers to a self evaluation by a corporation based on its own set of evaluation criteria by which said corporation shall explain and report its execution in conjunction with each set of self-evaluating items.		

3.3.5 Continuing education and training related to business administration attended by the Company's officers

*Continuing education and training for the Directors, Supervisors, officers, and managers:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Po-Ting Chen	Chairman	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1
Chih-Chao Chen	Director	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1
Bai-Chih Chow	Director	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1
Hui-Ying Chen	Director	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1
Randy Chen	Director	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1
Cheng-Hsien Lin	Director	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1
	Director	Jul 28,2010	Securities & Futures Institute	Public company stock exchange law workshop	3
Ye-Tsan Lee	Director	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1
Hsin Pei Lin	Supervisor	Mar 25,2010	Taiwan Stock Exchange	Regulation and Practices Concerning Insider Trading	1

3.3.6 Matters relating to obtaining license or qualification for purpose of financial transparency as required by the competent authority:

*Taiwan CPA Association: Two individuals (Financial Division)

* Continuing Education for Auditing Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Chung-Yi Kao	Audit Supervisor	Nov 30,2010	The Institute of Internal Auditors, Taiwan	Sustainable business practices: the practical use of continuous auditing, inspection, and risk appraisal	8
		Dec 16,2010	The Institute of Internal Auditors, Taiwan	Auditing and Inspection of Mainland China-based subsidiaries	6

*Continuing Education/Training for the Financial Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Chia-Yi Hsiao	Accounting Supervisor	Jan 8,2010 ~Apr 27,2010	KPMG Campus, Finance and Economics Research and Education Foundation	KPMG-IFRS Elite Training Class	48
		Mar 30,2010	Securities and Futures Institute	Study and practice of the legal responsibilities of accounting supervisors	3
		Sep 10,2010	Finance and Economics Research and Education Foundation	IFRS practices and case studies seminar	8
		Oct 15,2010	Accounting Research and Development Foundation	Practice and analysis of taxes on foreign earnings, returning funds to Taiwan and tax-saving investment-oriented insurance policies	4
		Oct 21,2010	Accounting Research and Development Foundation	Laws and regulations concerning business mergers, study of methods and extension of tax burden	3
Chih-Hsien Chen	Financial Supervisor	Mar 30,2010	Securities and Futures Institute	Study and practice of the legal responsibilities of accounting supervisors	3
		Jul 22,2010	Accounting Research and Development Foundation	Business administration and tax management	3
		Oct 15,2010	Accounting Research and Development Foundation	Practice and analysis of taxes on foreign earnings, returning funds to Taiwan and tax-saving investment-oriented insurance policies	4

3.3.7. Other important information to facilitate better understanding of the Company's corporate governance practices.

Items	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
<p>1. Policies implemented and promoted by the Company:</p> <ul style="list-style-type: none"> a) Policies and regulations concerning corporate responsibility, and an appraisal of effectiveness b) The status of full and part-time work units established by the Company for promotion of corporate responsibility c) Corporate ethics training and guidance undertaken by the directors, supervisors, and employees, and the incorporate of corporate ethics into the employee evaluation system, creating an effective incentive and punishment system 	<p>1. Policies implemented and promoted by the Company</p> <p>(1) Environmental and safety regulations established as a means of promoting corporate responsibility by the Company are listed as follows:</p> <ul style="list-style-type: none"> (a) The promotion and implementation of the ISO 14001 environmental management system, and a creation of an ISO committee for regular inspection of the effectiveness of improvements to environmental protection (b) The continued control and improvement of pollution, and the lessening of its effect on the environment (c) Adherence to the relevant legally-binding environmental regulations, international shipping safety management regulations, international conventions, and other relevant demands, whose (d) The strengthening of environmental protection ideals within the company, and the continued education for the promotion of environmental awareness (e) The goals of resource conservation, and the advocacy of recycling in order to reduce waste of resources (f) Encouragement of suppliers and business partners to strengthen environmental awareness, and adherence to environmental rules and regulations (g) Continued improvement to the safety management techniques of on-shore and ship crew, including relevant emergency response techniques for safety and environmental protection <p>(2) The promotion of corporate responsibility by the company, establishment of an inter-office fuel reduction group, and ISO promotion committee, environmental goals reached in 2010:</p> <ul style="list-style-type: none"> (a) Policies for the control of electricity use, conservation of paper and water have all be implemented within the office, resulting an improvement of 152 tons of carbon emission over 2009, a drop of 12.17%. (b) PBFC (Propeller Boss Fin Caps) have been fitted on all newly constructed and current ships, resulting in a reduction of 1,920 tons of CO2 emission, and 2% reduction in fuel in 2010 (c) To satisfy the unique demands of the laws and regulations in various countries, the ship's Ballast Water Management Plan (BWMP) is given to the Classification Society for examination and approval (d) The working group on fuel economy inspects fuel consumption on 10 different shipping lines a month, and actively searches for methods of reducing fuel consumption (e) Annual fire drills (f) Annual environmental awareness activities for the strengthening of corporate environmental principles <p>(3) Compliance with the regulations set out by supervisory boards of the competent authority and securities and Securities and Futures Bureau, and adherence to chapter six and chapter seven of the employee handbook dealing with continuing evaluation and reward and punishment.</p>	<p>No difference</p>

Items	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
<p>Developing a sustainable environment</p> <ol style="list-style-type: none"> 1. The status of the Company devotion to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact 2. The status of the establishment of an environmental management system suited to the special characteristics of our industry 3. The status of the units created or employees assigned for the specific task of environmental protection 4. The status of the Company's awareness of climate change's effect on operation activities, and policies for reducing carbon emissions 	<p>Developing a sustainable environment:</p> <ol style="list-style-type: none"> 1. The Company has devoted itself to increasing the efficiency of all its resources, and the use of renewable resources with a lower environmental impact in the following ways: <ol style="list-style-type: none"> (1) Vessels use Low Steaming Shipping, reducing fuel consumption, and greatly reducing the effect of emissions on the environment (2) Hulls are painted with a tin-free paint, avoiding the release of toxic tin into the environment, preventing damage to marine life (3) Current ships have been outfitted with a new type of oily water separator, purifying the discharge of waste water on ship, and avoiding any possible ocean pollution (4) Starting in 2010, newly-built ships will be fitted with a water ballast treatment system, protecting the ocean ecology and avoiding the foreign organisms from being released via the water ballast, as well as environmental pollution (5) Damaged or worn machines or fitting on vessels, if able to be repaired, are arranged to be reused by the manufacturer (6) Instruction of manufacturers working on the ship to recycle and dispose of trash on shore 2. Current environmental management system employed by the company as related to the shipping industry is as follows: <ol style="list-style-type: none"> (1) Both newly built and current vessels have been fitted with sewage and bilge water treatment system, so waste water is treated before being release, this reduces the ocean pollution caused by waste water (2) Engines and generators on ships built after 2000 are all up to Tier 1 emissions standards, engines and generators on ships built after 2010 are all up to Tier 2 emissions standards, thereby reducing the effect of emissions on the atmosphere and environment (3) Waste oil from engine rooms discharged to the shore is recycled by a qualified company (4) Bilge water from the engine room passes through a 15 PPM bilge water seperator before being released, thus decreasing ocean pollution (5) On-board bilge water passes through a bilge water separator where organic matter is filtered out before being released (6) Crew members daily trash is separated and recycled on shore by a recycling company (7) All engine room internal combustion engines, boilers, and incinerators are kept under a regular upkeep regimin, thus ensuring compliance with emissions laws and regulations 3. The Company's Administration Division has established personnel in charge of carrying out ISO 14001 environmental management policies, ensuring the development of a sustainable environment 4. The Company's policies for achieving goals of carbon emission and greenhouse gas reduction are as follows: <ol style="list-style-type: none"> (1) The implementation of reduced speed shipping, as used on our European shipping service, and 8 other leased ships, resulting in 9 ships overall, reduced round trip fuel emission carbon by 2,800 tons (2) Reduction of fuel expenditure in engine cylinders has been put into effect, and we have achieved our goal of reducing fuel consumption by 611,489 liters in 2010. Beginning in Januaray 2011, although no specific goal has been set, we will continue to seek reasonable reductions in fuel consumption without causing harm to machinery. (3) Energy saving software has been added to all freezer containers, reducing energy consumption by 48% (4) Beginning in 2009, vessels operating in Western U.S. fully use Long Beach Port's on-shore electrical installations (5) The anti-fouling paint for the outside hull has been changed to a silicon-based paint, reducing fuel oil consumption by 3.896% and reducing carbon emissions by 407 tons (6) Purchases of the ship's bunker comply with the sulfur content limit as required by MARPOL (7) Oily water separators aboard ships were changed to comply with MEPC 107(49) standards (8) Beginning in 2004, the gradual implementation of bamboo floorboards in order to satisfy our plans for "green" shipping container manufacture (9) Additional anti-oil leakage equipment has been purchases, strengthening oil leak prevention and accident management capabilities (10) Use of TAR-free anti-fouling paint for the outside hold, preventing ocean pollution (11) Completion of the water ballast management system and its delivery to the Classification Society, complying with international convention (12) Swapping of 825 light fixtures to energy efficient ones has been competed, resulting in an estimated 46.5% reduction in energy consumption (13) During repair, two ships were fitted with PBCF propellers, reducing yearly carbon emission by an estimated 1,920 tons, and reducing oil consumption by an estimated 2% (14) The introduction energy-saving refrigerator units has been effective in reducing overall oil consumption and carbon emissions (15) In accordance with management policy, a energy-saving group was created, with comprising members spread out over all offices, terminals, and other work areas. Members help to advocate energy reduction and recycling to coworkers, with the goal of reducing waste of resources. In 2010 we were able to reduce carbon emissions by 152 tons over 2009. 	<p>No difference</p>

Items	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
<p>3. Upholding Public Good</p> <p>(a) The status of the Company's observance of relevant labor laws, protecting the legal rights of employees, creation of appropriate methods and processes for a management system</p> <p>(b) The status of the Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees.</p> <p>(c) The status of the Company's establishment and promulgation of consumers' rights, and the provision of transparency of products and services, as well as an effective customer appeal process.</p> <p>(d) The status of the Company's cooperation with suppliers to strive for and promote corporate responsibility.</p> <p>(e) The status of the Company's use of business activities, material contributions, corporate volunteers service, or other free service, to participate in community development and philanthropic organizations.</p>	<p>3. Upholding Public Good</p> <p>(1) The company conducts itself according to the relevant labor laws and regulations, and protects the legal rights of its employees, and has set up an appropriate management process.</p> <p>(2) The Company's provision of a safe and healthy working environment to its employees, and the regular provision of health and safety education to its employees is implemented as follows:</p> <p>(a) Worker health and safety education: apart from obtaining legally required certification and retraining, the Company also provides regular health and safety guidance, carries out fire and emergency drills, etc.. At the same time, we also provide a yearly health inspection, health education counseling, health and safety class information, and other assistance. This provides employees with proper health and safety management.</p> <p>(b) Coordination of health and safety policies at work sites: the regular inspection and maintenance of automatic equipment as complying to law, and use meetings to increase health and safety awareness, as well as the implementation of a health and safety document management system. By providing guidance on the principles of health and safety, thus creating a safe and surprise-free work place, and guard against the occurrence of workplace disaster.</p> <p>(c) Standard on-site peer working safety: Aimed at the vendor management of peers, the Company has arranged a standard operating procedure for implementing health and safety management and examination of operations. Additionally, the company has held regular meetings with the Health and Safety Committee to enhance communication and coordination, with the focus on a constant demand for improvement, and the enhancement of the effectiveness of health and safety policies.</p> <p>(3) The Company has instituted policies for the protections consumers' rights and interests, and are recorded amongst the provisions on the back of the bill of lading. The Company has established a website, http://www.wanhai.com.tw (includes relevant announcement of business information and inquiry service), and has created a customer service email and a customer service hot line, providing an outlet for an expression of opinions and inquiries on the part of the customer.</p> <p>(4) In order to protect the environment and the health of our employees, the Company uses products conforming to environmental standards and green products and materials that are provided by suppliers. We also strive to use recyclable materials. Waste material that is able to be recycled is given priority, and the remainder is sent to an incinerator or legal waste burial group, thus reducing environmental harm.</p> <p>(5) Beginning in 2003, the company has donated funds to the Wanhai Charity Foundation, the foundation provides help to the elderly, children, people with disabilities, disaster relief, impoverished citizens, and other relevant societal aid, as well as medical treatment, medical equipment donation, public charity, etc.. Donations from Wanhai Charity Foundation to charity-related expenditures totaled TWD 26,760,394 in 2010. In addition to this, the Company has also promoted the following charity and community participation:</p> <p>(a) Support of the "National Day Charity Concert" run by the Wanhai Charity Foundation. All income from the sale of tickets were used for services for as funds for the betterment of impoverished and marginalized family's living education, and medical treatment.</p> <p>(b) Continuation of the bi-annual "Wanhai Blood Donation Drive," held in February and August. Employees from the Taipei, Keelung, Taichung, and Kaohsiung offices, as well as surrounding business were encouraged to participate. The two events had 1,161 participants, collecting a total of 1,616 donations, totaling 404,000cc.</p> <p>(c) Called for corporate volunteers to participate in two "Children's home Outdoor Adventure" events, five "Double Ninth Festival Nursing Home Concert" events, and four "Remote Village Medical Treatment" events, all run by Wanhai Charity Foundation.</p> <p>(d) Donated shipping containers to Noordhoff Craniofacial Foundation and Care Without Borders Association, for the shipment of used books, clothes, and medical equipment, to Cambodia, Vietnam, Pakistan, and other locations. This helped support local teams of volunteers in raising the level of medical care and child education.</p> <p>(e) On Mid-Autumn Festival Eve and Double Ninth Day Festival Eve, the Company donated food to Yang Ming Home for the Disabled, Haoran Senior Citizens Home, and the Taipei Happy Mount Colony organizations, demonstrating our concern for those working and living in the facilities.</p>	<p>No difference</p>

Items	Status of Work	Difference between the corporate responsibility measures taken by other publicly-listed, OTC companies and reason for difference
<p>4. Strengthening Provision of Information</p> <p>(a) Methods for the provision of information regarding the relevance and reliability of the Company's corporate responsibility</p> <p>(b) Status of the Company's published corporate responsibility report, which details the promotion of corporate responsibility</p>	<p>4. Methods for strengthening the spread of information regarding the promotion of corporate responsibility</p> <p>(1) The Company has already published a report detailing the implementation and results of corporate responsibility</p> <p>(2) The report on corporate responsibility has also been made public on the company's website</p>	<p>The Company has already published a report detailing the implementation and results of corporate responsibility</p> <p>The report on corporate responsibility is also available on the company's website</p>
<p>5. The Company has complied with the rules and regulations for corporate responsibility as laid out in "Practice and Regulations for Corporate Responsibility for Listed, OTC Companies." Please describe anything else that differs from the regulations described: None.</p>		
<p>6. Any other important which may aid in the understanding of the actions taken to further promote corporate responsibility (such as the Company's policy and actions taken regarding the environment, participation in society, contributions to society, service to society, public good, consumers' rights, human rights, health and safety, and any other relevant activities):</p> <p>Using environmental conservation as an example, the Company has showed its concern for environmental sustainability by installing energy saving lights in its offices, controlling use of electricity, measures to conserve water and paper, separation and recycling of garbage, the conversion away from use of paper for internal documents, etc.</p>		
<p>7. Description of accreditation given by relevant accrediting organizations the Company's products or corporate responsibility report may have received:</p> <p>In 2005 the Company received ISO14001 2004 environmental management system accreditation by Det Norske Veritas (DNV).</p>		

3.3.8 The Company should disclose the inquiry method of rules concerning corporate governance and its relevant regulations, if any: <http://newmops.twse.com.tw/> and <http://www.wanhai.com.tw/>

3.3.9 Other important information capable of enhancing understanding of the state of the Company's corporate governance: None.

3.3.10 Wan Hai Lines Ltd.

The Declaration of Internal Control

Based on the self-examination of Company's internal control system for year ended of 2010, we declare that:

1. The establishment, implementation and maintenance of an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system, designed to provide reasonable assurance with respect to the effectiveness and efficiency of business operations (including profitability, performance and safeguarding of assets), the preparation of reliable financial statements and their compliance with relevant rules and regulations.
2. An internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to the accomplishment of the above goals. Furthermore, because of changing conditions and circumstances, the effectiveness of an internal control system may vary over time. Notwithstanding, the internal control system of the Company contains self-oversight mechanisms, and actions are taken to correct deficiencies as they are identified.
3. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in "Criteria for Establishment of Internal Control Systems by Public Companies" (called the "Criteria" below). The "Criteria" divide internal control into five constituents in line with the process of management control: (1) control environment, (2) risk assessment, (3) control operation, (4) information and communication, and (5) supervision. Each constituent contains several criteria. Please refer to the "Criteria" for details.
4. The Company has evaluated the design and effectiveness implementation of its internal control system in accordance with the above criteria.
5. Based on the results of examination, the Company believes on Dec.31st, 2010 that the design and implementation of its internal control system (including supervision and management of subsidiaries), consisting of the effectiveness and efficiency of business operations, the preparation of reliable financial statements and the compliance of relevant rules and regulations, are effective and reasonably assure the achievement of the aforementioned goals.
6. This Statement shall become a major part of the annual report of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the R.O.C. Securities & Exchange Law.
7. This Statement has been unanimously approved by 6 directors and objected by 0 directors of the Company present at the meeting held on 20110331.

WAN HAI LINES LTD.

Chairman: Po-Ting Chen
President: Po-Ting Chen

3.3.11 For the past year and current year up to the annual report's date of publication, sanctions imposed in accordance to the law on the company, or penalization of the company's personnel, or significant discrepancies and the status of measures for improvement: None.

3.3.12 Major Resolutions by the General Shareholders Meeting and Board of Directors in the past year and current year up to the publishing date of the annual report

Major Resolutions of the General Shareholders Meeting

Date	Resolutions
2010 General Shareholder's Meeting (June 18, 2010)	<ol style="list-style-type: none"> 1. Proposed Resolution: Endorsement of the 2009 financial reports Decision: Approved by all attendant shareholders 2. Proposed Resolution: Acknowledgement of the liabilities that has yet to be compensated in 2009. Decision: Approved by all attendant shareholders 3. Proposed Resolution: Amend a clause of the "Wanhai Lines Ltd. Regulations" Decision: Approved by all attendant shareholders 4. Proposal: Amend the procedure for making endorsements and guarantees by Wanhai Lines and its subsidiaries Decision: Approved by all attendant shareholders 5. 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 6. Proposal: Remove the non-competition restrictions of the directors Decision: Approved by all attendant shareholders

Major resolutions of the Board of Directors, 17th Committee

Date	Resolutions
22nd Meeting, (March 25, 2010)	Proposed: Review and evaluate the relevant matters for the 2010 general shareholders' meeting Decision: Approved by all attendant directors
22nd Meeting, (March 25, 2010)	Proposed: Remove the non-competition restrictions of the directors Decision: Approved by all attendant directors
22nd Meeting, (March 25, 2010)	Proposed: Plan to remove the non-competition restrictions of the directors Decision: The related directors recused themselves, and the proposal was passed via individual decision without objection by all of the remaining attendant directors
22nd Meeting, (March 25, 2010)	Proposal: Adjustment of the upper limit of Wanhai Hong Kong subsidiary company's financing to US \$30,000,000. Decision: Approved by all attendant directors
22nd Meeting, (March 25, 2010)	Proposal: Purchase of new shipping containers in 2010 (dry containers 14,800 TEUs) Decision: Approved by all attendant directors
23rd Meeting, (April 29, 2010)	Proposal: Endorse the liabilities that have yet to be compensated in 2009. Decision: Approved by all attendant shareholders
23rd Meeting, (April 29, 2010)	Proposal: To transfer all the physical stocks to non-physical stocks. Decision: Approved by all attendant shareholders
25th Meeting, (June 18, 2010)	Proposal: Purchase of freezer containers in the second half of 2010 Decision: Approved by all attendant shareholders

Date	Resolutions
8th Provisional Meeting, (July 12, 2010)	Proposal: Second case of modifications to the ship construction by Wanhai and CSBC Corporation Decision: Approved by all attendant shareholders
27th Meeting, (August 26, 2010)	Proposal: Plan for removing the non-competition restrictions of the Company's supervisors Decision: Approved by all attendant shareholders
28th Meeting, (September 23, 2010)	Proposal: Adjustment of the upper limit of financing to Wanhai's Singapore subsidiary to US \$150,000,000 Decision: Approved by all attendant shareholders
28th Meeting, (September 23, 2010)	Proposal: Adjustment of the upper limit of Wanhai Hong Kong subsidiary company's financing to US \$25,000,000 Decision: Approved by all attendant shareholders
28th Meeting, (September 23, 2010)	Proposal: Plan to remove non-competition restrictions on supervisors. Decision: Approved by all attendant shareholders
30th Meeting, (November 25, 2010)	Proposal: Purchase of new shipping containers (dry containers 40,000, freezer containers 1,200 TEU), to respond to the business demands of 2011 Decision: Approved by all attendant shareholders
32nd Meeting, (January 24, 2011)	Proposal: Based on the conclusion reached during the 27th meeting of the 17th committee, conducting a purchase of an additional office to increase office space in Taipei Decision: Approved by all attendant shareholders

3.3.13 For the past year and current year up to the annual report's publication date, dissenting opinions that have been recorded as a written declaration from directors or supervisors with regards to a major resolution passed by the board of directors: None.

3.3.14 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: President, Bai-Chih Chow. Retire on 2011/3/18.

3.3.15 Procedure for dealing with important internal information

During its 17th meeting, the board of directors adopted an internal control procedure for the prevention of insider trading, the relevant rules for the observation of this operating procedure are as follows:

- (1) The Company will provide guidelines for the prevention of insider trading to newly appointed directors, current directors, auditors, managers, and high-ranking employees in a timely manner.
- (2) Appropriate safeguards or encryption, including cautionary reminder of confidentiality and insider information, must be used when transmitting important information in writing, by email, or other electronic means. This includes information that can influence stock prices, trade secrets, and important business and financial information.
- (3) Internal information regarding the Company shall be handled by the Company spokesperson or acting spokesperson appointed by the Company, unless as otherwise required by law or regulatory order.
- (4) The Company's spokesperson and acting spokesperson may only release information within the limits authorized by the Company. No company employee may disclose internal information to the public, except for the Chairman, spokesperson, acting spokesperson, or those specifically given the power to do so.

3.3.16 Execution of the resolutions passed at the 2010 General Shareholders' Meeting

- (1) Accepted financial reports of the year 2009: In accordance with company law and the relevant laws and regulations, all related financial information has been submitted to the competent authority for review.
- (2) Acknowledgement of the liabilities that has yet to be reimbursed in 2009: the liabilities yet to be reimbursed at the end of 2009 were TWD 1,736,210,504. When there is surplus, the liabilities will be reimbursed.
- (3) Amend a clause of the "Wanhai Lines Ltd. Regulations: resolution being complied with.
- (4) Amend the procedure for making endorsements and guarantees by Wanhai Lines and its subsidiaries: resolution being complied with
- (5) Amend the procedure of lending funds to other parties of Wan Hai Lines Ltd. and its subsidiaries: resolution being complied with
- (6) Remove the non-competition restrictions of the directors: resolution being complied with

3.4 Information on CPA professional fees

1. Information on CPA professional fees scale range chart

Name of CPA firm	Name of CPA		Audit Period	Remarks
KPMG	Lily Lu	Fu-Wei Chen	Jan. 1,2010~Dec.31,2010	

Expressed in thousands of New Taiwan dollars

Fees item		Amount scales	Audit fees	Non-audit fees	Total
1	Under 2,000 thousand dollars			1,745	1,745
2	2,000~4,000 thousand dollars				
3	4,000~6,000 thousand dollars		4,200		4,200
4	6,000~8,000 thousand dollars				
5	8,000~10,000 thousand dollars				
6	Above 10,000 thousand dollars				

Expressed in thousands of New Taiwan dollars

Name of CPA firm	Name of CPA	Audit fees	Non-audit fees					Audit period	Remark
			System design	Company Registration	Human resources	Others	Subtotal		
KPMG	Lily Lu Fu-Wei Chen	4,200				1,745	1,745	2010/1/1-2010/12/31	Non-audit fees-others (including the following items): Transfer pricing report, Audit business tax by direct deduction method service and the fees of business tax lawsuit

2. During the past year, the CPA has not changed and there is no decrease in the amount or percentage of the auditing fee compared to the previous year: Nil
3. The auditing fee has not decreased by more than 15% compared to the previous year: Nil

3.5. Information on replacement of CPA:

1. About former CPA

Replacing Date	January 1, 2010		
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	Nil	
	Rejection of accepting (continuing) appointment		
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 firm	KPMG
Name of CPA	Lily Lu , Fu-Wei Chen .
Appointment Date	January 1, 2010
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 : Not Applicable

3.6. 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.

3.7 Changes in Shareholdings of Directors, Supervisors, Managers and major shareholders in the past year and up to the annual report publishing date.

Title (note1)	Name	At the beginning of 2010		2010/1/1~2010/12/31		At the end of 2010		2011/1/1~2011/4/26		Remark
		Shares holding	Pledge Shares holding	Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	Shares holding	Pledge Shares holding	Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	
Chairman	Po-Ting Chen	9,146,237	3,378,614	0	0	9,146,237	3,378,614	0	0	Mar 18,2011 serve GM
Director	Hui-Ying Chen	44,442,005	29,072,787	0	0	44,442,005	29,072,787	0	0	Executive
Director	Yi Teh Optical Technology Co., Ltd. Representative: Chih-Chao Chen	7,331,452	0	0	0	7,331,452	0	0	0	
Director	Yi Chun (Liberia) Shipping Co., Ltd. Representative: Randy Chen	271,651,706	88,864,514	0	0	271,651,706	88,864,514	0	0	Main shareholder
Director	Baltimore International Ltd. Representative: Ye-Tsan Lee	1,714,241	153,275	0	0	1,714,241	153,275	0	0	
Director	Hsin Feng Co., Ltd. Representative: Bai-Chih Chow	2,565,905	1,600,000	0	-500,000	2,565,905	1,100,000	0	0	Mar 18, 2011 Resign Representative
Director	Blue Moon Investment Co., Ltd. Representative: Cheng-Hsien Lin	2,778,405	0	0	0	2,778,405	0	0	0	
Supervisor	Chao Shih International Development Co., Ltd. Representative: Hsin Pei Lin	29,707,668	0	0	0	29,707,668	0	0	0	
Supervisor	Yi Hsiang Industrial Co., Ltd. Representative: Chih Hsiang Chen	6,124,338	3,300,000	0	0	6,124,338	3,300,000	0	0	
Supervisor	Chin-Chia Lin	8,336,287	0	0	0	8,336,287	0	0	0	
President	Bai-Chih Chow	0	0	0	0	0	0	0	0	till Mar 18,2011
Executive Vice President	Kuo-Chi Tang	625,005	0	0	0	625,005	0	0	0	till Nov. 1,2010
Executive Vice President	Huey-Jiuan Chen	117,303	0	0	0	117,303	0	0	0	
Vice President	Li- Kuang Huang	100,598	0	0	0	100,598	0	0	0	

Title (note1)	Name	At the beginning of 2010		2010/1/1~2010/12/31		At the end of 2010		2011/1/1~2011/4/26		Remark
		Shares holding	Pledge Shares holding	Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	Shares holding	Pledge Shares holding	Increase (Decrease) in holding shares	Increase (Decrease) in pledge holding shares	
Vice President	Kuo-loong kao	87,805	0	0	0	87,805	0	0	0	
Senior Vice President	Jen-Yee Huang	10,322	0	0	0	10,322	0	0	0	
Vice President	Ming-Shan Hang	16,710	0	0	0	16,710	0	0	0	
Vice President	Ching-Seng Huang	0	0	0	0	0	0	0	0	
Senior Vice PresideJnitong	Jiong-Xin Lin	120,971	0	0	0	120,971	0	0	0	
Vice President	Juang-Jyh Juang	0	0	0	0	0	0	0	0	
Senior Vice PresideJnitong	Fu Lung Hsieh	104,282	0	-175	0	104,107	0	0	0	Finance Executive
Senior Vice President	Wen-Chau Yeh	892	0	0	0	892	0	0	0	
Vice President	Wei-Chien Chuang	8,924	0	0	0	8,924	0	0	0	
Vice President	Wei-Hsin Hsu	122,394	0	0	0	122,394	0	0	0	
Vice President	Chung-Yi Kao	135,598	0	0	0	135,598				
Vice President	Hui-Chang Chung	167,902	0	0	0	167,902	0	0	0	
Vice President	Ming-Hsiung Hsieh	35,444	0	0	0	35,444	0	0	0	
Vice President	Ching-Seng Huang	0	0	0	0	0	0	0	0	
Vice President	Hung-Chuan Chien	0	0	0	0	0	0	0	0	
Vice President	Li-Mei Su	1,155	0	0	0	1,155	0	0	0	
Vice President	Chih-Heng Wan	22,397	0	0	0	22,397	0	0	0	
Vice President	Yen-Ju Chen	62,811	0	0	0	62,811	0	0	0	
Assistant Vice President	Chia-Yi Hsiao	7,809	0	0	0	7,809	0	0	0	

Note1: The entity has the shares holding of the company over 10% should be remarked as "main shareholders" and disclosed accordingly.

Note2: If the entities of shares holding transferred or shares holding pledged were relative parties, the information should be disclosed as following chart.

3.8 Information Disclosing the Relationship between any of the Company's Top Ten shareholders

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	
Yi Chun (Liberia) Shipping Co., Ltd. Representative: Ching-Chih Chen	271,651,706	12.86%	0	0%	0	0%	None	None	
	0	0%	8,662,224	0.41%	0	0%	Randy Chen	Relatives within the second degree	
TCE Representative: Hui-Ying. Chen	162,764,628	7.70%	0	0%	0	0%	Hui-Ying. Chen	Director	
	44,442,005	2.10%	0	0%	0	0%	Da Shin Investment, Inc Liu He Investment, Inc. Pong-Ting Chen	Director Supervisor Relatives within the second degree	
CCE Representative: Randy Chen	162,764,628	7.70%	0	0%	0	0%	None	None	
	0	0%	0	0%	0	0%	Ching-Chih Chen	Relatives within the second degree	
Asia Pacific Container Terminal Inc. Representative: Han Jui Tsai	101,156,570	4.79%	0	0%	0	0%	Da Shin Investment, Inc.	Director	
	0	0%	0	0%	0	0%	None	None	
Chun-Hsing Lin	53,969,353	2.55%	0	0%	0	0%	None	None	
Evervaliant Corp. Representative: Ching-Chih Chen	44,559,000	2.11%	0	0%	0	0%	None	None	
	0	0%	8,662,224	0.41%	0	0%	Randy Chen	Relatives within the second degree	
Hui-Ying Chen	44,442,005	2.10%	0	0%	0	0%	Da Shin Investment, Inc. Liu He Investment, Inc. Pong-Ting Chen	Director Supervisor Relatives within the second degree	
Yeong Yi(Asia) Co., Ltd. Representative: Chih-Yuan Chen	39,395,928	1.86%	0	0%	0	0%	None	None	
	15,353,240	0.73%	6,403,184	0.30%	0	0%	None	None	
Da Shin Investment, Inc. Representative: Pong-Ting Chen	36,464,019	1.73%	0	0%	0	0%	Asia Pacific Container Terminal Inc. Liu He Investment, Inc. Hui-Ying Chen	Director Director Director	
	9,146,237	0.43%	0	0%	0	0%	Hui-Ying Chen Liu He Investment, Inc.	Relatives within the second degree Representative of corporate director	
Liu He Investment, Inc. Representative: Pong-Ting Chen	31,407,195	1.49%	0	0%	0	0%	Da Shin Investment, Inc.	Director	
	9,146,237	0.43%	0	0%	0	0%	Hui-Ying Chen Da Shin Investment, Inc.	Representative of corporate director Director	

Note 1: Should list all of the company's top ten shareholders and need to list the company name and the name of representative separately if belongs to coporate shareholder.

Note 2: The calculation of shareholding ratio is calculate the shareholding ratio of shares hold by self, by spouse and minors and hold in others name separately.

Note 3: Should disclose the relation between shareholders listed above including coporate shareholders and natural persons.

3.9 The comprehensive shareholdings of Directors, supervisors, Presidents and direct or indirect controlling business on the same investing business.

Unit: Shares,%

Investing Business (note)	Investment of the Company		Investment of Directors, Supervisors, Presidents and Direct or indirect Controlling Business		Comprehensive Investment	
	Shares	Holdings%	Shares	Holdings %	Shares	Holdings%
Wan Hai Lines (Phils.) Inc	-	-	901,540	100%	901,540	100%
Wan Hai Lines (HK) Ltd.	-	-	160,000,000	100%	160,000,000	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.	No shares issued	-	No shares issued	100%	No shares issued	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	No shares issued	100%	No shares issued	-	No shares issued	100%
Wan Hai Lines (UAE.) LLC.	-	-	147	49%	147	49%
Shih Lin Paper Co.,Ltd	5,419,088	2.08%	17,789,283	7.61%	25,208,371	9.69%
Taipei Port Container Terminal Corp	64,062,500	15.25%	-	-	64,062,500	15.25%
TK Logistic 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 Logistic Ltd	No shares issued	-	No shares issued	100%	No shares issued	100%
Shenzhen Uniwin International Logistic Ltd	No shares issued	-	No shares issued	90%	No shares issued	90%
Clipper International shipping Agency Ltd.	No shares issued	-	No shares issued	49%	No shares issued	49%
Blue Ocean Logistic Co.,Ltd.	No shares issued	-	No shares issued	100%	No shares issued	100%
Wan Hai Lines (Thailand) Ltd.	-	-	24,500	49%	24,500	49%
The Joint Terminal Handling Co.Ltd	781,250	15.63%	-	-	781,250	15.63%
Bao Sheng Shipping Agency Co., Ltd.	3,000,000	70.01%	-	-	3,000,000	70.01%
Shenzhen Yong Chun International Shipping Management Co., Ltd.	No shares issued	-	No shares issued	90%	No shares issued	90%

Note:Long term investment Wan Hai Lines and subsidiary companies.



Information on capital raising activities

4.1. Capital and Shares

4.1.1 Capital's Resource

Unit: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 1,870,086,660	none	Note12
96.07.27	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
97.01.14	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
97.04.18	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
97.09.05	10	2,500,000,000	25,000,000,000	2,182,275,721	21,822,757,210	Capital increment by retained earnings TWD1,039,178,920	none	Note13
97.12.05	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
98.01.12	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
98.03.11	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
98.05.11	10	2,500,000,000	25,000,000,000	2,117,533,254	21,175,332,540	Retire Treasury Stock TWD 290,730,000	none	Note17
98.08.13	10	2,500,000,000	25,000,000,000	2,112,664,254	21,126,642,540	Retire Treasury Stock TWD 48,690,000	none	Note18

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) Tai-tsai-chen (I) 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
 Note17: Approved by SFB on March 18, 2009 with notice No.0980010596
 Note18: Approved by SFB on May 20,2009 with notice No.0980024236

Shares

April 29 2011

Type \ Shares	Authorized Capital			Remark
	Issued on Market	Unissued	Total	
Common Stock	2,112,664,254	387,335,746	2,500,000,000	-

4.1.2 Shareholder's Composition

April 29, 2011

	Government institution	Financial institution	Other Corporation	Individual	Foreign institutes and corporation	Total
Stockholder's No.	5	22	119	38,631	318	39,095
Holding shares	11,647,599	23,883,207	529,018,430	660,160,479	887,954,539	2,112,664,254
Holding percentage	0.55	1.13	25.05	31.25	42.02	100.00

4.1.3 Shares' Distribution(Par value: TWD 10 per share)

April 29,2011

Shares Level	Stockholder's No.	Holding shares	Holding percentage
1-----999	13,966	3,182,249	0.15
1,000-----5,000	15,482	33,959,772	1.61
5,001-----10,000	4,170	29,010,751	1.37
10,001-----15,000	1,991	23,349,970	1.11
15,001-----20,000	752	13,370,020	0.63
20,001-----30,000	958	22,799,211	1.08
30,001-----40,000	422	14,542,986	0.69
40,001-----50,000	253	11,339,297	0.54
50,001----100,000	477	33,225,441	1.57
100,001----200,000	255	35,158,001	1.66
200,001----400,000	138	37,984,396	1.80
400,001----600,000	44	21,585,736	1.02
600,001----800,000	20	13,913,645	0.66
800,001--1,000,000	21	18,613,063	0.88
1,000,001~	146	1,800,629,716	85.23
Total	39,095	2,112,664,254	100.00

4.1.4 Main shareholders

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

April 29, 2011

Main shareholders	Holding Shares	Holding percentage
YCN	271,651,706	12.86
TCE	162,764,628	7.70
CCE	162,764,628	7.70
Asia Pacific Container Terminal Inc.	101,156,570	4.79
C.S. Lin	53,969,353	2.55
Evervaliant Corp.	44,559,000	2.11
H.Y. Chen	44,442,005	2.10
Yeong Yi(Asia) Co., Ltd.	39,395,928	1.86
Da Shin Inv.	36,464,019	1.73
Liu He Investment, Inc.	31,407,195	1.49

4.1.5 Market Price, Net Value, Earnings and Dividends per share for the past 2 years and this year

Unit: TWD and share

Item		Year			
		2010	2009	2011.1.1~2010.4.30	
Market Price per share (Note 1)	Highest	26.00	18.90	26.15	
	Lowest	14.90	12.55	18.45	
	Average	20.12	16.11	21.69	
Net Value per share (Note 2)	Before Distribution	15.12	12.42	15.14	
	After Distribution	(Note 4)	12.42	-	
Earnings per share	Weighted Average shares	2,112,664,254	2,116,487,504	2,112,664,254	
	Earnings Per Share	2.58	(0.77)	0.17	
Dividend per share	Cash Dividend		1.0622	0	-
	Stock Dividend	Retained Earnings	0.5	0	-
		Capital Reserve	0	0	-
	Accumulated dividend not paid		0	0	-
Return on Investment	Price / Earnings Ratio (Note 3)		7.80	(20.92)	-
	Price / Dividend Ratio		18.94	0	-
	Cash Dividend Yield Rate		0.05	0	-

Note1 : Listed the highest and the lowest price of common stock and calculated average price by value and volume.

Note2 : The calculation is based on outstanding shares by the end of the year and the distributions approved by the Meeting of the Board of Directors in the next year.

Note3 : Price / Earnings Ratio = Average Market Price / Earnings per Share

Note4 : Approved by the Meeting of the Board of Directors, but not approved by shareholders' meeting.

4.1.6 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 2010

The proposal for distribution of 2010 profits was passed at the Meeting of the Board of Directors. This proposal, a cash dividend of TWD 1.0622 per share and a stock dividend of TWD 0.5 per share, will be discussed at the annual shareholders' meeting.

4.1.7 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.

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

1) The percentages or ranges with respect to employee bonuses and director/supervisor remuneration, as set forth in the company's articles of incorporation: Please refer to 4.1.6 -1)-(1)

2) he basis for estimating the amount of employee bonuses and director/supervisor remuneration, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for year 2010: The discrepancy between the actual distributed amount and the estimated figure is TWD 1,377,654. It is the difference in accounting estimates and will be included in the net income / loss of 2011.

3) Information on any employee bonus distribution proposal approved by the board of directors:

A. Distribution of cash bonuses or stock bonuses to employees, and remuneration for directors and supervisors. If there is any discrepancy between such an amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The discrepancy between the actual distributed amount and the estimated figure is TWD 1,377,654. It is the difference in accounting estimates and will be included in the net income / loss of 2011.

B. The amount of any proposed distribution of employee stock bonuses, and the size of such an amount as a percentage of the sum of the current after-tax net income and total employee bonuses:

There's no proposed distribution of employee stock bonuses in 2010. The percentage is 0.

C. The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor remuneration:

The diluted EPS will be TWD 2.58.

4) The actual distribution of employee bonuses and director/supervisor remuneration for the previous fiscal year (with an indication of the number, dollar amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, additionally the discrepancy, cause, and how it is treated:

It is not applicable, because there's no employee bonuses and director/supervisor remuneration in 2009.

4.1.9. Buyback of Common Stock

Buyback Plan	1st Buyback Plan	2nd Buyback Plan	3rd Buyback Plan	4nd 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	03/09/2009~05/08/2009
Planned Buyback Price Range (TWD)	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 (TWD)	300,163,726	124,782,959	388,473,604	72,916,218
Number of shares cancelled or transferred (Note)	21,822,000 common shares	9,145,000 common shares	29,073,000 common shares	4,869,000,common shares
Effective date of capital deduction approved	2009/01/12	2009/03/11	2009/05/11	2009/08/13

4.2 Status of Corporate Bond

Bond Type		1st Ordinary unsecured bond
Issue date		June 28, 29, 30, 2004
Par value		TWD10,000,000
Place of listing		At R. O. C.
Issue price		At Par value
Total issue amounts		TWD9,000,000,000
Coupon rate		See the terms and conditions
Maturity date		June 30, 2011
Guarantee institute		Nil
Trustee		M.E.G.A. Trust Dept.
Lead manager		M.E.G.A. Trust Dept.
Endorsement lawyer		Modern Law office
Endorsement accountant		KPMG
Redemption		on the Maturity Date
Outstanding amount		TWD3,000,000,000
Redemption / Call option		Nil
Restriction covenants		Nil
Rating institute		Taiwan Ratings
Rating date		Apr.15,2011
Rating result of the bond		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

4.3 Status of preferred stock: None

4.4 Status of Global Depositary Receipt: None

4.5 Status of Employee Stock Options: The company has not executed employee stock options.

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.7. Financing Plans and Implementation

Capital Expenditure of 1st Ordinary Bond:

Unit: TWD thousand

Program Item	Execution Situation		Accumulated till Mar. 31,2011	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%	



Condition of the Business Operation

5.1. Business profile

5.1.1 Scope of business

- 1) Marine transportation (94.20%)
- 2) Shipping agency (0.02%)
- 3) Purchase & sales of vessels and containers (0.00%)
- 4) Container freight station business (0.71%)
- 5) Leasing of vessels and containers (5.07%)

Wan hai Lines provides full-containerized shipping service covering ports in China, Taiwan, Kansai and Kanto in Japan, Korea, Thailand, Indonesia, Phillipines, Singapore, Malaysia, Hong Kong, Vietnam, India, Pakistan, Sri Lanka, Iran, the Middle East, Tanzania, Kenya, South Africa, the United States, Uruguay, Argentina, Brazil, the Netherlands, Belgium, Germany, Romania, Ukraine, and Turkey.

Wan Hai Lines also operates shipping agency business and is currently representing Norwegian Hoegh autoliners 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.

5.1.2 General state of the industry:

The first half of 2010 was a turning point for the global economy as well as the container shipping industry. The global economy rebounded strongly from its lowest point, and freight rates, load factors subsequently rose. However, starting in the second quarter, oil prices and vessel charter hire also began to rise, heightening the operating costs of all shipping companies. Additionally, many large-sized vessels were brought into the market this year, significantly increasing global transport capacity. Which made it difficult for carriers to increase freight rates. Facing a variety of external challenges, Wan hai apart from taking advantage of our own vessel fleet, has also made use of chartered vessels to enlarge our fleet. By expanding our service scope, and using low costs and high quality, reliable customer service, we have increased our customer group. We look forward to being able to increase our market share and heighten our profit-making capabilities.

5.1.3 General state of technology and development:

Wan hai has been firmly established in Intra-Asia market for quite a while, and we have the most complete and intensive service network within the region. The company has developed services to China, India, the Middle East, Northern Europe, North America, the Black Sea, and still retains as our established service network in Asia. Additionally, we have successfully expanded into the markets of East Africa, South Africa, and the East Coast of South America. The company is also active in adjusting the deployment and intensity of shipping services in order to increase competitiveness. By increasing the size of our vessel

fleet, we hope to increase competitiveness and achieve a better operating efficiency.

5.1.4 Long-term and short-term business development plans:

The short-term business development plans for the company are: decrease cost of operations, increase operating effectiveness; further integrate and expand our service network; increase and expand independent operations in all regions; further strengthen the intensity of shipping services in Asia, and further expand our long-haul services.

The long-term business development plans for the company are: expand the size of our vessel fleet; expand our strategic alliances; continue to develop niche markets.

5.2 General State of sales and the market:

5.2.1 Market Analysis

1) Major service areas and ratio of market share

Wanhai is a full container liner operator, its service network includes Northeast Asia, Mainland China, Hong Kong, Southeast Asia, the Indian Subcontinent, Pakistan, the Middle East, Africa, the Black Sea, Europe, and the Americas. They are separated as follows:

A.) Northeast Asia:

Wan hai has a long, well-established history of service in Japan, Taiwan, and Hong Kong. Recently, due to the warming of cross-strait relations, the Hong Kong region forwarding business has achieved stable growth, and is predicted to have a regular growth rate. Due to the maturity of our Japan and Korea shipping services, modest growth in shipping volume is predicted for these markets. Wan hai has taken an active approach to adjusting current shipping services, and actively working with other companies within the shipping business to exchange shipping space. These measures are a response to the large rise in shipping operation costs, and the actions taken by Wan hai demonstrate the flexibility of the company's shipping strategies. This fulfills our management ideal of customer priority.

B) Mainland China

The continued growth of the China market has continued in recent years, and the company is actively increasing its presence in China. We have opened an office in China to container shipping-related services across the Strait, and to the dramatic decrease in shipping times has greatly benefited imports and exports of manufacturing companies on both sides of the Strait. Each year our plans for shipping services to China directly reflect the needs of the market. By expanding the size of our operating area, we are further increasing our competitiveness. Direct shipping lines formally began in December 2008, and Wan hai currently offers five separate shipping services within the area. By forgoing the needs for goods to pass through a third area, the costs of fuel, docking, and shipping time have decreased. Additionally, we have increased the areas of services, thus providing faster, higher quality service to our customers.

C) Southeast Asia

With the signing of the FTA by China, Japan, South Korea, and the ASEAN nations comes a gradual decrease in the tariff barriers within the region. This has led to a flourishing development in intra-region trade. Wan hai launched North China - Singapore/Malaysia,

North China - Indonesia, and Japan - Thailand services to its original regional lines. We have also consolidated and adjusted our shipping resources to provide faster, safer shipping services, and maintain our competitiveness and market share in Southeast Asia.

D) The Indian Subcontinent, Pakistan, the Middle East, and Africa:

Apart from Mainland China, India represents one of the fastest growing economic regions. Including joint operations with other shipping companies and purchase of shipping space, Wanhai has six shipping services running between Asia and India. We are actively seeking to invest more resources in the region, thus increasing our competitiveness.

In light of the flourishing development of trade between Asia and the Middle East, we have invested large vessels and are operating joint ventures with other carriers. This serves to lower our costs, and increase performance. Wan hai has also allied with other carriers to link Thailand and Singapore/Malaysia to the Middle East, thus providing service to the varied growth of the Gulf nations. All of this has allowed us to strengthen our services in the Middle East region.

In order to provide our customers with even more complete service, we have developed a strategic alliance with other carriers to provide a Colombo to East Africa service, thus serving as a bridge between the Indian subcontinent and East Africa markets.

E) The America:

In order to solidify our competitiveness in the trans-Pacific services, we have chosen to jointly operate the services, in pursuit of lower operating costs, and further investment opportunities.

Additionally, in order to expand our service network, we have formed a strategic alliance with other carriers to open up a service connecting Asia and the East Coast of South America.

F) The Black Sea and Europe:

With the recovery of the global economy, and as a way of providing more complete shipping services, we have launched a second string to the Black Sea market. We are now providing bi-weekly shipping services from the Far East to the Black Sea.

With the clear recovery of the European market, we resumed our joint venture service with Pacific International Lines in providing Far East to Europe services. Our timely grasp of market growth has served to increase our profits.

2) Future supply and demand with growth potential:

Although the worst of the economic collapse is over, the two major markets of the U.S. and Europe have yet to completely emerge from its effects. As they continue to recover, the heart of economic growth has shifted eastwards towards the emerging markets of Asia and the Indian subcontinent, helping to drive the growth of shipping volume. Wan hai is firmly established in Asia, and apart from its deep roots in the region, we will continue to extend our presence to all locations worldwide.

3) Niches, challenges, and solutions

A) Niches:

- a. Significant room for growth in the Asian shipping market
- b. Cost efficiency and risk diversification via strategic partnership with other carriers

- c. Comprehensive and intensive service network, and excellent quality of service
- d. Flexibility in container and fleet adjustment
- e. Strong market share in principal territory
- f. New and faster ships and equipment

B) Challenges:

- a. Foreign exchange volatility risk
- b. Oil price volatility risk
- c. Threat of new competitors
- d. Increasing cost of vessel leasing
- e. Uncertain economic situation of relevant economies

C) Solutions:

Immediate response and adjustment to external markets; improvement to adjustments of optimum vessels and shipping services; strengthening of competitiveness; continued strategic partnerships in order to reduce operating costs and risk.

5.2.2 Key features of major products and production procedures

Currently, our company provides full container shipping services to of China, Taiwan, Kansai and Kanto in Japan, Korea, Thailand, Indonesia, Phillipines, Singapore, Malaysia, Hong Kong, Vietnam, India, Pakistan, Sri Lanka, Iran, the Middle East, Tanzania, Kenya, South Africa, the U.S., Uruguay, Argetina, Brazil, the Netherlands, Belgium, German, Romania, Ukraine, and Turkey. A brief description of our 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.

5.2.3 Main materials supplier: Service industry; not applicable

5.2.4 Main vendor list: sum of money and proportion

- 1) Vendor list of last two years: Service industry; not applicable
- 2) We have various customers, incomes from any singular customer is not higher than 10% of operating income

5.2.5 Production output of last two years: Service industry; not applicable

Wanhai's business belongs to the service industry (shipping), rather than the manufacturing industry. Thus we are unable to use terms such as upstream, midstream, or downstream to describe our production output.

5.2.6 Sales volume of last 2 years:

	Year 2010	Year 2009
Sales Income (TWD)	64,712,000,000	47,088,000,000
Operating Capacity (TEU)	3,258,000	2,685,000
Vessels in Operation	85	75

5.3 Human Resources Statistics

Location		Year	2009	2010	2011 as of April 29 th
No. of Employees	Offices		732	796	802
	Terminals		278	290	291
	Total		1010	1086	1093
Average Age			38.7	38.3	38.2
Average Years of Service			8.2	8.5	8.6
Level of Education	Ph. D Degree		2	2	2
	Master's Degree		153	183	187
	College Degree		514	580	579
	Associate Degree		153	154	163
	High School		140	137	127
	Below High School		48	30	35

5.4 Disbursements for environmental protection

5.4.1 The Company has not been subject to any environmental protection penalties over the past two years.

5.4.2 Future preventative and corrective measures:

1. All of our company's vessels have been insured against ship owner 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 Prevention Certificate issued by Class Society approval.
 - (2) In order to enhance the separation of bilge water and attain the highest level of environmental standards, all of our vessels are equipped with bilge water separators and also have Bilge Water Primary tanks located in the engine rooms. The bilge water separator is equipped with automatic detect alarm (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 Pollution Prevention in 1973, as amended in 1978).
 - (3) To process sanitary waste water, sewage treatment plans have been installed in all engine rooms. These plans have 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 an subsequently received the International Air Pollution Prevent Certificate (IAPP). This certificate completely satisfies the 1997 resolution for the amended edition of MARPOL 73/78 Annex IV regulations.
 - (5) The main engine and auxiliary engine equipment for all new-built ships conform to the IMO limiting the discharge of nitrogen oxide (NOx) compounds. Manufacturer-provided technical files and parameters of diesel engines have passed the relevant examinations. The Engine International Air Pollution Prevention Certificate (EIAPP) has been issued by the Classification Society after passing examinations in accordance with the amendment edition article 13, as satisfied in MARPOL 73/78 Annex IV.
 - (6) Engine rooms are equipped with Incinerators (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 regulations.
 - (7) To assist in on-shore discharging of waste oil and sludge, 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 article 17 as outlined in MARPOL 73/78 Annex VI.
 - (8) Our company has 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 records 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 Systems on Ship (referred to henceforth as the AFS pact) based on the resolution A.882 (21) as amended by article 19 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 the F.O. And the L.O. system on deck.

(11) The purchases of ship's bunker has complied with the sulfur content limit as required by MARPOL, and has also met with international and local regulations, such as SECA of Europe, and California of USA.

(12) As per the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (Bunker Convention), we have furnished all vessels with the Bunker Convention Certificate (BCC), which has covered the liability for pollution damage by bunker oil from our vessels.

(13) In order to phase into compliance with the International Convention for the Control and Manage of Ship Ballast Water and Sediments, 2004 at an earlier time, we have prepared all vessels' Ballast Water Management Plan, and some have been sent for Class approval. We also follow the local regulations for ballast water exchange with well-documented evidence in ballast water exchange as well as training records.

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 all of our ships have been operated 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 will be installed at the time of shipbuilding. Thus, the cost will be included into the overall cost of ship construction.

3. The influence of installed facilities to the Company:

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.

5.4.3 In accordance with industry practices, our company is not limited by ROHS

5.5 Labor Relations

5.5.1 Major labor agreements currently being implemented

1. Employee benefit program:

The Company provides labor and health insurance in line with relevant laws and regulations. The Employee Benefit Committee was established in March 1989 and is charged with all matters concerning employee welfare. The major employee benefits are as follows:

(1) Employee benefit program: includes meal allowances, group insurance, provision of uniforms, bonus distribution, and regular health examinations.

(2) The Employee Benefit committee implements a benefit program that includes birthday parties, cash gifts for weddings, childbirth support, monetary condolence, aid for grave accidents, and leisure travel expense reimbursement.

2. Retirement plan: Pursuant to the Labor Standards Act and the Labor Pension Act, on July 1, 2005, the Company issued written inquiries to employees with respect to their selection of the new or old pension plan. The Company subsequently reported the results to the Bureau of Labor Insurance (BLI). Accordingly, the Company sets aside a sum equal to 15% of total monthly wage to the retirement funds of those who chose the old pension plan. A sum equal to 6% of total monthly wage is set aside for those who chose the new pension plan. These amounts are deposited into each employee's individual account with the BLI. The Company has also set aside the full amount covering the provisional difference between the new and old pension plans for those employees who chose to switch to the new pension plan within five years. The Company has actuarial reports on file for such provisions prepared by qualified actuary.

3. Other major agreements

The Company maintains harmonious labor relations, and never has labor disputes

4. Continuing education and training for employees

The Company values the growth and development of all our workers, and provides multi-faceted educational training classes as a way of enriching professional knowledge and developing personal potential. In total 375 classes were run in 2010, with a total of 7841 participants.

Class type	Content	Time (hr.)	Number of Trainees	Total Cost
Newcomers Orientation	Orientation program designed for new employees to participate in a series of training classes, helping them to better understand the Company's corporate culture and the organization and function of each department The program consists of: 1. Corporate culture: corporate culture and business ideals 2. Organization: A brief introduction of the company and each of its departments, attendance rules, labor and health insurance, Employee Benefits Committee, and our non-profit organization 3. Basic skills: Report-writing skills, business etiquette, Wan Hai Family site 4. Shipping industry knowledge: introduction to the shipping industry, the global shipping process, an overview of vessels and shipping containers 5. On-site visit: a visit to Taichung harbor and TK Logistics International, guided tour of each floor of the company 6. General awareness: professional integrity and legal responsibilities	104.5	96	\$324,378
Professional training for general staff	1. Professional training aimed at each area of expertise, separated into the following categories: vessel and terminal operation, knowledge of law, knowledge of cargo solicitation, knowledge of document processing, finance, on-shore crew training, English workshop, and enhancement of foreign language abilities 2. Apart from specific professional training, a yearly ISO awareness and fire safety training course is given 3. Seminars and other activities aimed at employees personal and professional development	356.5	7086	\$572,918
Professional training for supervisors	This year's focus: 1. Skills for obtaining valuable results in discussions 2. Improving teamwork through dialogue 3. Risk awareness and crisis management	15.5	140	\$ 280,189
Courses sponsored by the Employee Benefits Committee	Every year the Employee Benefits Committee assists in the training of employees, this years courses included: 1. Elegant interpersonal communication 2. Hot spring trips to Japan and Hawaii 3. Romance and Marriage discussions 4. Inter-gender relations: love, marriage, and family 5. An appreciation of Southern Europe 7. Jazz party 8. Creative thinking	12	404	\$ 63,105
External training courses	1. As required by law, internal auditing personnel must complete a minimum of six hours of training related to their profession 2. Labor safety courses - Labor safety and sanity, fire safety training 3. Finance classes: IFRS, taxes in Mainland China	1127.5	115	\$ 339,859
TOTAL		1616 hr	7841	\$1,580,449

5.Guidelines for employee behavior and morality:

Employee conduct and morality are of the utmost importance to Wanhai. In addition to including workplace attitude and morality into our employee guidelines, we have also included into our performance evaluation index.

1.General requirements of work attitude and morality:

- (1) All employees should take pride in being a part of Wanhai, and faithfully observe the company requirements regarding working environment, workplace attitude, employee relationships, etc., as publicized in various regulations, notices, and official announcements.
- (2) All employees should keep business information strictly confidential. Any documents which have not been approved may not leave the office (or be sent via email), nor disclosed to outside parties. If such an event occurs, the concerned employee risks discharge from his or her post, and may even face legal action if deemed necessary.
- (3) During employment at Wanhai, employees shall not accept nor solicit commission, kickbacks, special treatment, or any other form of gifts, all of which are considered improper. If violation of the above is discovered, the employee will be discharged immediately; in the event that the guilty employee's actions result in a loss for the Company, legal actions for damages shall be carried out.
- (4) All employees shall uphold and protect the reputation of the Company. Any personal opinions regarding the company may not be released publicly before obtaining permission. Except when conducting business designated by the Company, employees may not act under the name of the Company.
- (5) Employees should be sincere, willing to take initiative, and responsible. They should be actively seeking out problems and proposing solutions.

2. Work attitude and morality as criteria for performance evaluation:

- (1) Morality and personal integrity: employees should be honest and selfless, and are prohibited from obtaining personal gain through illegal or morally unjustified means; an employee's conduct shall not adversely impact the Company's reputation.
- (2) Compassion and respect for work: employees shall demonstrate compassion for his or her work, and be willing to put in extra time and effort in order to ensure the success of their work.
- (3) Activeness and Accountability: employees are to be held accountable by their superiors for working hard to complete their assigned duties
- (4) The Company's interest before individual interest: employees shall understand the scope and authority of their jobs, and should be able to understand how to evaluate and uphold the interests of the Company as a whole

5.5.2 Damages caused by labor disputes in the past three years:

As the Company has faithfully followed the relevant laws and regulations, included those newly issued by the competent authority, we have enjoyed and maintained harmonious labor relations with its employees. This is evident in the continued lack of labor conflicts resulting in loss.

5.5.3 Measures for ensuring the safety of the working environment and employees

The principles of upholding workplace safety and lowering employee occupational hazards has been a long-term pursuit of Wanhai. This is demonstrated in three broad areas:

1.Occupational health and safety training

In addition to the acquiring the required certification for employee health and safety, the

Company has also provided regular health and safety guidance, fire prevention training, and emergency drills. At the same time, yearly health inspections, hygienic instruction, and other medical assistance, providing employees with the proper health and safety management.

2. Policies for occupational health and safety coordination

The Company has carried out regular inspections and maintenance of automatic equipment as required by law, and has also heightened awareness of health and safety via regular meetings. In addition, the Company has carried out a management policy pertaining to health and safety documents. By better understanding the concepts of occupational health and safety, we hope to create a surprise-free workplace, and prevent the occurrence of occupational hazards.

3. Standard on-site peer working safety:

Aimed at the vendor management of peers, the Company has arranged a standard operating procedure for implementing health and safety management and examination of operations. Additionally, the company has held regular meetings with the Health and Safety Committee to enhance communication and coordination, with the focus on a constant demand for improvement, and the enhancement of the effectiveness of health and safety policies.

5.6 Significant Contracts

PARTNER	CLASSIFICATION OF COOPERATION	MAJOR CONTE T		PERIOD		NOTIFICATION
				FROM	TO	
PACIFIC INTERNATIONAL LINES (PTE) LTD / CHINA SHIPPING CONTAINER LINES CO., LTD. / KAWASAKI KISEN KAISHA LTD / YANG MING (UK) LTD.	JOINT VENTURE	ABX: ASIA - BLACK SERVICE		2009/1/15		First 1 year minimum, 90 days pre-notice to terminate
PACIFIC INTERNATIONAL LINES (PTE) LTD / KAWASAKI KISEN KAISHA LTD / YANG MING (UK) LTD. SHIPPING CORPORATION OF INDIA	JOINT VENTURE	INDFEX: FAR EAST-INDIA SERVICE		2010/4/30-2011/4/29		First 1 year minimum, 90 days pre-notice to terminate
PACIFIC INTERNATIONAL LINES (PTE) LTD / KAWASAKI KISEN KAISHA LTD / YANG MING (UK) LTD.	JOINT VENTURE	CMS/CSG: CHINA - MIDDLE EAST SERVICE		2010/2/07-2012/2/06		First 1 year minimum, 180 days pre-notice to terminate
PACIFIC INTERNATIONAL LINES (PTE) LTD	JOINT VENTURE	FES: Far East - Europe Service		2010/3/13-2011/3/12		First 1 year minimum, 60 days pre-notice to terminate
PACIFIC INTERNATIONAL LINES (PTE) LTD	JOINT VENTURE	FBS: Far East - Black Sea Service		2010/12/16-2011/12/16		First 1 year minimum, 180 days pre-notice to terminate
PACIFIC INTERNATIONAL LINES (PTE) LTD	SWAP SLOT	PHX: PRC - HK - STRAIT EXPRESS	IFX2: INDIA - FAR EAST EXPRESS	2010/6/13-2010/12/13		First 6 months minimum 6 months + any time 60 pre-notice to terminate
PACIFIC INTERNATIONAL LINES (PTE) LTD / CHINA SHIPPING CONTAINER LINES CO., LTD. /	SWAP SLOT	FBS: Far East - BLACK SEA SERVICE VS ABX: ASIA BLACK SEA SERVICE		2010/12/16-2011/12/16		First 1 year minimum, 180 days pre-notice to terminate
COSCO CONTAINER LINES CO., LTD.	SWAP SLOT	JTP & CJ12: SOUTH CHINA - JAPAN SERVICE		2009/7/24		Anytime 30 days pre-notice to terminate
EVERGREEN LINE HAPAG-LLOYD AG	JOINT VENTURE	CIX: CHINA - INDIA SERVICE		2006/4/30-2011/4/29		First 1 year minimum, 90 days pre-notice to terminate
EVERGREEN LINE SIMATECH SHIPPING L.L.C	JOINT VENTURE	East Africa Shuttle Service		2010/5/11-2011/5/11		First 1 year minimum, 90 days pre-notice to terminate
EVERGREEN LINE	JOINT VENTURE	JTH: JAPAN - TAIWAN - HONG KONG SERVICE		2002/9/01		anytime 120 days or by mutual consents
	JOINT VENTURE	JTP: JAPAN - TAIWAN - PHILIPPINES SERVICE		2008/9/12-2011/9/11		6 months minimum, 60 days pre-notice to terminate
	SWAP SLOT	KSS/NSA/NSB: INTRA ASIA SERVICE		2009/2/22		6 month min, 45 days pre-notice to terminate
	JOINT VENTURE	HWABEI STRAIT SERVICE		2010/7/03-2011/1/3		6 month min, 60 days pre-notice to terminate
SINOTRANS CONTAINER LINES CORP. LTD	JOINT VENTURE	NCT: NORTH CHINA TO TAIWAN SERVICE		2005/5/12-2011/05/12		1 year minimum, 90 days pre-notice to terminate
	FIXED SLOT CHARTER	CVT & NCT: CHINA - VIETNAM - THAILAND & NORTH CHINA - TAIWAN NCT: NORTH - CHINA - TAIWAN SERVICE		2010/2/14		any time 45 days pre-notice to terminate
	SWAP SLOT	HBS: HUABEI - STRAIT SERVICE CKI: CHINA KOREA INDONESIA SERVICE		2010/9/25		Any time 30 days pre-notice to terminate
	SWAP SLOT	XMN: TAIWAN - XIAMEN SERVICE FIS: TAIWAN - FUZHOU SERVICE		2009/11/13		any time 30 days pre-notice to terminate
MITSUBI O.S.K. LINES, LTD.	SWAP SLOT	JCV/JSV/ JSH/ SUPER I / SUPER II / CBE / CBW: INTRA ASIA SERVICE		2007/3/06		any time 90 days pre-notice to terminate
RCL FEEDER PTE LTD SEA CONSORTIUM PTE LTD HAMBURG SUD	JOINT VENTURE	CCI: CENTRAL CHINA - INDIA SERVICE		2010/4/23-2011/4/22		1 year minimum, 90 days pre-notice to terminate
SEA CONSORTIUM PTE LTD	FIXED SLOT CHARTER	SBX: SINGAPORE - PORT KLANG - CHITTAGONG SERVICE		2010/7/01		6 months minimum, 15 days pre-notice to terminate
	SWAP SLOT	CIX / SBX: SINGAPORE - INDIA VS SINGAPORE - CHITTAGONG SERVICE SBX: SIN-PKG-CGP-SIN Round-trip		2010/11/07-2011/5/07		6 months minimum, 15 days pre-notice to terminate
	FIXED SLOT CHARTER	KCC: KAOHSIUNG - CEBU SERVICE		2010/10/31		3 months minimum, 30 days pre-notice to terminate
ORIENT EXPRESS LINES (SINGAPORE) PTE LTD	SWAP SLOT	CIX / SCS: S.E.A - INDIA AND BANGLADESH		2010/11/04-2011/1/04		2 months minimum, 15 days pre-notice to terminate
YANG MING MARINE TRANSPORT CORP.	FIXED SLOT CHARTER	KSS: TAIWAN - SINGAPORE - PORT KLAING		2009/7/22		3 months minimum, 30 days pre-notice to terminate

PARTNER	CLASSIFICATION OF COOPERATION	MAJOR CONTE T		PERIOD	
				FROM	TO
KAWASAKI KISEN KAISHA LTD	SWAP SLOT	JTT/ JSH / BIS: INTRA ASIA SERVICE		2007/4/01	anytime 30 days pre-notice to terminate
	JOINT VENTURE	TJS: THAILAND - JAKARTA SERVICE		2009/6/22	6 months minimum, 60 days pre-notice to terminate
HANJIN SHIPPING CO., LTD.	JOINT VENTURE	SIX: SOUTH EAST ASIA - US WEST COAST SERVICE		2010/3/13-2012/3/12	1 year minimum, 90 days pre-notice to terminate
	FIXED SLOT CHARTER	PSX: CENTRAL CHINA - US WEST COAST		2010/3/13-2012/3/12	1 year minimum, 90 days pre-notice to terminate
HANJIN SHIPPING CO., LTD. COMPANIA CHILENA de NAVEGACION INTEROCEANICA S.A. HAPAG-LLOYD AKTIENGESELLSCHAFT ZIM INTEGRATED SHIPPING SERVICES LTD.	JOINT VENTURE	EAST COAST OF SOUTH AMERICA		2010/4/14-2011/10/13	1.5 years minimum, 180 days pre-notice to terminate
HAPAG-LLOYD AKTIENGESELLSCHAFT	FIXED SLOT CHARTER	EAST COAST OF SOUTH AMERICA		2010/4/14-2011/10/13	1.5 years minimum, 180 days pre-notice to terminate
MING SHENG SHIPPING COMPANY LTD	SWAP SLOT	SHA I / SHA II: CHINA - TAIWAN SERVICE		2005/4/28	Any time 60 days pre-notice to terminate
SIMATECH SHIPPING AND FORWARDING L.L.C.	JOINT VENTURE	GPS : GULF - PAKISTAN SERVICE		2008/7/11	Any time 60 days pre-notice to terminate
	SWAP SLOT	GPS / DMN + BAH SHUTTLE: MIDDLE EAST SERVICE		2010/12/01-2011/6/01	Any time 60 days pre-notice to terminate
	FIXED SLOT CHARTER	AGE: THAILAND - MIDDLE EAST SERVICE		2010/9/10	4 months minimum, 30 days pre-notice to terminate
CHINA UNITED LINE LTD	FIXED SLOT CHARTER	SVG: CHINA - VIETNAM SERVICE		2007/9/13	6 months minimum, 30 days pre-notice to terminate
	FIXED SLOT CHARTER	HN2: CHINA - TAIWAN SERVICE		2009/2/10	6 months minimum, 30 days pre-notice to terminate
INTERASIA LINES LTD.	FIXED SLOT CHARTER	BSS : MALAYSIA - INDONESIA SERVICE		2008/8/18	Any time 15 days pre-notice to terminate
	FIXED SLOT CHARTER	Super III: JAPAN - S.M. STRAIT		2006/3/07	1 year minimum, 90 days pre-notice to terminate
	SWAP SLOT	CIX / YGN: S.M. STRAIT - INDIA AND MYANMAR SERVICE		2009/11/09	Any time 30 days pre-notice to terminate
	FIXED SLOT CHARTER	YANGON - MALAYSIA SERVICE		2010/11/29	Any time 30 days pre-notice to terminate
	FIXED SLOT CHARTER	Super I : JAPAN - S.M. STRAIT		2008/12/22	1 year minimum, 90 days pre-notice to terminate
	JOINT VENTURE	TIS: TAIWAN - INDONESIA SERVICE		2009/9/09 -2011/9/09	6 months minimum, 60 days pre-notice to terminate
	SWAP SLOT	TJS / TIS: INTRA ASIA SERVICE		2009/9/01	Any time 30 days pre-notice to terminate
	FIXED SLOT CHARTER	JSH: JAPAN - VIETNAM SERVICE		2010/1/02	Any time 30 days pre-notice to terminate
	FIXED SLOT CHARTER	KHP: TAIWAN - VIETNAM SERVICE		2010/5/30	30 months minimum, 30 days pre-notice to terminate
	JOINT VENTURE	JCV: JAPAN - CHINA - VIETNAM SERVICE		2010/5/06-2011/5/06	1 year minimum, 90 days pre-notice to terminate
	JOINT VENTURE	NTE: JAPAN - THAILAND SERVICE		2010/9/13-2011/9/13	1 year minimum, 90 days pre-notice to terminate
CHENG LIE NAVIGATION CO., LTD	SWAP SLOT	KSS/ JTX: INTRA ASIA SERVICE		2009/2/12	3 months minimum, 30 days pre-notice to terminate
	SWAP SLOT	HBS / CHINA 1: INTRA ASIA SERVICE		2010/6/24	3 months minimum, 30 days pre-notice to terminate
BENGAL TIGER LINE PTE LTD	JOINT VENTURE	SC1: S.M. STRAIT - CHENNAI SERVICE		2009/5/20	6 months minimum, 90 days pre-notice to terminate
	SWAP SLOT	TPS / KMC: TAIWAN - PHILIPPINES		2009/6/01	Any time 30 days pre-notice to terminate
	FIXED SLOT CHARTER	KMC: TAIWAN - PHILIPPINES		2010/10/30-2011/1/31	3 months minimum, 30 days pre-notice to terminate
PENDULUM EXPRESS LINES LTD	FIXED SLOT CHARTER	TJS: THAILAND - INDONESIA SERVICE		2010/6/16-2010/12/15	6 months minimum, 30 days pre-notice to terminate
NIPPON YUSEN KABUSHIKI KAISHA (NYK)	SWAP SLOT	KSS : KOREA - TAIWAN sector	APX : THAILAND - INDONESIA sector	2010/5/09	Any time 30 days pre-notice to terminate
SAMUDERA SHIPPING LINE LTD	SWAP SLOT	PHX : PRC HKG STRAIT EXPRESS	SINGAPORE - INDONESIA SERVICE	2010/6/05	Any time 30 days pre-notice to terminate
MCC TRANSPORT SINGAPORE PTE LTD	FIXED SLOT CHARTER		IA5: VIETNAM - THAILAND - COMBODIA SERVICE	2010/6/02	Any time 30 days pre-notice to terminate
GEMADEPT CORPORATION	SWAP SLOT	HPH : HAIPHONG - TAIWAN SERVICE	HOCHIMINH- PHNOMPENH SERVICE	2010/12/15-2011/3/15	3 months minimum, 30 days pre-notice to terminate
ORIENT EXPRESS LINES (SINGAPORE) PTE LTD	FIXED SLOT CHARTER		SCS : SEA- BANGLADESH SERVICE	2009/7/09-2010/10/09	Terminated
KAWASAKI KISEN KAISHA LTD	JOINT VENTURE	JCV : JAPAN - CHINA - VIETNAM		2008/5/08-2010/5/07	Terminated
KAWASAKI KISEN KAISHA LTD	SWAP SLOT	PSW1 / PSW 3 : TRANSPACIFIC SERVICE		2009/3/06-2009/12/05	Terminated
KAWASAKI KISEN KAISHA LTD	FIXED SLOT CHARTER	PSW1 : TRANS PACIFIC SERVICE		2009/3/06-2009/12/05	Terminated
PACIFIC INTERNATIONAL LINES (PTE) LTD/ KAWASAKI KISEN KAISHA LTD	JOINT VENTURE	PSW1 : TRANS PACIFIC SERVICE		2009/3/07-2010/3/06	Terminated
AMERICAN PRESIDENT LINES	FIXED SLOT CHARTER	NS3 : MALASIA - JAPAN sector		2009/2/17-2010/8/13	Terminated

Long –Term Loan

Unit: TWD thousand

Bank	Period	2010.12.31	2009.12.31
Chang Hwa Bank Chi-Lin Branch	Jun.26, 2009~ Jun.26, 2014	580,000	580,000
Bank SinoPac Banking Division	Jun.26, 2009~ Jun.26, 2016	516,000	600,000
Bank SinoPac Banking Division	Mar.12, 2010~ Mar.12, 2017	505,000	-
First Bank Chien Cheng Branch	Jun.12, 2009~ Jun.12, 2016	300,000	300,000
First Bank Chien Cheng Branch	Jun.26, 2009~ Jun.12, 2016	400,000	400,000
Taiwan Cooperative Bank Cheng-Tung Branch	Jun.26, 2009~ Jun.26, 2016	250,000	250,000
Taiwan Cooperative Bank Cheng-Tung Branch	Jan.9, 2009~ Jan.9, 2014	1,456,500	1,601,500
Taiwan Cooperative Bank Cheng-Tung Branch	Sep.9, 2010~ Sep.9, 2015	1,165,200	-
Mizuho Corporate Bank Taipei Branch	Dec.27, 2005~Oct.26, 2011	93,176	204,905
Mizuho Corporate Bank Taipei Branch	Aug.11, 2005~Oct.26, 2011	45,309	99,639
Mizuho Corporate Bank Taipei Branch	Aug.31, 2005~Oct.26, 2011	27,382	60,216
Mizuho Corporate Bank Taipei Branch	Sep.20, 2005~Oct.26, 2011	23,071	50,736
Mizuho Corporate Bank Taipei Branch	Dec.16, 2005~Oct.26, 2011	137,698	302,812
Mizuho Corporate Bank Taipei Branch	Feb.7, 2006~Oct.26, 2011	75,559	166,161
Mizuho Corporate Bank Taipei Branch	Mar.2, 2006~Oct.26, 2011	84,528	185,887
Mizuho Corporate Bank Taipei Branch	Aug.29, 2006~Oct.26, 2011	87,885	193,269
BNP PARIBAS Taipei Branch	Dec.26, 2007~Dec.26, 2012	485,888	800,750
DBS Bank	Jul.17, 2002~Jul.17, 2010	-	64,060
Mega International Commercial Bank Singapore Branch	Oct.26, 2006~Oct.26, 2011	208,071	457,571

Bank	Period	2010.12.31	2009.12.31
ING Bank Singapore Branch	Sep.02, 2002~Sep.02, 2010	-	140,131
Taipei Fubon Bank An Ho Branch	Nov.27, 2006~Nov.27, 2011	139,933	307,728
SMBC Bank Singapore Branch	May.18, 2007~May.18, 2010	-	213,533
Hua Nan Bank Singapore Branch	Mar.03, 2003~Mar.03, 2010	-	86,481
Syndication Loan	Sep.28, 2006~Sep.30, 2014	3,641,250	5,004,688
Mega International Commercial Bank Singapore Branch	Sep.22, 2009~Sep.22, 2016	546,188	600,564
First Bank Singapore Branch	Sep.30, 2009~Sep.30, 2016	349,560	384,360
Hua Nan Bank Singapore Branch	Aug.27, 2009~Aug.27, 2016	696,207	765,517
Bank of Taiwan Singapore Branch	Dec.23, 2009~Dec.23, 2014	-	160,150
Mega International Commercial Bank Central Branch	Jul.24, 2006~Jul.24, 2016	116,025	135,365
Mega International Commercial Bank Central Branch	Jul.24, 2006~Jul.24, 2013	32,961	43,961
First Bank Sao Chuan Tou Branch	May.11, 2009~ May.11, 2019	132,509	132,509
First Bank Sao Chuan Tou Branch	May.11, 2009~ May.11, 2019	101,500	23,500
Taipei Fubon Bank Hong Kong Branch	Mar.15, 2010~Mar.15, 2017	522,694	-
	Subtotal	12,720,094	14,315,993
	Less: Current-portion of long-term loans	(2,504,011)	(2,900,435)
	Total	\$10,216,083	\$11,415,558



Financial Highlights

6.1. Summarized financial statements for the past 5 years

6.1.1. Summarized balance sheets

WAN HAI LINES LTD.

Unit: TWD thousand

Item	Year	Figures for the past 5 years (Note2)					As of Mar.31, 2011
		2010	2009	2008	2007	2006	
Current Assets		28,393,576	22,613,106	20,639,117	33,784,842	28,688,106	28,357,893
Fund and Investment		12,091,555	12,472,299	16,559,449	15,083,695	11,679,276	12,786,632
Property ,Plant and Equipment		9,662,230	9,652,196	11,644,299	10,430,001	12,164,440	11,166,450
Intangible Assets		313,810	11,686	16,252	9,055	18,601	330,434
Other Assets		703,582	1,020,326	1,102,444	855,925	550,729	689,325
Total Assets		51,164,753	45,769,613	49,961,561	60,163,518	53,101,152	53,330,734
Current Liabilities	Before distribution	12,666,298	10,959,281	13,178,721	13,238,108	10,378,890	13,682,984
	After distribution	(Note1)	10,959,281	13,178,721	18,964,196	12,687,875	(Note1)
Long-term Liabilities		5,069,860	7,813,573	8,696,122	12,393,749	12,857,657	6,340,324
Other Liabilities		1,483,106	709,408	459,611	760,189	639,059	1,319,627
Total Liabilities	Before distribution	19,219,264	19,482,262	22,334,454	26,392,046	23,875,606	21,342,935
	After distribution	(Note1)	19,482,262	22,334,454	32,118,134	26,184,591	(Note1)
Common stock		21,126,643	21,126,643	21,557,513	20,722,915	20,570,954	21,126,643
Capital surplus		2,446,570	2,440,478	2,495,565	2,480,713	2,282,366	2,446,570
Accumulated Earnings	Before distribution	9,209,769	3,762,115	5,498,325	11,219,122	7,245,563	9,576,646
	After distribution	(Note1)	3,762,115	5,498,325	5,493,034	4,936,578	(Note1)
Unrealized gain (loss) on financial instruments		373,299	(576,399)	(1,661,376)	(1,504)	(255,271)	(9,695)
Accumulated currency adjustments		(936,857)	(231,331)	(1,643)	(396,121)	(339,499)	(878,430)
Unrecognized pension cost		(275,462)	(235,682)	(137,305)	(217,157)	(242,071)	(275,462)
Total stockholders' equity	Before distribution	31,945,489	26,287,351	27,627,107	33,771,472	29,225,546	31,987,799
	After distribution	(Note1)	26,287,351	27,627,107	28,696,662	27,789,898	(Note1)

Note1 : Retained earnings in year 2010 have not yet proposed for distribution.

Note2 : The summarized financial data for the past 5 years and the first quarter of year 2011 all have been certified by CPA.

6.1.2. Summarized income statements

WAN HAI LINES LTD.

Unit: TWD thousand

Item	Year	Figures for the past 5 years (Note2)					As of Mar. 31 2011 (Note.2)
		2010	2009	2008	2007	2006	
Operating revenue		64,712,063	47,088,138	65,125,847	59,278,971	51,043,903	15,620,592
Gross profit		10,162,175	3,958,838	(1,334,284)	3,369,789	1,203,097	222,350
Operating income		8,427,901	2,553,375	(3,122,761)	1,352,299	(524,631)	(199,309)
Non-operating income & gain		1,900,419	2,645,168	6,888,364	6,297,507	4,974,693	863,276
Non-operating expense & loss		3,154,477	5,953,418	4,856,745	636,402	1,169,461	187,090
Net income before income tax		7,173,843	(754,875)	(1,091,142)	7,013,404	3,280,601	476,877
Net income after income tax		5,447,654	(1,635,278)	5,291	6,282,544	3,124,096	366,877
Income(loss) from operations of discontinued segments		0	0	0	0	0	0
Extraordinary gain or loss		0	0	0	0	0	0
Cumulative effect of changes in accounting principles		0	0	0	0	(13,386)	0
Net income		5,447,654	(1,635,278)	5,291	6,282,544	3,110,710	366,877
Earning per share (Note 1)		2.58	(0.77)	0.002	2.893	1.432	0.17

Note 1: Base on retroactive adjustment calculation.

Note 2: The summarized financial data for the past 5 years and the first quarter of year 2011 all have been certified by CPA.

6.1.3. CPA and Audit results for the past 5 years

Year	CPA name	Audit results
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.
2009	Lily-Lu Yen-Ling Fang	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2010	Lily-Lu Fu-Wei Chen	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.

6.2. Summarized financial analysis for the past 5 years.

WAN HAI LINES LTD

Item		Year	Financial analysis in the past five years (Note2)					As of Mar.31,2011	
			2010	2009	2008	2007	2006		
Financial structure (%)	Ratio of liabilities to assets		37.56	42.57	44.70	43.87	44.96	40.02	
	Ratio of long-term capital to fixed assets		383.09	353.30	311.94	422.62	345.95	343.24	
Solvency (%)	Current ratio		224	206	156	255	276	207	
	Quick ratio		206	196	145	221	269	184	
	Times interest earned ratio		64 (Note 1)	-1	-2	15	7	24	
Operating Performance	Accounts receivable turnover (turns)		50	44	54	46	45	10	
	Average collection period		7	8	7	8	8	36	
	Inventory turnover (turns)		-	-	-	-	-	-	
	Accounts payable turnover (turns)		11.16	10.22	13.82	11.38	11.26	2.49	
	Average days in sales		-	-	-	-	-	-	
	Fixed assets turnover (turns)		6.70 (Note 2)	4.88	5.59	5.68	4.2	1.4	
	Total assets turnover (turns)		1.26 (Note 2)	1.03	1.30	0.99	0.96	0.29	
Profitability	Return on total assets (%)		11.43 (Note 3)	-2.93	0.54	11.76	6.46	0.74	
	Return on stockholders' equity (%)		18.71 (Note 3)	-6.07	0.02	19.95	10.41	1.15	
	Ratio to issued capital (%)	Operating income		40 (Note 4)	12	-14	7.00	-3	-1
		Pre-tax income		33.96 (Note 5)	-3.57	-5.06	33.84	15.95	2.26
	Profit ratio (%)		8 (Note 6)	-3	0	10.00	6.00	2	
	Earnings per share (\$)		2.58 (Note 6)	-0.77	0.002	2.893	1.432	0.17	
Cash flow	Cash flow ratio (%)		45.49 (Note 7)	18.51	45.95	26.87	122.48	-1.38	
	Cash flow adequacy ratio (%)		121.61 (Note 7)	93.73	83.16	88.32	75.57	72.35	
	Cash reinvestment ratio (%)		11.27 (Note 7)	4.37	3.05	2.24	16.98	-0.36	
Leverage	Operating leverage		2.34 (Note 8)	4	-4	12	-24	-16.33	
	Financial leverage		1.01	1.14	0.89	1.60	0.49	0.91	

Note 1: The increase in Times interest earned ratio due to an increase in earnings before tax and interest.

Note 2: The rise of freight and export/import amount resulted in the increase of net sales, which caused the fixed assets turnover and total assets turnover rates to rise

Note 3: Return on total assets and return on stockholder equity both increased due to the increase in net profit after taxes

Note 4: Operating income increased its share of ratio to issued capital due to the increase of operating profit

Note 5: Pre-tax net profit increased its share of ratio to issued capital due to an increase in pre-tax profit

Note 6: The increase in profit after taxes caused an increase in profit ratio and earnings per share

Note 7: Cash flow ratio, cash reinvestment ratio, and cash flow adequacy ratio all increased due to the increase in the net cash flow of operating activities

Note 8: Operating leverage decreased due to the increase in operating profit

1. Financial structure

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

2. Solvency

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

3. Operating performance

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

4. Profitability

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

5. Cash flow

- 1) Cash flow ratio = net cash provided by operating activities / current liabilities
- 2) 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
- 3) Cash reinvestment ratio = (net cash provided by operating activities-cash dividend) / (fixed assets + long-term investment + other assets + working capital)

6. Leverage

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

6.3 Supervisors' Report for Fiscal Year 2010

In accordance with Articles 219 of the Company Law, the board of Directors has submitted year 2010 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 2010 financial statements herewith to be approved.

To the general shareholders' meeting of 2011

WAN HAI LINES LTD.

Supervisors

Joyce Investment Corp.
Representative
Hsin-Pei Lin



Supervisors

Chia-Chin Lin



Supervisors

Yi Siang Corp.
Representative
Chih-Hsiang Chen



April 29, 2011

6.3.2, Supervisors' Report for Fiscal Year 2010 (Consolidated)

In accordance with Articles 219 of the Company Law, the board of Directors has submitted year 2010 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 groups' position. Based on this result, we issued this supervisors' report and submitted year 2010 consolidated financial statements herewith to be approved.

To the general shareholders' meeting of 2011

WAN HAI LINES LTD.

Supervisors

Joyce Investment Corp.
Representative
Hsin-Pei Lin



Supervisors

Chia-Chin Lin



Supervisors

Yi Siang Corp.
Representative
Chih-Hsiang Chen



April 29, 2011

6.4 Financial Statement for Fiscal Year 2010

6.4.1 Independent Auditors' Report

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, 2010 and 2009, 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, 2010 and 2009, were \$9,522,397 thousand and \$9,913,158 thousand, respectively, representing 18.61% and 21.66% of total assets, and investment income (loss) recognized by the Company was \$499,718 thousand and \$(3,642,969) thousand, representing 6.97% and 482.59% of income (loss) before income tax, for the years ended December 31, 2010 and 2009, respectively. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those 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 auditing standards generally accepted in the Republic of China. Those regulations and standards 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 the Company as of December 31, 2010 and 2009, 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 accounting principles generally accepted in the Republic of China.

The Company prepared consolidated financial statements for the years ended December 31, 2010 and 2009, on which modified unqualified audit reports have been given.

March 25, 2011

	2010	2009
Current assets:		
Cash and cash equivalents (notes 4)	\$ 16,680,813	10,812,896
Financial assets at fair value through profit or loss — current (notes 5)	195,220	340,881
Available-for-sale financial assets — current (notes 6)	2,635,007	3,476,177
Notes receivable	32,360	32,953
Accounts receivable	1,483,841	980,076
Accounts receivable — related parties	6,433	41,873
Other receivables	437,645	295,489
Other receivables — related parties	144,671	2,630,976
Fuels	1,343,373	1,027,857
Receivables from agents (notes 8)	3,828,476	1,799,844
Other current assets	1,605,737	1,174,084
Total current assets	<u>28,393,576</u>	<u>22,613,106</u>
Investments:		
Long-term equity investments under equity method (note 9)	9,700,042	10,046,606
Prepayment for long-term investments (note 9)	170,360	64,696
Available-for-sale financial assets — non-current (notes 10)	407,515	431,359
Financial assets measured at cost — non-current (notes 11)	648,438	648,438
Bond portfolios with inactive market — non-current (notes 12)	1,165,200	1,281,200
Long-term investments — net	<u>12,091,555</u>	<u>12,472,299</u>
Fixed assets (notes 13):		
Cost:		
Land	297,242	297,242
Buildings	75,124	75,124
Containers	14,857,265	13,224,920
Computer and communication equipment	79,939	161,769
Vessels	4,143,127	4,143,127
Privileged wharf equipment	673,311	1,051,150
Leased assets	68,609	-
Leasehold improvement	8,678	8,678
Furniture and fixtures	7,340	12,118
Revaluation increments	1,527	1,527
Cost and revaluation	20,212,162	18,975,655
Less: accumulated depreciation	12,949,974	11,606,652
Prepayments for equipment	2,400,042	2,283,193
Net fixed assets	<u>9,662,230</u>	<u>9,652,196</u>
Intangible Assets:		
Deferred pension costs	284,692	-
Other intangible assets	29,118	11,686
Total intangible assets	<u>313,810</u>	<u>11,686</u>
Other assets:		
Refundable deposits	181,368	169,103
Deferred charges (note 15)	522,214	519,980
Deferred income tax assets — non-current	-	331,243
Total other assets	<u>703,582</u>	<u>1,020,326</u>
Total assets	<u>\$ 51,164,753</u>	<u>45,769,613</u>
Current liabilities:		
Financial liabilities at fair value through profit or loss — current	\$ 1,226,337	2,277,828
Accounts payable	5,423,696	3,808,184
Accounts payable — related parties	311,077	232,777
Income tax payable	271,857	197,215
Accrued expenses	452,718	149,004
Payables for purchase of equipment	353,021	-
Current portion of bonds payable	3,000,000	3,000,000
Current portion of long-term loans	1,163,336	982,302
Payables to agents	326,366	226,457
Other current liabilities	137,890	85,514
Total current liabilities	<u>12,666,298</u>	<u>10,959,281</u>
Long-term liabilities:		
Bonds payable	-	3,000,000
Long-term loans	5,069,860	4,813,573
Total long-term liabilities	<u>5,069,860</u>	<u>7,813,573</u>
Other liabilities:		
Accrued pension liability	619,109	289,416
Guarantee deposits received	1,085	4,218
Deferred income tax liabilities — non-current	554,453	-
Deferred credits — gains from inter-affiliate accounts	191,701	221,177
Unrealized gain on sale and leaseback	116,758	194,597
Total other liabilities	<u>1,483,106</u>	<u>709,408</u>
Total liabilities	<u>19,219,264</u>	<u>19,482,262</u>
Stockholders' equity (notes 6, 7, 8):		
Common stock — \$10 par value per share; 2,500,000 thousand shares authorized in 2010 and 2009; 2,112,664 thousand shares for both 2010 and 2009	21,126,643	21,126,643
Capital surplus	2,446,570	2,440,478
Retained earnings:		
Legal reserve	4,700,716	4,700,716
Special reserve	797,610	797,610
Unappropriated earnings (accumulated deficit)	3,711,443	(1,736,211)
Total retained earnings	<u>9,209,769</u>	<u>3,762,115</u>
Other adjustments to stockholders' equity:		
Cumulative translation adjustments	(936,857)	(231,331)
Net loss not recognized as pension cost	(275,462)	(235,682)
Unrealized gain (loss) on financial instruments	373,299	(576,399)
Unrealized revaluation increments	1,527	1,527
Total other adjustments to stockholders' equity	<u>(837,493)</u>	<u>(1,041,885)</u>
Total stockholders' equity	<u>31,945,489</u>	<u>26,287,351</u>
Commitments and contingencies		
Total liabilities and stockholders' equity	<u>\$ 51,164,753</u>	<u>45,769,613</u>

WAN HAI LINES LTD.

Statements of Income

For the years ended December 31, 2010 and 2009

(expressed in thousands of New Taiwan dollars, except for earnings (loss) per share)

	2010	2009		
Net operating revenue	\$ 64,712,063	47,088,138		
Operating cost	<u>54,549,888</u>	<u>43,129,300</u>		
Gross profit	10,162,175	3,958,838		
Operating expenses	<u>1,734,274</u>	<u>1,405,463</u>		
Operating income	<u>8,427,901</u>	<u>2,553,375</u>		
Nonoperating income and gains:				
Interest income	112,804	107,886		
Investment income under the equity method (note 7)	514,757	-		
Gain on disposal of fixed assets	82,542	550,875		
Valuation gain on financial assets	1,018,727	1,875,791		
Other income	<u>171,589</u>	<u>110,616</u>		
	<u>1,900,419</u>	<u>2,645,168</u>		
Nonoperating expenses and losses:				
Interest expenses (notes 13)	113,329	313,160		
Investment loss under the equity method (note 7)	-	3,645,367		
Loss on disposal of fixed assets	57	1,733		
Loss on disposal of investments, net	141,003	14,780		
Foreign exchange loss, net	1,187,496	51,630		
Valuation loss on financial liabilities	1,711,956	1,907,947		
Other losses	<u>636</u>	<u>18,801</u>		
	<u>3,154,477</u>	<u>5,953,418</u>		
Net income (loss) before income tax	7,173,843	(754,875)		
Income tax expenses	<u>1,726,189</u>	<u>880,403</u>		
Net income (loss)	<u>\$ 5,447,654</u>	<u>(1,635,278)</u>		
	Before tax	After tax	Before tax	After tax
Basic earnings (losses) per share	<u>\$3.40</u>	<u>2.58</u>	<u>(0.36)</u>	<u>(0.77)</u>
(dollars)				
Diluted earnings per share	<u>\$3.39</u>	<u>2.58</u>		
(dollars)				

WAN HAI LINES LTD.
Statements of Changes in Stockholders' Equity

For the years ended December 31, 2010 and 2009
 (expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increments	Treasury Stock	Total
Balance on January 1, 2009	\$21,557,513	2,495,565	4,700,187	573,514	224,624	(1,643)	(137,305)	(1,661,376)	1,527	(125,499)	27,627,107
Treasury stock transactions	-	-	-	-	-	-	-	-	-	(461,390)	(461,390)
Treasury stock retired	(430,870)	(55,087)	-	-	(100,932)	-	-	-	-	586,889	-
Net loss for the year ended December 31, 2009	-	-	-	-	(1,635,278)	-	-	-	-	-	(1,635,278)
Appropriations of retained earnings											
Legal reserve	-	-	529	-	(529)	-	-	-	-	-	-
Special reserve	-	-	-	224,096	(224,096)	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-	(98,377)	-	-	-	(98,377)
Valuation adjustment of available-for-sale financial assets (notes 6 and 9)	-	-	-	-	-	-	-	1,084,977	-	-	1,084,977
Cumulative translation adjustments	-	-	-	-	-	(229,688)	-	-	-	-	(229,688)
Balance on December 31, 2009	21,126,643	2,440,478	4,700,716	797,610	(1,736,211)	(231,331)	(235,682)	(576,399)	1,527	-	26,287,351
Net income for the year ended December 31, 2010	-	-	-	-	5,447,654	-	-	-	-	-	5,447,654
Net loss not recognized as pension cost	-	-	-	-	-	-	(39,780)	-	-	-	(39,780)
Valuation adjustment of available-for-sale financial assets (notes 6 and 9)	-	-	-	-	-	-	-	949,698	-	-	949,698
Additional paid-in capital from long-term investments under the equity method	-	6,092	-	-	-	-	-	-	-	-	6,092
Cumulative translation adjustments	-	-	-	-	-	(705,526)	-	-	-	-	(705,526)
Balance on December 31, 2010	<u>\$21,126,643</u>	<u>2,446,570</u>	<u>4,700,716</u>	<u>797,610</u>	<u>3,711,443</u>	<u>(936,857)</u>	<u>(275,462)</u>	<u>373,299</u>	<u>1,527</u>	<u>-</u>	<u>31,945,489</u>

WAN HAI LINES LTD.
Statements of Cash Flows

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 5,447,654	(1,635,278)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,967,785	2,060,645
Amortization	79,430	66,096
Investment (gain) loss under the equity method	(514,757)	3,645,367
Gain on disposal of fixed assets	(160,324)	(588,061)
Loss on disposal of available-for-sale financial asset	141,003	14,780
Unrealized foreign exchange gain	(215,910)	-
Deferred income tax expense	1,234,083	394,237
Changes in assets:		
Financial assets at fair value through profit or loss	145,661	115,038
Notes receivable	593	(4,270)
Accounts receivable	(503,765)	22,789
Accounts receivable — related parties	35,440	(5,955)
Other receivables	(141,140)	380,289
Fuels	(315,516)	(343,366)
Other current assets	(588,153)	547,501
Receivables from agents	(2,028,632)	(390,304)
Changes in liabilities:		
Financial liabilities at fair value through profit or loss	(1,051,491)	(1,960,256)
Accounts payable	1,615,512	(465,272)
Accounts payable — related parties	78,300	115,316
Income tax payable	74,642	197,215
Accrued expenses	303,714	50,524
Other current liabilities	52,376	(63,240)
Payables to agents	99,909	(125,430)
Accrued pension liability	5,221	(20)
Net cash provided by operating activities	<u>5,761,635</u>	<u>2,028,345</u>
Cash flows from investing activities:		
Increase in available-for-sale financial assets-current	(117,659)	(885,000)
Proceeds from sale of available-for-sale financial assets	1,788,918	1,056,284
Available-for-sale financial assets — proceeds from capital reduction	2,450	-
Increase in financial assets measured at cost — non-current	-	(148,438)
Proceeds from sale of bond with inactive market	-	526,100
Increase in long-term investments under equity method	(30,000)	-
Proceeds from sale of fixed assets	56,188	886,849
(Increase) decrease in refundable deposits	(12,265)	13,194
Payments for acquisition of fixed assets	(1,706,784)	(212,247)
Increase in prepayment for long-term investment	(105,664)	(64,696)
Payment for intangible assets	(21,305)	(2,208)
Payment for deferred charges	-	(186)
Decrease (increase) in other receivable — related parties — financing accommodation	<u>2,486,305</u>	<u>(657,186)</u>
Net cash provided by investing activities	<u>2,340,184</u>	<u>512,466</u>
Cash flows from financing activities:		
Decrease in short-term loans	-	(209,351)
Decrease in bonds payable	(3,000,000)	(3,000,000)
Increase in long-term loans	1,670,200	3,644,677
Repayment of long-term loans	(900,969)	(1,286,172)
Decrease in guarantee deposits	(3,133)	(7,536)
Treasury stock transactions	-	(461,390)
Net cash used in financing activities	<u>(2,233,902)</u>	<u>(1,319,772)</u>
Net increase in cash and cash equivalents	5,867,917	1,221,039
Cash and cash equivalents at beginning of year	10,812,896	9,591,857
Cash and cash equivalents at end of period	<u>\$ 16,680,813</u>	<u>\$ 10,812,896</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (excluding capitalized interest)	<u>\$ 113,632</u>	<u>336,000</u>
Cash paid for income tax	<u>\$ 424,099</u>	<u>34,221</u>
Investing and financing activities not affecting cash flows:		
Current portion of long-term loans due within one year	<u>\$ 1,163,336</u>	<u>982,302</u>
Current portion of bonds payable due within one year	<u>\$ 3,000,000</u>	<u>3,000,000</u>
Valuation adjustments of available-for-sale financial assets	<u>\$ 949,698</u>	<u>1,084,977</u>
Accumulated translation adjustments	<u>\$ (705,526)</u>	<u>(229,688)</u>
Treasury stock retired	<u>\$ -</u>	<u>586,889</u>
Stockholder's equity from long-term investments under the equity method classified as capital surplus	<u>\$ 6,092</u>	<u>-</u>
Fixed assets classified into deferred expenses	<u>\$ 72,343</u>	<u>-</u>
Fixed assets classified into intangible assets	<u>\$ 5,448</u>	<u>-</u>
Recognition of deferred pension costs and net loss not recognized as pension cost	<u>\$ 324,472</u>	<u>98,377</u>
Investment activity affects both cash and non-cash items:		
Payments for acquisition of fixed assets	\$ 2,059,805	212,247
Less: payables for purchase of equipment at end of year	(353,021)	-
Cash payment	<u>\$ 1,706,784</u>	<u>212,247</u>
Proceeds from sales of fixed assets	\$ 57,204	889,062
Less: other receivables at end of year	(1,016)	(2,213)
Cash received	<u>\$ 56,188</u>	<u>886,849</u>

6.4.2 Notes to Financial Statements

December 31, 2010 and 2009

(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, 2010 and 2009, the Company had 946 and 882 employees, respectively.

(2) Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in the local currency and in Chinese. 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 prepared the accompanying financial statements 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 accounting principles generally accepted in the Republic of China. 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 the 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. When the financial statements of a foreign operation are translated into financial statements denominated in the reporting entity currency, the exchange rate as at the balance sheet date should be used for translating assets and liabilities. Stockholders' equity accounts should be translated at the historical rate except for the beginning balance of the retained earnings, which is carried at the translated amount of the last period. Dividends are translated at the spot rate of the declared date. Income statement accounts are translated at the weighted-average rate of the current period.

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 bonds purchased under agreements to resell and commercial paper 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.

9) Allowance for doubtful accounts

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

10) Fuels

Starting from January 1, 2009, fuels are initially recorded at cost, which is determined by the FIFO method, and subsequently measured at the lower of cost or net realizable value at each individual item level with the replacement cost representing net realizable value.

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.

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.

The resulting credit balance of 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.

In addition to be accounted for under the equity method with control interests over the investee, the Company should prepare quarterly, semiannual, and annual consolidated financial statements.

12) 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.

The Company adopted Interpretation No. 340 of the Accounting Research and Development Foundation of the Republic of China, under which the cost of a fixed asset includes the estimated costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for a purpose other than to produce inventories during that period. Every component of the fixed asset that is significant in relating to its cost should be depreciated individually. The Company assesses the remaining useful lives, depreciation method and residual value at least annually. Any changes in the above assumptions are accounted for as changes in accounting estimates.

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

Assets	Useful lives
Buildings	43~56 years
Containers	3~8 years
Computer and communication equipment	3 years
Vessels	15~18 years
Privileged wharf equipment	3~5 years
Leasehold improvement	5 years
Furniture and fixtures	2~7 years
Leased assets	3~16 years

For operating lease under sale-leaseback, the gain or loss resulting from the sale of leased property is deferred and recorded as unrealized gain or loss on sale-leaseback and amortized over the leasing period.

13) Intangible assets

The Company adopted Statement of Financial Accounting Standards (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 purposes or whose changes in fair value are charged to 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 liabilities for trading purposes are derivatives contracts that are hedging instruments but are not applicable to hedge accounting.

16) 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.

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 the 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 the R.O.C. Maritime Act, the vessel owners will pay to a crewmember a lump sum at the time of retirement. For a crewmember retiring at or after the age of 60 with minimum 10 years of service, the amount paid will equal fifteen months of salary. For each additional year of service, one and half months of salary will be added. According to the Maritime Act, if the member is 55 years of age and has 10 years of service, the owners will pay to the crewmember eighty-five percent of the full amount. After the R.O.C. Seafarer Act came into effect in 1999, the disbursement of a crewmember's retirement fund was calculated following the R.O.C. Labor Standards Act and is subject to the pension scheme under the R.O.C. Labor Pension Act adopted by the Company on July 1, 2005.

17) 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.

18) Bonus to employees and remuneration to directors and supervisors

Employees' bonuses and directors' and supervisors' remuneration appropriated are accounted for by Interpretation (96) 052 issued by the Accounting Research and Development Foundation. The 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.

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

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 22 “Accounting for Income Tax”. In accordance with SFAS No. 22, 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 foreseeable future, deferred tax assets or liabilities will not be recognized for the tax consequences of taxable differences on earnings from investing in foreign subsidiaries.

The 10% surtax on undistributed retained earnings is recognized as current expense in the reporting period 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, 2009, the Company adopted the amendment of ROC Statement of Financial Accounting Standards (SFAS) No. 10, “Inventories”. The change in account principle did not have significant effect on the financial statements as of and for the year ended December 31, 2010.

(4) Cash and Cash Equivalents

	December 31, 2010	December 31, 2009
Cash on hand	\$ 39,359	38,314
Demand deposits	687,437	31,328
Checking accounts	18,739	15,037
Time deposits	2,770,000	1,248,000
Foreign currency deposits — demand deposits	3,183,517	2,982,888
Foreign currency deposits — time deposits	9,974,234	6,491,096
Cash equivalents — money market deposit accounts — foreign currency	7,527	6,233
Total	<u>\$ 16,680,813</u>	<u>10,812,896</u>

(5) Financial Assets at Fair Value through Profit or Loss – Current

As of December 31, 2010 and 2009, financial assets held for trading purposes were as follows:

	2010	2009
Structured time deposits	\$ 213,048	322,800
Add: valuation adjustment	<u>(17,828)</u>	<u>3,981</u>
	<u>195,220</u>	<u>326,781</u>
Foreign exchange options	-	14,100
	<u>\$ 195,220</u>	<u>340,881</u>

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

(6) Available-for-sale Financial Assets – Current

	December 31, 2010		
	Valuation		
	Cost	adjustment	Fair value
Domestic listed stocks	<u>\$ 2,267,759</u>	<u>367,248</u>	<u>2,635,007</u>

	December 31, 2009		
	Valuation		
	Cost	adjustment	Fair value
Domestic listed stocks	\$ 2,265,385	(469,233)	1,796,152
Domestic equity funds	333,778	(50,736)	283,042
Domestic balanced funds	242,171	(12)	242,159
Domestic bond funds	940,017	6,842	946,859
Domestic ETF funds	20,000	(1,256)	18,744
REITs fund	120,000	(43,070)	76,930
Foreign bond funds	64,802	(2,943)	61,859
Foreign equity funds	<u>96,318</u>	<u>(45,886)</u>	<u>50,432</u>
	<u>\$ 4,082,471</u>	<u>(606,294)</u>	<u>3,476,177</u>

For the years ended December 31, 2010 and 2009, the details of movement of unrealized gain (loss) on available-for-sale financial assets – current were as follows:

	2010	2009
Beginning balance	\$ (606,294)	(1,363,958)
Recognized in the period	<u>973,542</u>	<u>757,664</u>
Ending balance	<u>\$ 367,248</u>	<u>(606,294)</u>

(7) Long-term Equity Investments under Equity Method

As of December 31, 2010 and 2009, equity investments under equity method were as follows:

	2010		2009		2010		2009	
	Percentage of ownership	Investment cost	Amount	Percentage of ownership	Investment cost	Amount	Investment cost	Amount
Wan Hai Lines (Singapore) Pte Ltd	100.00	\$5,849,735	9,428,939	100.00	5,849,735	9,831,210		
Wan Hai Lines (America) Ltd.	100.00	132,000	73,585	100.00	132,000	63,421		
k.k. WH Corporation	100.00	7,141	14,644	100.00	7,141	13,478		
Wan Hai Lines (Germany) GmbH	100.00	1,018	5,229	100.00	1,018	5,049		
T.K. Logistics International Co., Ltd.	55.00	143,000	140,372	55.00	143,000	133,448		
Bao Sheng Shipping Agency Co. Ltd.	70.01	30,000	37,273	-	-	-		
		<u>\$6,162,894</u>	<u>9,700,042</u>		<u>6,132,894</u>	<u>10,046,606</u>		

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

For the years ended December 31, 2010 and 2009, the Company's investment gain (loss) from long-term equity investments was as follows:

	2010	2009
Wan Hai Lines (Singapore) Pte Ltd	\$ 480,727	(3,691,313)
Wan Hai Lines (America) Ltd.	17,210	40,782
k.k. WH Corporation	738	5,430
Wan Hai Lines (Germany) GmbH	1,043	2,132
T.K. Logistics International Co., Ltd.	6,924	(2,398)
Bao Sheng Shipping Agency Co., Ltd.	8,115	-
	<u>\$ 514,757</u>	<u>(3,645,367)</u>

The board of directors of the Company resolved to invest \$30,000 thousand to establish Bao Sheng Shipping Agency Co., Ltd. The Company owned 100% of its outstanding shares.

Bao Sheng Shipping Agency Co., Ltd. resolved to increase its capital by cash in the year 2010, and the Company did not subscribe the shares in proportion to its existing ownership percentage. Due to the change in equity of Bao Sheng Shipping Agency Co., and capital surplus recognized by the subsidiary, the Company recognized capital surplus amounted to \$6,092 thousand.

The board of directors of the Company resolved to invest USD8,320 thousand in a joint venture to establish Cai Mep Container Terminal, Vietnam. The Company owned 21.33% of its outstanding shares. As of December 31, 2010, the Company had remitted USD5,325 thousand (\$170,360 thousand), recorded in prepayment for long-term investment.

As of December 31, 2010 and 2009, the cumulative translation adjustments for subsidiaries were as follows:

	2010	2009
Wan Hai Lines (Singapore) Pte Ltd	\$ (1,124,052)	(234,120)
Wan Hai Lines (America) Ltd.	(5,224)	1,822
k.k. WH Corporation	1,372	944
Wan Hai Lines (Germany) GmbH	(840)	23
	<u>\$ (1,128,744)</u>	<u>(231,331)</u>

(8) Available-for-sale Financial Assets – Non-current

	December 31, 2010	December 31, 2009
Listed stocks – Shin Lin Paper Co., Ltd.	\$ 288,515	288,515
Add: valuation adjustment	<u>119,000</u>	<u>142,844</u>
	<u>\$ 407,515</u>	<u>431,359</u>

For the years ended December 31, 2010 and 2009, the details of movement of unrealized gain (loss) on available-for-sale financial assets – non-current were as follows:

	2010	2009
Beginning balance	\$ 142,844	(184,469)
Changes in this period	<u>(23,844)</u>	<u>327,313</u>
Ending balance	<u>\$ 119,000</u>	<u>142,844</u>

(9) Financial Assets Measured at Cost – Non-current

	December 31, 2010	December 31, 2009
Stock investments – Taipei Port Container Terminal Corp.	\$ 640,625	640,625
Stock investments – United Stevedoring Corporation	<u>7,813</u>	<u>7,813</u>
	<u>\$ 648,438</u>	<u>648,438</u>

The board of directors of Taipei Port Container Terminal Corporation resolved to increase its capital by cash injection on June 25, 2009. The date of capital increase was designated as August 20, 2009. The amount of \$140,625 thousand was remitted by the Company, and the related registration procedures were completed on September 7, 2009.

The Company invested \$7,813 thousand in United Stevedoring Corporation in January 2009. The Company's percentage of ownership was 15.625% as of December 31, 2009.

(10) Bond Portfolios with Inactive Market – Non-current

	December 31, 2010	December 31, 2009
Foreign bonds	<u>\$ 1,165,200</u>	<u>1,281,200</u>

(11) Financial Liabilities at Fair Value through Profit or Loss – Current

As of December 31, 2010 and 2009, the details of financial liabilities for trading purpose were as follows:

	December 31, 2010	December 31, 2009
Oil swap options	\$ -	32,857
Exchange rate options	768,574	1,172,509
Exchange rate swaps	317,419	765,064
Interest rate swaps	<u>140,344</u>	<u>307,398</u>
	<u>\$ 1,226,337</u>	<u>2,277,828</u>

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

(12) Bonds Payable

The Company's bonds payable — domestic as of December 31, 2010 and 2009, were as follows:

	2010	2009
Straight bonds (the Ordinary Bonds)	\$ 3,000,000	6,000,000
Less: portion of bonds payable due within one year	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ -</u>	<u>3,000,000</u>

The offering conditions are as follows:

1) Issue amount

Up to NTD9,000 million. There are three series of bonds categorized by the terms, 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 begin from June 28~30, 2004; the maturity periods for the three components are five, six and seven years.

4) Issued price: at par value

5) Nominal interest rate

1. Bond I: 3.00%~4.35%
2. Bond II: 3.55%~4.45%
3. 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) Agency for payment of principal and interest:

Mega International Commercial Bank, Trust Department

11) Authorized affiliate: Mega International Commercial Bank, Trust Department

12) Announcement

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

(13) 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, 2010 and 2009, was as follows:

	December 31, 2010	December 31, 2009
Vested benefit:		
Vested benefit obligation	\$ (393,780)	(110,449)
Non-vested benefit obligation	(431,276)	(340,806)
Accumulated benefit obligation	<u>(825,056)</u>	<u>(451,255)</u>
Additional benefit based on future salaries	(321,211)	(250,952)
Projected benefit obligation	(1,146,267)	(702,207)
Fair value of plan assets	<u>205,948</u>	<u>161,839</u>
Funded status	(940,319)	(540,368)
Unrecognized net obligation	318,132	-
Unrecognized loss	563,232	486,634
Additional minimum pension liability	<u>(560,154)</u>	<u>(235,682)</u>
Accrued pension liability	<u>\$ (619,109)</u>	<u>(289,416)</u>
Net loss not recognized as pension cost	<u>\$ 275,462</u>	<u>235,682</u>

As of December 31, 2010 and 2009, the vested benefit of the employee retirement plan was \$437,601 thousand and \$129,719 thousand, respectively.

The details of net periodic pension cost were as follows:

	2010	2009
Service cost	\$ 21,133	23,231
Interest cost	19,311	24,123
Expected return on plan assets	(5,174)	(9,777)
Amortization	<u>19,829</u>	<u>15,044</u>
Net periodic pension cost	<u>\$ 55,099</u>	<u>52,621</u>

Pension benefits obligation actuarial assumptions:

	2010	2009
Discount rate	2.25%	2.75%
Rate of increase in future salaries	3.00%	3.00%
Expected long-term rate of return on plan assets	2.25%	2.75%

As of and for the years ended December 31, 2010 and 2009, the pension details were as follows:

	2010	2009
Accrued pension liability	<u>\$ 619,109</u>	<u>289,416</u>
Pension fund balance	<u>\$ 205,948</u>	<u>161,839</u>
Pension expense:		
Defined benefit retirement plan	\$ 55,099	52,621
Defined contribution retirement plan	29,880	25,225
Retirement plan under Seafarer Act and Maritime Act	44,195	39,153
	<u>\$ 129,174</u>	<u>116,999</u>

(14) Stockholders' Equity

1) 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, 2010 and 2009, was as follows:

	December 31, 2010	December 31, 2009
Capital surplus — share premium		
Premium on capital stock	\$ 22,839	22,839
Paid-in capital in excess of par value	<u>2,407,676</u>	<u>2,407,676</u>
through conversion	<u>2,430,515</u>	<u>2,430,515</u>
Capital surplus — others		
Long-term equity investments	<u>16,055</u>	<u>9,963</u>
	<u>\$ 2,446,570</u>	<u>2,440,478</u>

2) 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.

3) Special reserve

In accordance with interpretation letter Tai-Cai-Zhang-(1)-100116 by the SFB, the Company should provide a special reserve from retained earnings for the stockholders' equity contra accounts, such as for unrealized loss on revaluation of financial instruments and cumulative foreign currency translation adjustment. However, if the special reserve of the stockholders' equity contra accounts is reversed, the reversed amount of the special reserve could be distributed as dividends.

4) 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 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 financing 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.

The net profit after-tax in 2008 is \$5,291 thousand, and the stockholders' meeting decided to appropriate legal reserve of \$529 thousand and special reserve of \$224,096 thousand on June 19, 2009. No bonuses or remuneration was distributed. The related information can be obtained on the website of the Market Observation Post System.

The net loss after tax of 2009 amounted to \$1,635,278 thousand and was accounted for as accumulated deficit and approved by the stockholders' meeting on June 18, 2010. The related information can be obtained on the website of the Market Observation Post System.

Employees' bonuses and remuneration to directors and supervisors were not estimated due to the accumulated deficit for the year ended December 31, 2009.

As of December 31, 2009, the Company estimated employees' bonuses amounting to \$32,989 and directors' and supervisors' remuneration amount to \$32,989 according to the Company's articles of incorporation, based on 1% of net income after tax to be distributed as employees' bonuses and 1% to be distributed as directors' and supervisors' remuneration. The difference between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, is accounted for as changes in accounting estimate, and recognized as profit or loss in 2011.

5) Treasury stock

1. In accordance with Article 28-2 of the Securities and Exchange Act, the Company buys its common stock for treasury stock in order to maintain the Company's credibility and owners' equity. As of December 31, 2009, the related information on treasury stock was as follows:

(expressed in thousand shares)

2009		Beginning		Ending balance
Reason	balance	Increase	Retired	
In order to maintain the Company's credibility and owners' equity	<u>9,145</u>	<u>33,942</u>	<u>43,087</u>	<u>-</u>

2. According to the Securities and Exchange Act, the percentage of shares purchased cannot exceed 10% of the shares issued, and the total cost cannot exceed the sum of retained earnings, paid-in capital in excess of par, and realized capital surplus. As of December 31, 2009, the maximum number of shares held by the Company was 35,326 thousand shares, at a cost of \$461,390 thousand, which was within the limit.

3. According to the Securities and Exchange Act, the treasury stock which the Company held cannot be pledged. The treasury stock does not carry any stockholder rights before transfer of ownership.

6.5 The 2010 Consolidated Financial Statements of WAN HAI LINES LTD.

6.5.1 Independent Auditors' Review Report

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, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2010 and 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of some subsidiaries and investee companies accounted for under the equity method, and the amounts for those subsidiaries and long-term equity investment accounted for under the equity method included in the consolidated financial statements were based on the financial statements of those investee companies audited by other auditors. Those subsidiaries' assets amounted to \$27,335,484 thousand and \$31,383,633 thousand, which represented 40.92% and 49.04% of total consolidated assets, as of December 31, 2010 and 2009, respectively. Those subsidiaries' net operating revenues amounted to \$5,765,058 thousand and \$1,362,712 thousand, which represented 8.34% and 2.82% of total consolidated operating revenues, for the years ended December 31, 2010 and 2009, respectively. Long-term equity investment accounted for by the equity method amounted to \$18,181 thousand and \$11,021 thousand, which represented 0.03% and 0.02% of total consolidated assets, as of December 31, 2010 and 2009, respectively, and related investment income amounted to \$17,696 thousand and \$9,303 thousand, which represented 0.24% and (1.30)% of the consolidated income (loss) before income tax, for the years ended December 31, 2010 and 2009, respectively.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those regulations and standards 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, 2010 and 2009, 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 and accounting principles generally accepted in the Republic of China.

March 25, 2011

	2010	2009
Current assets:		
Cash and cash equivalents	\$ 19,957,433	13,643,937
Financial assets at fair value through profit or loss — current	195,220	370,352
Available-for-sale financial assets — current	2,635,007	3,476,177
Notes receivable	32,628	32,953
Accounts receivable	3,172,970	1,972,555
Accounts receivable — related parties	6,481	14,291
Other receivables	660,164	518,176
Fuels	1,343,373	1,027,857
Receivables from agents	1,875,855	990,984
Restricted assets	306	306
Other current assets	779,967	1,237,558
Total current assets	<u>30,659,404</u>	<u>23,285,146</u>
Investment:		
Long-term equity investments under equity method	18,181	11,021
Other long-term investments	12,482	13,602
Prepayment for long-term investments	170,360	64,696
Available-for-sale financial assets — non-current	407,515	431,359
Financial assets measured at cost — non-current	648,438	648,438
Bond portfolios with inactive market — non-current	1,165,256	1,281,272
Long-term investments — net	<u>2,422,232</u>	<u>2,450,388</u>
Fixed assets:		
Cost:		
Land	335,000	338,759
Buildings	904,750	943,303
Containers	14,857,298	13,224,955
Computer and communication equipment	217,602	303,717
Vessels	42,048,621	45,826,623
Privileged wharf equipment	956,807	1,130,207
Leasehold improvement	76,234	69,893
Furniture and fixtures	118,336	115,201
Leased assets	446,159	377,550
Revaluation increments	1,527	1,527
Cost and revaluation	59,962,334	62,331,735
Less: accumulated depreciation	29,984,053	27,604,232
Prepayments for equipment	2,400,042	2,467,630
Net fixed assets	<u>32,378,323</u>	<u>37,195,133</u>
Intangible assets :		
Deferred pension costs	535,854	-
Other intangible assets	32,986	16,199
Total intangible assets	<u>568,840</u>	<u>16,199</u>
Other assets:		
Refundable deposits	240,146	201,007
Deferred charges	525,059	519,980
Deferred income tax assets — non-current	1,825	331,243
Other assets	470	489
Total other assets	<u>767,500</u>	<u>1,052,719</u>
Total assets	<u>\$ 66,796,299</u>	<u>63,999,585</u>

	2010	2009
Current liabilities:		
Short-term loans	\$ -	626,138
Financial liabilities at fair value through profit or loss — current	1,641,129	3,299,278
Accounts payable	5,673,051	4,410,871
Accounts payable — related parties	396,378	295,090
Income tax payable	309,730	222,412
Accrued expenses	939,067	602,198
Payables for purchase of equipment	353,021	-
Current portion of bonds payable	3,000,000	3,000,000
Current portion of long-term loans	2,504,011	2,900,435
Payables to agents	62,627	23,459
Other current liabilities	993,389	598,282
Total current liabilities	<u>15,872,403</u>	<u>15,978,163</u>
Long-term liabilities:		
Financial liabilities at fair value through profit or loss — non-current	6,554,615	6,006,117
Bonds payable	-	3,000,000
Long-term loans	10,216,083	11,415,558
Total long-term liabilities	<u>16,770,698</u>	<u>20,421,675</u>
Other liabilities:		
Unrealized gain on sale and leaseback	611,564	855,247
Accrued pension liability	877,850	297,851
Guarantee deposits received	1,494	4,218
Deferred income tax liabilities — non-current	560,328	7,312
Total other liabilities	<u>2,051,236</u>	<u>1,164,628</u>
Total liabilities	<u>34,694,337</u>	<u>37,564,466</u>
Stockholders' equity :		
Common stock — \$10 par value per share; 2,500,000 thousand shares authorized in 2010 and 2009; 2,112,664 thousand shares for both 2010 and 2009, respectively	21,126,643	21,126,643
Capital surplus	2,446,570	2,440,478
Retained earnings:		
Legal reserve	4,700,716	4,700,716
Special reserve	797,610	797,610
Unappropriated earnings (accumulated deficit)	3,711,443	(1,736,211)
Total retained earnings	<u>9,209,769</u>	<u>3,762,115</u>
Other adjustments to stockholders' equity:		
Cumulative translation adjustments	(936,857)	(231,331)
Net loss not recognized as pension cost	(275,462)	(235,682)
Unrealized gain (loss) on financial instruments	373,299	(576,399)
Unrealized revaluation increment	1,527	1,527
Total other adjustments to stockholders' equity	<u>(837,493)</u>	<u>(1,041,885)</u>
Minority interest	156,473	147,768
Total stockholders' equity	32,101,962	26,435,119
Commitments and contingencies		
Total liabilities and stockholders' equity	<u>\$ 66,796,299</u>	<u>63,999,585</u>

WAN HAI LINES LTD.
Consolidated Statements of Income

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2010		2009		
Net operating revenue	\$	69,162,989		48,331,403	
Operating cost		<u>55,008,774</u>		<u>45,751,689</u>	
Gross profit		14,154,215		2,579,714	
Operating expenses		<u>4,167,027</u>		<u>2,655,068</u>	
Operating income (loss)		<u>9,987,188</u>		<u>(75,354)</u>	
Nonoperating income and gains:					
Interest income		98,245		75,599	
Investment income under the equity method		17,696		9,303	
Gain on disposal of fixed assets		126,522		579,434	
Valuation gain on financial assets		1,546,045		3,988,978	
Other income		<u>280,991</u>		<u>185,216</u>	
		<u>2,069,499</u>		<u>4,838,530</u>	
Nonoperating expenses and losses:					
Interest expenses (excluding capitalized interest)		619,191		933,373	
Loss on disposal of fixed assets		57		1,733	
Loss on disposal of investment, net		141,003		14,780	
Foreign exchange loss, net		1,159,119		32,991	
Valuation loss on financial liabilities		2,893,774		4,476,061	
Other losses		<u>663</u>		<u>21,395</u>	
		<u>4,813,807</u>		<u>5,480,333</u>	
Net income (loss) before income tax		7,242,880		(717,157)	
Income tax expenses		<u>1,781,419</u>		<u>912,765</u>	
Net income (loss)	\$	<u>5,461,461</u>		<u>(1,629,922)</u>	
Attributable to					
Parent company	\$	5,447,654		(1,635,278)	
Minority interest		<u>13,807</u>		<u>5,356</u>	
	\$	<u>5,461,461</u>		<u>(1,629,922)</u>	
Basic earnings (losses) per share (dollars)		Before tax After tax		Before tax After tax	
	\$	<u>3.40</u>	<u>2.58</u>	<u>(0.36)</u>	<u>(0.77)</u>
Diluted earnings per share (dollars)	\$	<u>3.39</u>	<u>2.58</u>		

WAN HAI LINES LTD.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	Minority Interest	Total
Balance on January 1, 2009	\$21,557,513	2,495,565	4,700,187	573,514	224,624	(1,643)	(137,305)	(1,661,376)	1,527	(125,499)	143,776	27,770,883
Treasury stock transactions	-	-	-	-	-	-	-	-	-	(461,390)	-	(461,390)
Treasury stock retired	(430,870)	(55,087)	-	-	(100,932)	-	-	-	-	586,889	-	-
Net loss for the year ended December 31, 2009	-	-	-	-	(1,635,278)	-	-	-	-	-	5,356	(1,629,922)
Appropriations of retained earnings												
Legal reserve	-	-	529	-	(529)	-	-	-	-	-	-	-
Special reserve	-	-	-	224,096	(224,096)	-	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-	(98,377)	-	-	-	-	(98,377)
Minority interest	-	-	-	-	-	-	-	-	-	-	(42,265)	(42,265)
Valuation adjustment of available-for-sale financial assets	-	-	-	-	-	-	-	1,084,977	-	-	-	1,084,977
Cumulative translation adjustments	-	-	-	-	-	(229,688)	-	-	-	-	40,901	(188,787)
Balance on December 31, 2009	21,126,643	2,440,478	4,700,716	797,610	(1,736,211)	(231,331)	(235,682)	(576,399)	1,527	-	147,768	26,435,119
Net income for the year ended December 31, 2010	-	-	-	-	5,447,654	-	-	-	-	-	13,807	5,461,461
Net loss not recognized as pension cost	-	-	-	-	-	-	(39,780)	-	-	-	-	(39,780)
Minority interest	-	-	-	-	-	-	-	-	-	-	(254)	(254)
Valuation adjustment of available-for-sale financial assets	-	-	-	-	-	-	-	949,698	-	-	-	949,698
Cumulative translation adjustments	-	-	-	-	-	(705,526)	-	-	-	-	(4,848)	(710,374)
Additional paid-in capital from long-term investments under the equity method	-	6,092	-	-	-	-	-	-	-	-	-	6,092
Balance on December 31, 2010	<u>\$21,126,643</u>	<u>2,446,570</u>	<u>4,700,716</u>	<u>797,610</u>	<u>3,711,443</u>	<u>(936,857)</u>	<u>(275,462)</u>	<u>373,299</u>	<u>1,527</u>	<u>-</u>	<u>156,473</u>	<u>32,101,962</u>

WAN HAI LINES LTD.
Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009
(expressed in thousands of New Taiwan dollars)

	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 5,461,461	(1,629,922)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	4,656,490	4,878,183
Amortization	81,607	67,651
Investment income under the equity method	(17,696)	(9,303)
Cash dividend from subsidiary	9,508	40,484
Gain on disposal of fixed assets, net	(319,024)	(736,954)
Gain on disposal of available-for-sale assets	141,003	14,780
Deferred income tax expenses	1,232,660	393,094
Impairment loss	-	1,579
Changes in assets:		
Financial assets at fair value through profit or loss	175,132	116,992
Notes receivable	325	(4,270)
Accounts receivable	(1,200,415)	(59,577)
Account receivable — related parties	7,810	(11,819)
Other receivables	(140,972)	331,922
Fuels	(315,516)	(343,366)
Other current assets	300,941	(40,965)
Receivables from agents	(884,871)	(142,205)
Changes in liabilities:		
Financial assets at fair value through profit or loss	(1,109,651)	(2,661,175)
Accounts payable	1,262,180	(231,139)
Accounts payable — related parties	101,288	92,029
Income tax payable	87,318	161,703
Accrued expenses	336,869	181,525
Other current liabilities	395,079	(410,559)
Accrued pension liability	4,365	(5,689)
Payables to agents	39,168	19,302
Net cash provided by operating activities	<u>10,305,059</u>	<u>12,301</u>
Cash flows from investing activities:		
Increase in available-for-sale financial assets	(117,659)	(885,000)
Proceeds from sale of available-for-sale financial assets	1,788,918	1,056,284
Available-for-sale financial assets — proceeds from capital reduction	2,450	-
Proceeds from sale of bond portfolios with inactive market	-	526,100
Increase in financial assets measured at cost — non-current	-	(148,438)
Increase in prepayment for long-term investment	(105,664)	(64,696)
Change in equity of subsidiaries	6,092	-
Payments for acquisition of fixed assets	(1,797,336)	(1,847,102)
Proceeds from sale of fixed assets	105,076	929,988
(Increase) decrease in refundable deposits	(39,139)	24,622
Payment for deferred charges	(3,606)	(186)
Payment for intangible assets	(21,891)	(3,874)
Decrease (increase) in other assets	19	(29)
Decrease in other investments	-	322
Net cash used in investing activities	<u>(182,740)</u>	<u>(412,009)</u>
Cash flows from financing activities:		

	2010	2009
(Decrease) increase in short-term loans	(626,138)	424,807
Decrease in bonds payable	(3,000,000)	(3,000,000)
Increase in long-term loans	2,515,762	5,772,691
Repayment of long-term loans	(3,148,511)	(4,029,234)
Decrease in guarantee deposits	(2,724)	(7,736)
Treasury stock transactions	-	(461,390)
Change in minority interest	<u>(254)</u>	<u>(42,265)</u>
Net cash used in financing activities	<u>(4,261,865)</u>	<u>(1,343,127)</u>
Effect of exchange rate changes	453,042	74,517
Net increase (decrease) in cash and cash equivalents	6,313,496	(1,668,318)
Cash and cash equivalents at beginning of year	13,643,937	15,312,255
Cash and cash equivalents at end of period	<u>\$ 19,957,433</u>	<u>\$ 13,643,937</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (excluding capitalized interest)	<u>\$ 616,737</u>	<u>\$ 955,933</u>
Cash paid for income tax	<u>\$ 458,780</u>	<u>\$ 100,384</u>
Investing and financing activities not affecting cash flows:		
Current portion of long-term loans	<u>\$ 2,504,011</u>	<u>\$ 2,900,435</u>
Current portion of bonds payable	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Fixed asset classified into intangible assets	<u>\$ 5,448</u>	<u>-</u>
Fixed asset classified into deferred expenses	<u>\$ 72,343</u>	<u>-</u>
Valuation adjustments of available-for-sale financial assets	<u>\$ 949,698</u>	<u>\$ 1,084,977</u>
Accumulated translation adjustment	<u>\$ (705,526)</u>	<u>\$ (229,688)</u>
Treasury stock retired	<u>\$ -</u>	<u>\$ 586,889</u>
Recognition of deferred pension cost and net loss not recognized as pension cost	<u>\$ 575,634</u>	<u>\$ 98,377</u>
Investment activity affecting both cash and non-cash items:		
Payments for acquisition of fixed assets	\$ 2,150,357	1,847,102
Less: payables for purchase of equipment at end of year	<u>(353,021)</u>	<u>-</u>
Cash payment	<u>\$ 1,797,336</u>	<u>\$ 1,847,102</u>
Proceeds from sales of fixed assets	\$ 106,092	932,201
Less: other receivables at end of year	<u>(1,016)</u>	<u>(2,213)</u>
Cash received	<u>\$ 105,076</u>	<u>\$ 929,988</u>

6.5.2 Notes to Consolidated Financial Statements

(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.

The board of directors of the Company resolved to invest \$30,000 thousand to establish Bao Sheng Shipping Agency Co., Ltd. The Company owned 100% of its outstanding shares. Bao Sheng Shipping Agency Co., Ltd. resolved to increase its capital by cash in the year 2010, and the Company did not subscribe the shares in proportion to its existing ownerships therefore owned the ownership percentage down to 70.01%.

The Consolidated Company incorporated Shenzhen Yong Chun international Shipping Management Co. Ltd. on January 22, 2010, the Consolidated Company owns 90% of its outstanding shares.

As of December 31, 2010 and 2009, the names of the Company's subsidiaries were as follows:

Investing company	Name of subsidiary	Activities	Directly or indirectly held percentage	
			2010	2009
The Company	Wan Hai Lines (Singapore) Pte Ltd (WHL-Singapore)	International freight transportation, acting as agent for transport affairs, vessel leasing, 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	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 and vessel leasing	100.00	100.00

The Company	Wan Hai Lines (Germany) GmbH (WHLGermany)	International freight transportation and acting as agent for transport affairs	100.00	100.00
The Company	Bao Sheng Shipping Agency Co., Ltd. (BS)	Maritime transportation and shipping agency services	70.01	-
WHLSingapore	Wan Hai Line (M) Sdn. Bhd. (WHLMalaysia)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHLSingapore	Wan Hai Lines (H K) Limited (WHLHongkong)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHLSingapore	Wan Hai Lines (Phils.), Inc. (WHLPhils.)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHLSingapore	Wan Hai Lines (Korea) Ltd. (WHLKorea)	Acting as agent for transport affairs	100.00	100.00
WHLSingapore	Wan Hai International Pte Ltd. (WHLINTL.)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHLSingapore	Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHLSingapore	Wan Hai Lines (Thailand) Limited (WHLThailand)	International freight transportation and acting as agent for transport affairs	49.00 (Note 1)	49.00
WHLINTL.	Wan Hai Lines (India) PVT Ltd. (WHLIndia)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHLHongkong	Guangzhou Wan Hai I.T. and Network Ltd. (GWHIN)	Information software service	100.00	100.00
WHLHongkong	Dawin Logistics (International) Ltd. (DL)	Freight transportation, acting as agent for transport affairs, and investment	100.00	100.00
Dawin	Shenzhen Uniwin International Logistics (SUIL)	International freight transportation and acting as agent for transport affairs	90.00	90.00

Dawin	Shenzhen Asia World Logistics Ltd. (SAWL)	International freight transportation and acting as agent for transport affairs	100.00	100.00
Dawin	Blue Ocean Logistics (Shanghai) Ltd. (BOL)	International freight transportation and acting as agent for transport affairs	100.00	100.00
Shenzhen Uniwin	Clipper International Shipping Agency Ltd. (CISA)	International freight transportation and acting as agent for transport affairs	44.10 (Note 2)	45.90
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	90.00	-

Note1: As of December 31, 2010, the Consolidated Company occupied three of five seats in the board of WHL-Thailand, such votes affect the direct control to the Company. As the result, WHL-Thailand was seem as a subsidiary of the Consolidated Company.

Note2: As of December 31, 2010, the Consolidated Company occupied four of five seats in the board of CISA, such votes affect the direct control to the company. As the result, CISA was seem as a subsidiary of the Consolidated Company.

As of December 31, 2010 and 2009, the Company and its subsidiaries (the Consolidated Company) had 3,688 and 3,794 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 prepared the accompanying consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. 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 the 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 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.

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 bonds purchased under the agreement to resell and commercial paper 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.

10) Allowance for doubtful accounts

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

11) Fuels

Starting from January 1, 2009, fuels are initially recorded at cost, which is determined by the FIFO method, and subsequently measured at the lower of cost or net realizable value at each individual item level with the replacement cost representing net realizable value.

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.

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.

The resulting credit balance of 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.

Effective November 20, 2008, the Company adopted Interpretation No. 340 of the Accounting Research and Development Foundation of the Republic of China, under which the cost of a fixed asset includes the estimated costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for a purpose other than to produce inventories during that period. Every component of the fixed asset that is significant in relating to its cost should be depreciated individually. The Company assesses the remaining useful lives, depreciation method and residual value at least annually. Any changes in the above assumptions are accounted for as changes in accounting estimates.

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

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

For operating lease under sale-leaseback, the gain or loss resulting from the sale of leased property is deferred and recorded as unrealized gain or loss on sale-leaseback and amortized over the leasing period.

14) Intangible assets

The Consolidated Company adopted Statement of Financial Accounting Standards (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:

<u>Assets</u>	<u>Useful lives</u>
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.

15) Deferred charges

The cost of privileged wharf construction having future economic benefit is capitalized and amortized using the straight-line method over three to sixteen 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 purposes or whose changes in fair value are charged to 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 liabilities for trading purposes are derivatives contracts that are hedging instruments but are not applicable to hedge accounting.

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 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 the 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 the R.O.C. Maritime Act, the vessel owners will pay to a crewmember a lump sum at the time of retirement. For a crewmember retiring at or after the age of 60 with minimum 10 years of service, the amount paid will equal fifteen months of salary. For each additional year of service, one and half months of salary will be added. According to the Maritime Act, if the member is 55 years of age and has 10 years of service, the owners will pay to the crewmember eighty-five percent of the full amount. After the R.O.C. Seafarer Act came into effect in 1999, the disbursement of a crewmember’s retirement fund was calculated following the R.O.C. Labor Standards Act and is subject to the pension scheme under the R.O.C. Labor Pension Act adopted by the Company on July 1, 2005.

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.

18) 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.

19) Bonus to employees and remuneration to directors and supervisors

Employees' bonuses and directors' and supervisors' remuneration 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.

20) 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.

21) 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 in the reporting period 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.

22) 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, 2009, the Consolidated Company adopted the amendment of ROC Statement of Financial Accounting Standards (SFAS) No. 10, "Inventories". The change in accounting principle did not have significant effect on the consolidated financial statements as of and for the year ended December 31, 2009.

6.6 The financial difficulties encountered by the company and its affiliates during the past year and up to the annual report publishing date: None



Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: TWD thousand; for %

Item \ Year	2010	2009	Difference	
			Amounts	%
Current assets	28,393,576	22,613,106	5,780,470	25.56
Long-term investment	12,091,555	12,472,299	(380,744)	(3.05)
Fixed assets	9,662,230	9,652,196	10,034	0.10
Other assets	703,582	1,020,326	(316,744)	(31.04)
Total assets	51,164,753	45,769,613	5,395,140	11.79
Current liabilities	12,666,298	10,959,281	1,707,017	15.58
Long-term liabilities	5,069,860	7,813,573	(2,743,713)	(35.11)
Other liabilities	1,483,106	709,408	773,698	109.06
Total liabilities	19,219,264	19,482,262	(262,998)	(1.35)
Common stock	21,126,643	21,126,643	0	0
Capital surplus	2,446,570	2,440,478	6,092	0.25
Retained earnings	9,209,769	3,762,115	5,447,654	144.80
Total stockholders' equity	31,945,489	26,287,351	5,658,138	21.52

Illustration for significant variance

1. The increase in other liabilities is mainly due to the cancellation of preference established by headquarters, resulting in the levying of taxes on the income of investing overseas subsidiaries, causing the increase in deferred income tax liabilities - non-current.
2. The retained earnings of 2010 increased mainly due to the effect of the recovery of global shipping market. The total amount of export and the average unit price both rose greatly in 2010 which also raised the net profit after tax and the retained earnings in the same year.

7.2 Analysis of operation results

1. Comparative analysis of operation results

Unit: TWD thousand ;%

Item	Year	2010		2009		Increase (Decrease)	Variation percentage (%)
		Subtotal	Total	Subtotal	Total		
Operating revenue		64,765,882		47,137,184		17,628,698	37
Less: operating income return		53,819		49,046		4,773	10
Net operating revenue			64,712,063		47,088,138	17,623,925	37
Operating cost			54,549,888		43,129,300	11,420,588	26
Gross profit			10,162,175		3,958,838	6,203,337	157
Operating expense			1,734,274		1,405,463	328,811	23
Operating income			8,427,901		2,553,375	5,874,526	230
Nonoperating income and gain			1,900,419		2,645,168	(744,749)	(28)
Nonoperating expenses and loss			3,154,477		5,953,418	(2,798,941)	(47)
Net income before income tax			7,173,843		(754,875)	7,928,718	1050
Less: income tax expenses			1,726,189		880,403	845,786	96
Net income after income tax			\$ 5,447,654		\$ (1,635,278)	7,082,932	433

Note: Illustration for variation for the past two years

1. The main reason for the increase of the gross profit rate and the operating profit in 2010 was the recovery of global shipping market. With the recovery in the shipping market, the amount of export and the average unit price both rose greatly in 2010 compared with in 2009, hence, the operating income also increased greatly in 2010. Although the operating cost increased with the growth of shipping amount, the operating income still grew relatively higher than the operating cost did. In this case, the gross profit and the operating profit in 2010 were still higher than those in 2009.
2. The decrease of non-operating income and non-operating profit in 2010 was mainly due to the continuous appreciation of TWD in 2010 and the following effect of exchange rate differences.
3. The increase of income tax in 2010 was mainly due to the great rise of operating profit.

7.3. Analysis of cash flow

7.3.1 Analysis of short-term liquidity for the last two years

Items \ Year	2010	2009	Increase(Decrease) (%)
Cash flow ratio	45.49	18.51	145.76%
Cash flow adequacy ratio	121.61	93.73	29.75%
Cash re-investment ratio	11.27	4.37	157.89%

Analysis of increase/decrease ratios:
The global economic recovery resulted in an increase in cash inflow from operating activities and the increase resulted in the rise of cash flow ratio, cash flow adequacy ratio, and cash re-investment ratio.

7.3.2 Analysis of cash flow for the next year

Unit: TWD thousand

Cash as of beginning of the year	Cash inflow from operating activities	Cash outflow for the whole year	cash surplus (inefficiency)	Projected countermeasures for the shortage of cash	
				Investment Plans	Financial Plans
16,680,813	3,358,928	804,258	20,843,999	-	-

1. Analysis of cash flow for this year:

- (1) Operating activities: In the following year expected demand will continue to flourish. The average ocean freight rate should see a minor downward correction. The Company's projected cash inflow from operating activities is TWD 3,358,928,000.
- (2) Investing activities: In the following year the Company will pay its ship building loans, and will continue construction of new containers to replace aging ones. By increasing the proportion of company-owned containers and reducing the costs of container rental, our predicted cash outflow from investment activities is TWD 4,956,175,000.
- (3) Financing activities: In the following year, with the repayment of company debts, and the granting of cash dividends, as well as newly increased loans, the Company's projected cash inflow from financing activities is TWD 6,290,128,000.
- (4) Measures for insufficient cash and analysis for liquidity: Not applicable.

7.4 Major Capital Expenditure Items

7.4.1. The detail and funding source of significant capital expenditure

Unit: TWD thousand

Project Item	Actual or expected funding source	Actual or expected completion date	Total amounts needed	Actual or expected capital expenditure (Note1)						
				2008	2009	2010	2011	2012	2013	2014
Purchasing vessels Purchasing containers Investing terminal	Loans:70% internal Funds:30%	New Vessel: 2 full-container vessels in year 2009 1 full-container vessels in year 2011 10 full-container vessels in year 2012 3 full-container vessels in year 2013 Investing terminal Purchasing containers	30,019,465	6,556,652	1,557,261	2,165,637	5,625,300	9,958,662	4,155,953	

NOTE 1: Including subsidiary company, Wan Hai Lines (Singapore) Pte Ltd., into the planning on actual / forecast of working capital.

7.4.2 Predicted benefits:

(1) Container purchase:

A yearly savings of around TWD 10,000 to 13,000 per TEU over container rental is predicted.

7.5 (A) The main reasons for profits and losses of the investment plans in the past year, improvement plans and investment plans for the coming year:

In order to raise the quality of our customer service and grasp market trends, we have cut down on operating costs and invested in outstanding shipping related forwarding, and vessel rental companies. Our profit from investments in the past year is TWD 499,718,000, mainly comprised of vessel rental companies invested in by WHL. Currently we have no plans for further investment in the coming year.

7.6 Analysis regarding risk items for the past year and up to the annual report publishing date

7.6.1 The influences of interest rate variation, foreign exchange rate variation, and inflation on the net income of the company, and future responsive measures:

There was a widespread drop in market interest rates this year, leading to a continued drop in the costs of short-term borrowing by the company. Therefore, the effects of interest rate variation on then net income of the company is estimated to be small. Although the company's income of USD is greater than its expenditures, consistent loans in USD, complemented by the timely use of derivatives, contained the risk exposure to exchange rate variations. In recent years, there has been no significant domestic inflation.

7.6.2 Policies and principal reasons for profits and losses regarding: high risk, high leverage investments, funds lent to other parties, endorsed guarantees, and derivative transactions.

The company has always taken a safe approach to its funds, with mobility being a priority, and thus has never engaged in high risk or high leverage investments. The only funds lent were to completely-owned subsidiaries Wanhai Singapore and Wanhai Hong Kong. The company provides guarantees for long-term vessel loans to Wanhai Singapore and operating capital and construction funds to TK Logistic International Co., Ltd.. The company has instituted a management procedure for the buying and selling of derivative products. The company only uses derivatives for the purposes of risk management, hedging against the volatility of fuel prices being a priority in recent years. In order to minimize risk from foreign exchange rates and interest rates, the company has also engaged in options and swaps.

7.6.3. The estimated expenses for future research and development plans:

The development plan of WHL include fuel saving, typhoon defense and research of new market.

1. Fuel saving and precautions against typhoon

Plans in recent years	progress	Expected Expenses	Complete time	Main Factors
Fuel saving	Testing	(1) Program development and labor cost (including outsourcing cost) total TWD 6 million. (2) The cost of development for back-end operation belongs to corporate administration cost.	The end of 2011	Sufficient labors
precautions against typhoon	Testing	The cost of development for back-end operation belongs to corporate administration cost.	The end of 2011	Sufficient labors

2. The budget for the research of new market, new service and other development plan to enhance the competitiveness comes to TWD 57,976 thousands.

- (1) Research for market: Including the service to Australia, East of Mediterranean, West of South America, South Africa, West Africa and East coast of North America.
- (2) Research of service in Asia with a niche.
- (3) Research of rationalization for the service.
- (4) The business to popularize electronic commerce.
- (5) The development of broadening service by strategic alliance.

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

1. The Council Regulation (EU) 961/2010 on restrictive measure against Iran was published on 25th Oct, 2010 and came into force on 27th Oct in the same year. Wan Hai Lines had established and announced the corresponding measures.
2. As the trade between Taiwan and Mainland China grows continually, the company will pay

attention to the changes of policy and research to enlarge the shipping service.

Other changes in policy and law had no apparent influence on our company. We adhere to all rules and regulations set by the governing institutions.

7.6.5 Effects of and Response to Changes in Technology and Industry Relating to Corporate Finance and Sales

1. Technology improves rapidly and based on business demand the Company is increasing IT capital expenditure and enhancing both hardware and software facilities. In consideration of efficiency and safety, the Company can effectively increase the financial managing ability and further work planning.
2. The Economic Cooperation Framework Agreement (ECFA) officially became effective on January 2010. Our company will adjust our operation strategy and the operating scale in accordance to the economic development between China and Taiwan, the cooperation between Taiwan and other economies and the opportunities to stimulate the industry development that were all brought by ECFA.

7.6.6 Any changes of company image that have influenced our corporate crisis management.

Our corporate image is good and we set up our official corporate website, the spokesman system and the finance department to disclose the material corporate information timely. We built up a clear and dependable communication system to protect and maintain our nice corporate image.

7.6.7 Anticipated benefits and possible risks from mergers and acquisitions: Nil

7.6.8. Anticipated benefit and possible risk from expanding factories: Nil

7.6.9. Risks from centralization of stocking or sales: Nil

7.6.10 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: Nil

7.6.11 The influence and risk from the change of company management: Nil

7.6.12 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.

The litigation and non-litigation issues that our corporation currently involved are mostly due to the claim for the loss during the shipping service or the dispute about the operation of the ship. These kinds of issues are all covered by our insurance and we can make the insurance claim to the insurer for all the losses in according to the insurance contracts. Hence, all the related risks are under proper control and have no material effect to our company.

7.6.13 Other important risks: Nil

7.7 Other significant information: Nil

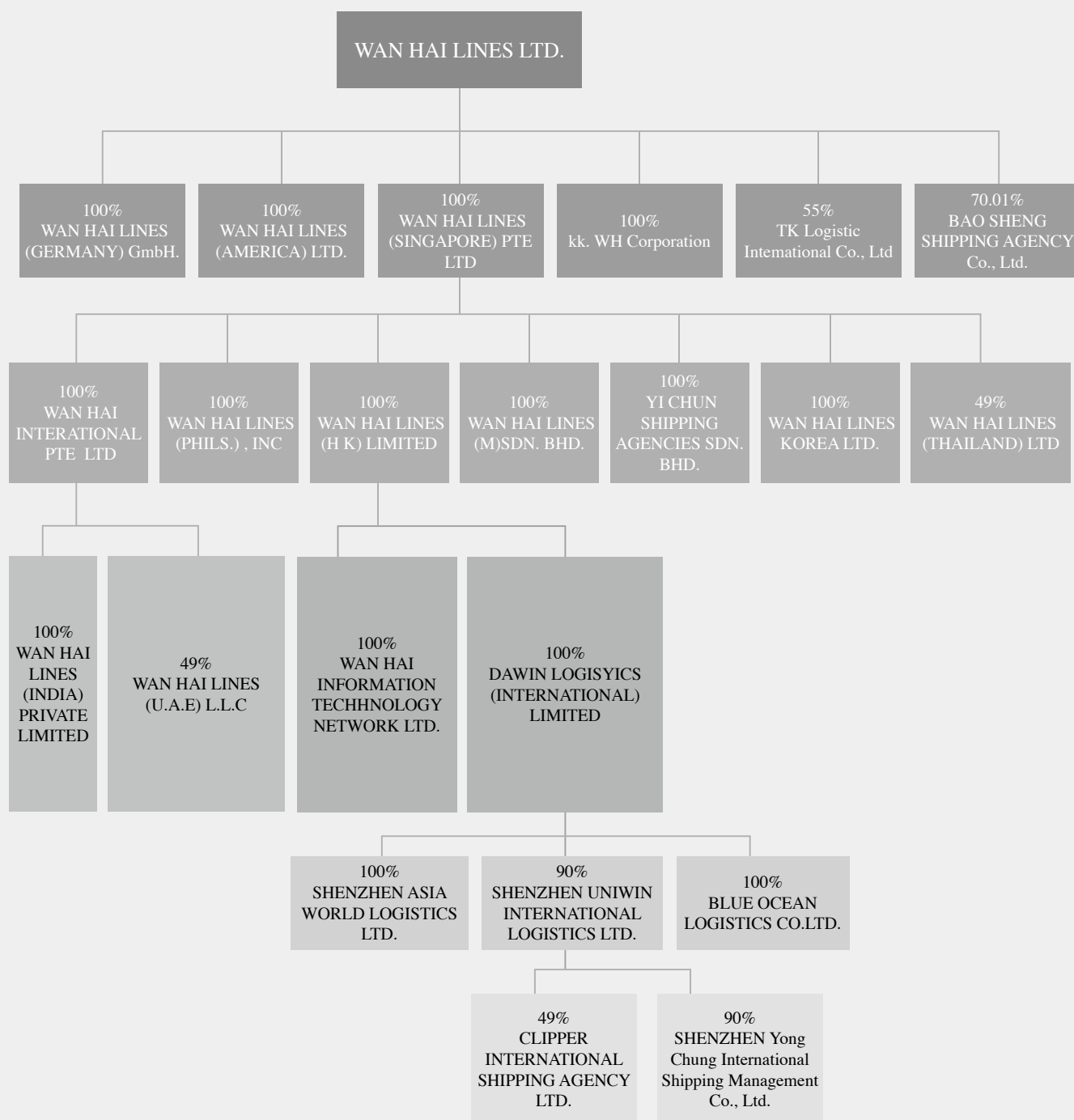


Special Disclosure

8.1 Related Parties information

8.1.1 Consolidated operating Report

Related Parties Structure



8.1.2 Related Parties' Basic Information

Company Name	Establish Date	Address	Capital Amount	Nature of Business
WAN HAI LINES (PHILS.), INC.	2000.10.05	18/F Rufino Pacific Tower #6784, Ayala Avenue corner V.A. Rufino St. Makati City 1223 Philippines	9,015,400(PHP) ex. rate: 43.72/29.13	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (H K) LIMITED	1986.10.17	3F.,Singga Commercial Centre,148.Connaught Road West, Hong Kong	160,000,000(HKD) ex. rate: 7.7744/29.13	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: 1.2828/29.13	International sea transportation, operations , agencies for transport affairs, leasing of vessels, and container chartering
WAN HAI LINES (M) SDN. BHD.	1992.02.28	SUITE 7.02, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4, TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA	500,000(MYR) ex. rate: 3.085/29.13	International sea transportation, operations, agencies for transport affairs
YI CHUN SHIPPING AGENCIES SDN. BHD.	1992.10.30	SUITE 7.01, LEVEL 7, IMS 2, 88, JALAN BATAI LAUT 4, TAMAN INTAN, 41300 KLANG, SELANGOR DARUL EHSAN, MALAYSIA	200,000(MYR) ex. rate: 3.085/29.13	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: 1121.7/29.13	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (AMERICA) LTD.	2000.8.16	2510W. Dunlap Ave. Ste 425 Phoenix, AZ 85021	4,000,000(USD) ex. rate: 29.13	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: 6.5917/29.13	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: 1.2828/29.13	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (INDIA) PRIVATE LIMITED	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: 44.82/29.13	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: 81.36/29.13	Operation & Management of Terminal, Chrtcr hire business
Wan Hai Lines (Germany) GmbH	2004.04.29	Brandstwiete 1, 20457 Hamburg, Germany	25,000(EUR) ex. rate: 0.7486/29.13	International sea transportation, operations, agencies for transport affairs
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	1980.11.18	2/F.,Singga Commercial Centre,144-151 Connaught Road,West, Hong Kong	1,920,000(HKD) ex. rate: 7.7744/29.13	Cargo handling, warehousing and investment service
SHENZHEN ASIA WORLD LOGISTICS LTD.	2004.08.09	RM505,5FL. ZhongTie Logistics Bld,ShenYan Road ShenZhen,China	1,060,000(RMB) ex. rate: 6.5917/29.13	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: 6.5917/29.13	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: 6.5917/29.13	International sea transportation, operations, agencies for transport affairs
TK Logistic International Co., Ltd.	2005.09.26	No.28 Zhong Shan 4th Road Keelung City, Taiwan	260,000,000(TWD)	free trade zone business, international logistics service, stevedoring service, on-dock container terminal and warehouse.
Bao Sheng Shipping Co., Ltd.	2010.03.18	7F, No. 255, Ren 2nd Rd., Ren'ai District, Keelung City, Taiwan	42,850,000(TWD)	Maritime transportation and shipping agencies services
BLUE OCEAN LOGISTICS CO. LTD.	2006.09.21	C-802C,Senling Real Estate, No. 469 WuSong Road , Shanghai	7,824,000(RMB) ex. rate: 6.5917/29.13	Cargo handling, warehousing and international haulage service.
WAN HAI LINES (U.A.E) L.L.C	2004.07.01	C308, Nashwan Building, Al Mankhool Road, Al Rafaa, Bur Dubai, United Arab Emirates	300,000(AED) ex. rate: 3.6733/32.03	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (THAILAND) LTD	2006.05.01	21st floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand	5,000,000(THB) ex. rate: 30.03/29.13	International sea transportation, operations, agencies for transport affairs
Shenzhen Yong Chun International Shipping Management Co., Ltd.	2010.07.20	Room A , 26/F , Tianmian City Tower, Middle Shennan Blvd, Shenzhen, China.	1,000,000(RMB)	International shipping management

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

8.1.4 The industries covered by the business operated by the affiliates overall

The whole relatives' operation includes marine transportation, warehouse, shipping agency, leasing of vessels and containers, All related parties operate in coordination.

8.1.5 Related Parties' Directors, Supervisors and Presidents

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
WAN HAI LINES (PHILS.), INC.	Chairman & President	WH-SG Representative Randy Chen	2009.04.02	-	901,540	100%	-	-
	Director	WH-SG Representative Po-Ting Chen	2000.10.17	-			-	-
	Director	WH-SG Representative Chang-Peng Wu	2010.05.03	-			-	-
	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.	Chairman	WH-SG Representative Po-Ting Chen	2009.10.19	3 years	20,000	100%	-	-
	Director	WH-SG Representative Po-Ting Chen	2009.10.19	3 years			-	-
	Director	WH-SG Representative Huey-Jiuan Chen	2008.04.15	3 years			-	-
	Director	WH-SG Representative Chi-Wen Chueh	2010.04.13	3 years			-	-
	Supervisor	WH-SG Representative Fur-Lung Hsieh	2009.03.19	3 years			-	-
WAN HAI LINES (M) SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	-	500,000	100%	-	-
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	-			-	-
	Director	WH-SG Representative Chien-Feng Wu	2010.03.08	-			-	-
	Director	WH-SG Representative Teck Leong Chua	1994.07.29	-			-	-
YI CHUN SHIPPING AGENCIES SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	-	200,000	100%	-	-
	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	2010.05.01	1year	273,496,000	100%	-	-
	Director	WH-TPE Representative Chih-Yuan Chen	2010.05.01	1year			-	-
	Director	WH-TPE Representative Randy Chen	2010.04.01	1year			-	-
	Director	WH-TPE Representative Kuo-Loong Kao	2010.10.01	1year			-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
WAN HAI LINES (AMERICA) LTD.	Director	WH-TPE Representative Chih-Chao Chen	2000.08.16	-	90,000	100%	-	-
	Director	WH-TPE Representative Po-Ting Chen	2000.08.16	-			-	-
	Director	WH-TPE Representative Huey-Juan 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	2010.09.05	1 year	50,000	100%	-	-
	Director	WH-SG Representative Kao Kuo Loong	2010.06.16	1 year			-	-
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	Chairman	WH-HK Representative Kwan-Wah Chu	2010.01.25	not specified	-	100%	-	-
	Director	WH-HK Representative Lin, Chen Chu	2010.01.25	not specified			-	-
	Director	WH-HK Representative Chan, Yu-Wan	2010.01.25	not specified			-	-
WAN HAI LINES (H K) LIMITED	Director	WH-SG Representative Chaw-Chuan Chen	2010.10.17	1 year	160,000,000	100%	-	-
	Director	WH-SG Representative Ching-Chih Chen	2010.10.17	1 year			-	-
	Director	WH-SG Representative Chih-Chao Chen	2010.10.17	1 year			-	-
	Director	WH-SG Representative Wen-Chau Yeh	2010.10.17	1 year			-	-
	Director	WH-SG Representative Po-Ting Chen	2010.10.17	1 year			-	-
	Director	WH-SG Representative Kwan-Wah Chu	2010.10.17	1 year			-	-
	Director	WH-SG Representative Chow Bai Chih	2010.10.17	1 year			-	-
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	Director	WH-HK Representative Po-Ting Chen	2010.11.18	1 year	1,920,000	100%	-	-
	Director	WH-HK Representative Chih-Chao Chen	2010.11.18	1 year			-	-
	Director	WH-HK Representative Chaw-Chuan Chen	2010.11.18	1 year			-	-
	Director	WH-HK Representative Ching-Chih Chen	2010.11.18	1 year			-	-
	Director	WH-HK Representative Wen-Chau Yeh	2010.11.18	1 year			-	-
	Director	WH-HK Representative Kwan-Wah Chu	2010.11.18	1 year			-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
SHENZHEN ASIA WORLD LOGISTICS LTD.	Chairman	DAWIN Representative Chi-Yin Yeung	2008.07.19	3 years	-	100%	-	-
	Director	DAWIN Representative	2008.07.19	3 years			-	-
	Director	DAWIN Representative Chia-Ming Chang	2009.7.10	3 years			-	-
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	Board chairman	DAWIN Representative Kwan-Wah Chu	2010.03.26	4 years	-	90%	-	-
	Director	DAWIN Representative Lin Chen Chu	2010.3.26	4 years			-	-
	Director	DAWIN Representative Jen-Yee Huang	2009.07.19	4 years			-	-
	Vice board chairman	Shenzhen TaiErXin Representative Hong-Hui Chen	2009.07.19	4 years		10%	-	-
	Director	Shenzhen TaiErXin Representative Chia-Ming Chang	2009.07.02	4 years			-	-
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	Chairman	UNIWIN Representative Yeh,Wen-Chau	2008.12.01	3 years	-	49%	-	-
	Director	UNIWIN Representative Lin,Jeong-Shin	2010.11.29	3 years			-	-
	Director	UNIWIN Representative Ju,Kuen-Hua	2010.11.29	3 years			-	-
	Director	UNIWIN Representative Chan,Yu-Wan	2010.11.29	3 years			-	-
	Supervisor	UNIWIN Representative Jang,Jia-Ming	2010.11.29	3 years			-	-
	Director	ShenZhen TaiErXin Representative Chan,Yuan	2010.11.29	3 year		51%	-	-
WAN HAI LINES (INDIA) PRIVATE LIMITED	Director	Wan Hai International Pte.Ltd. Representative Po-Ting Chen	2002.05.30	-	10,000	100%	-	-
	Director	Wan Hai International Pte.Ltd. Representative Huey-Jiuan Chen	2004.09.01	-			-	-
	Director	Wan Hai International Pte.Ltd. Representative Li-Kuang Huang	2009.03.02	-			-	-
k.k. WH Corporation	Representative Director	WH-TPE Representative Ching-Chih Chen	2005.2.18	10 years	500	100%	-	-
	Representative Director	WH-TPE Representative Hung-Chuan Chien	2010.10.18	10 years			-	-
	Director	WH-TPE Representative Chao-Hon Chen	2005.2.18	10 years			-	-
	Director	WH-TPE Representative Po-Ting Chen	2005.2.18	10 years			-	-
	Supervisor	WH-TPE Representative Rex Huang	2003.6.30	10 years			-	-
Wan Hai Lines (Germany) GmbH	President	Kwang-Meng,Quek	2010.09.01	-	-	100%	-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares			
					shares	%	shares	%		
TK Logistic International Co., Ltd.	Chairman	LUCKY OCEAN SHIPPING CO.,LTD C.C.CHUANG	2008.09.15	3 years	2,600,000	10.00%	-	-		
	Director	NEW SPEED TRANSPORTATION & TERMINAL CORP Jeffrey Chen	2008.09.15	3 years	2,600,000	10.00%	-	-		
	Director	ZANG CHUN ASSETS MANAGEMENT CO., LTD Billy Chen	2008.09.15	3 years	2,600,000	10.00%	-	-		
	Director	WH-TPE Representative Huei-Juan Chen	2008.09.15	3 years	14,300,000	55.00%	-	-		
	Director	WH-TPE Representative Yih-Shun Suen	2008.09.15	3 years			-	-		
	Vice-Chairman	WH-TPE Representative Kuo-Chi Tang	2010.11.01	3 years			-	-		
	Director	WH-TPE Representative Chih-Heng Wan	2008.09.15	3 years			-	-		
	Supervisor	WH-TPE Representative Fu-Lung Hsieh	2008.09.15	3 years			-	-		
Supervisor	WH-TPE Representative Wei-Chien Chuang	2010.11.01	3 years	-			-			
Bao Sheng Shipping Co., Ltd.	Vice-Chairman	C.C.CHUANG	2010.07.06	3 years			1,285,000	29.99%	-	-
	Chairman	WH-TPE Representative Chih-Chao Chen	2010.07.06	3 years			3,000,000	70.01%	-	-
	Director	WH-TPE Representative Tai-Chih Liu	2010.07.06	3 years	-	-				
	Director	WH-TPE Representative Li-Mei Su	2010.07.06	3 years	-	-				
	Director	WH-TPE Representative Chih-Heng Wan	2010.07.06	3 years	-	-				
	Supervisor	WH-TPE Representative Fu-Lung Hsieh	2010.07.06	3 years	-	-				
BLUE OCEAN LOGISTICS CO. LTD.	Chairman	DAWIN Representative Huang,Jen-Yee	2008.10.28	3 years		100%			-	-
	Director	DAWIN Representative Cheng,Chia-Yuan	2008.10.28	3 years			-	-		
	Director	DAWIN Representative Yeh,Wen-Chau	2010.09.06	3 years			-	-		
	Director	DAWIN Representative Chiue,Chi-Wen	2009.02.10	3 years			-	-		
WAN HAI LINES (U.A.E) L.L.C	Director	Wan Hai International Pte.Ltd. Representative Po-Ting Chen	2004.04.13	-	147	49%	-	-		
	Director	Wan Hai International Pte.Ltd. Representative Huei-Juan Chen	2010.08.01	-			-	-		
	Director	Sharaf Representative Ibrahim Sharaf	2004.04.13	-	153	51%	-	-		
	Director	Sharaf Representative Kapil Celly	2004.04.13	-			-	-		

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
WAN HAI LINES (THAILAND) LTD	Director	WH-SG Representative Po-Ting Chen	2006.05.01	-	24,500	49%	-	-
	Director	WH-SG Representative Fur-Lung Hsieh	2009.05.01	-			-	-
	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%	-	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	Board chairman	Shenzhen United International Shipping Agency Co., Ltd. Representative Hong-Hui Chen	2010.04.26	3 years	-	90%	-	-
	Vice board chairman	Shenzhen Uniwin Representative Kwan-Wah Chu	2010.04.26	3 years			-	-
	Director	Shenzhen Uniwin Representative Chen, Yen Ru	2010.04.26	3 years			-	-
	Director	Shenzhen Uniwin Representative Lin,Jeong-Shin	2010.09.19	3 years			-	-
	Director	Shenzhen Uniwin Representative Shieh,Ming Shyong	2010.04.26	3 years			-	-
	Supervisor	Shenzhen Uniwin Representative Yu-Man Chan	2010.04.26	3 years			-	-

8.1.6 Related Parties' Financial Position & Operation Results

Unit : TWD thousand, Per Share / TWD
2010.12.31

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income *	Porfit on Operating *	Profit Loss *	Eaming per Share
WAN HAI LINES (PHILS.), INC.	5,991 (PHP 9,015,400)	67,350 (PHP 101,083,054)	59,371 (PHP 89,017,317)	8,039 (PHP 12,065,737)	44,087 (PHP 61,539,913)	6,307 (PHP 8,803,164)	4,239 (PHP 5,917,363)	4.70 (PHP 6.56)
WAN HAI LINES (HK) LIMITED	695,246 (HKD 160,000,000)	4,439,748 (HKD 1,184,908,150)	2,684,233 (HKD 716,385,335)	1,755,514 (HKD 468,522,815)	659,484 (HKD 162,550,521)	253,108 (HKD 62,386,407)	365,097 (HKD 89,989,538)	2.27 (HKD 0.56)
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	7,922 (RMB 2,125,450)	8,560 (RMB 1,937,009.68)	451 (RMB 102,149.93)	8,109 (RMB 1,834,859.75)	43,726 (RMB 9,364,323)	(1,889) (RMB -404,497.24)	(1,889) (RMB -404,477.24)	N/A
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	25,006 (HKD 1,920,000)	162,780 (HKD 43,443,768)	74,864 (HKD 19,980,278)	87,916 (HKD 23,463,490)	21,683 (HKD 5,344,386)	2,950 (HKD 727,094)	2,523 (HKD 621,912)	1.30 (HKD 0.32)
SHENZHEN ASIA WORLD LOGISTICS LTD.	4,941 (RMB 1,060,000)	11,983 (RMB 2,711,528.16)	311 (RMB 70,399.76)	11,672 (RMB 2,641,128.40)	1,868 (RMB 400,102.65)	2,116 (RMB 453,260.19)	1,966 (RMB 421,136.08)	N/A
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	63,102 (RMB 17,228,668)	1,978,586 (RMB 423,734,539.1)	1,839,448 (RMB 393,936,697.9)	139,138 (RMB 29,797,841.2)	354,322 (RMB 75,881,631.29)	47,804 (RMB 10,237,774.06)	37,619 (RMB 8,056,501.88)	N/A
Shenzhen Yong Chun International Shipping Management Co., Ltd.	4,736 (RMB 1,000,000)	4,498 (RMB 1,017,788.59)	655 (RMB 148,284.72)	5,153 (RMB 1,166,073.31)	4,773 (RMB 1,080,000)	971 (RMB 219,743.51)	775 (RMB 166,073.31)	N/A
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	4,070 (RMB 1,000,000)	1,206,914 (RMB 273,107,307.24)	1,194,860 (RMB 270,379,702.10)	12,054 (RMB 2,727,605.14)	165,123 (RMB 35,362,803.39)	9,435 (RMB 2,020,686.60)	(5,012) (RMB -1,079,743.09)	N/A

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income *	Porfit on Operating *	Profit Loss *	Earning per Share
WAN HAI LINES (SINGAPORE) PTE LTD	5,849,735 (USD 184,190,795)	21,645,507 (USD 743,065,796)	13,329,285 (USD 457,579,297)	8,316,222 (USD 285,486,499)	9,608,431 (USD 329,846,584)	(144,064) (USD -4,945,553)	(435,128) (USD -14,937,453)	(1.60) (USD -0.055)
WAN HAI INTERNATIONAL PTE. LTD.	1,062 (SGD 50,000)	492,896 (SGD 21,705,714)	291,539 (SGD 12,838,506)	201,358 (SGD 8,867,208)	223,143 (SGD 9,647,851)	67,395 (SGD 2,913,896)	78,290 (SGD 3,384,945)	1,565.82 (SGD67.70)
WAN HAI LINES (M) SDN. BHD.	4,613 (MYR 500,000)	377,578 (MYR39,987,266)	247,961 (MYR 26,260,183)	129,617 (MYR 13,727,083)	136,901 (MYR 13,400,191)	60,655 (MYR 5,937,082)	(2,951) (MYR -288,817)	(5.93) (MYR-0.58)
YI CHUN SHIPPING AGENCIES SDN. BHD.	1,845 (MYR 200,000)	1,969 (MYR 208,549)	14 (MYR 1,500)	1,955 (MYR 207,049)	0 (MYR 0)	49 (MYR4,802)	3 (MYR 262)	0.01 (MYR 0.0013)
Wan Hai Lines Korea Ltd.	3,500 (WON 100,000,000)	87,349 (WON 3,363,506,607)	91,621 (WON 3,528,015,116)	(4,277) (WON -164,508,509)	52,171 (WON 2,006,570,024)	(2,703) (WON -104,101,774)	(1,614) (WON -62,085,830)	(83.81) (WON -3,104)
WAN HAI LINES (INDIA) PRIVATE LIMITED	69 (INR 100,000)	314,000 (INR 483,126,626)	281,227 (INR 432,700,817)	32,773 (INR 50,425,808)	165,018 (INR 234,666,916)	28,796 (INR40,949,529)	17,638 (INR25,081,916)	1,763.76 (INR2,508.19)
WAN HAI LINES (AMERICA) LTD.	132,000 (USD4,000,000)	80,602 (USD 2,766,987)	7,017 (USD 240,902)	73,585 (USD 2,526,085)	127,654 (USD 4,050,271)	16,736 (USD 531,004)	17,210 (USD 546,033)	191.31 (USD 6.07)
Wan Hai Lines (Germany) GmbH	1,018 (EUR 25,000)	5,977 (EUR153,594.50)	748 (EUR 19,214.01)	5,229 (EUR 134,380.49)	19,079 (EUR 456,000)	1,753 (EUR41,888.87)	1,043 (EUR 24,933.09)	N/A
k.k. WH Corporation	7,141 (JPY25,000,000)	923,188 (JPY2,578,461,070)	908,542 (JPY2,537,555,552)	14,644 (JPY40,905,518)	6,066,820 (JPY16,871,024,452)	1,543 (JPY 4,292,160)	738 (JPY 2,051,742)	1,475.61 (JPY4,103.484)
TK Logistic International Co., Ltd.	260,000	654,080	398,858	255,221	217,004	26,909	12,589	0.48
Bao Sheng Shipping Agency Co., Ltd.	428,500	80,947	27,709	53,238	38,940	38,752	10,388	2.42
BLUE OCEAN LOGISTICS CO. LTD.	32,596 (RMB 7,824,000)	58,026 (RMB13,130,346.15)	17,175 (RMB 3,886,553.77)	42,019 (RMB 9,243,792.38)	197,355 (RMB42,265,598.51)	7,038 (RMB 1,507,256.75)	5,636 (RMB 1,207,081.73)	N/A
WAN HAI LINES (U.A.E) LLC	2,616 (AED 300,000)	89,427 (AED 11,275,805)	52,323 (AED 6,597,348)	37,104 (AED 4,678,457)	94,939 (AED 11,064,079)	36,039 (AED 4,199,956)	36,114 (AED 4,208,620)	120,378.57 (AED 14,028.73)
WAN HAI LINES (THAILAND) LTD	2,251 (THB 2,450,000)	41,853 (THB 43,146,109)	18,096 (THB 18,654,643)	23,757 (THB24,491,466)	79,882 (THB 79,962,445)	9,879 (THB9,888,683)	6,646 (THB 6,652,525)	132.92 (THB 133.05)
(1) 20101231 CLOSE RATE USD/NTD :29.13 USD/HKD : 7.7744 USD/SGD : 1.2828 USD/MYR : 3.0850 USD/WON(KRW) : 1121.7 USD/PHP : 43.72 USD/RMB : 6.5917 USD/INR : 44.82 USD/YEN(JPY) : 81.36 USD/EUR : 0.7486 USD/AED : 3.6730 USD/THB : 30.03 (2) 2010 AVERAGE RATE NTD/USD : 31.5175 NTD/HKD : 4.0571 NTD/SGD : 23.1288 NTD/THB : 0.9990 NTD/EUR : 41.8399 NTD/PHP : 0.7164 NTD/RMB : 4.6694 NTD/YEN(JPY) : 0.3596								

8.2 Summary of private-equity over the last year and current year up to the publishing date of the annual report: None.

8.3 Summary of parent's shares held or disposed by subsidiaries over the last year and current year up to the publishing date of the annual report: None

8.4 Other necessary disclosures: None.

8.5 Events that have had substantial impact upon shareholder's equity or securities prices as described in Article 36 of the Securities and Exchange Act over the past year and current year up to the publishing date of the annual report: None.



WAN HAI LINES LTD.

CHAIRMAN : Po-Ting Chen

