



Annual Report 2012

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WE CARRY WE CARE

WAN HAI LINES LTD.
ANNUAL REPORT 2012

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Basic Information of ECB : None

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Bring the World Together!

For the past 48 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 48 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.

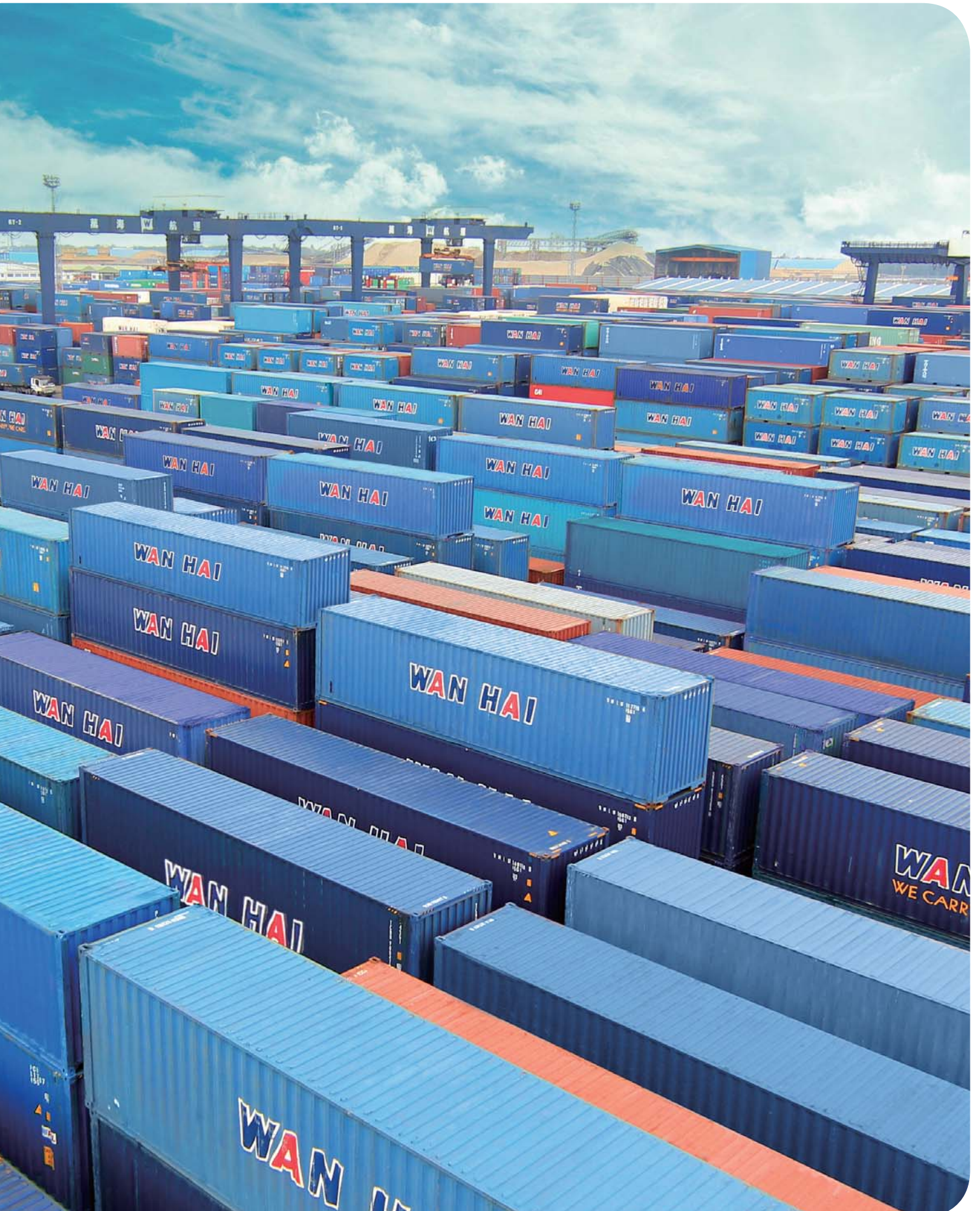
• Stable Capital Structure

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•

• 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 America West 、 Europe 、 Black Sea and South America service. 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** 1966 Bought 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 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.
- 2011 Apr** Wan Hai, Evergreen, and COSCO Group containers, as well as Pacific International Lines, jointly began an Asia to South American West Coast shipping line (WSA).
Apr Wan Hai, Evergreen, and Interasia Lines began joint operation of Taiwan-Madras shipping line (TMT).
Apr Wan Hai awarded Port of Long Beach's Green Flag Award for the fourth year in succession.
Apr Joint operation of Japan-Taiwan-Indonesia shipping line (JTI) by Wan Hai and Interasia Lines.
Aug Joint operation of Japan-Taiwan-Indonesia shipping line (JTI) by Wan Hai, Yangming Shipping, and Interasia Lines.
- 2012 JAN** Launched North China to Taiwan Second String Service with Sinotrans.
AUG Awarded "Container Shipping Line of the Year 2012 – Far East Trade Lane" by SECC.
AUG Co-operated in Japan – Indonesia Service with Interasia Lines and Mitsui-OSK Lines.
SEP Awarded "Container Shipping Lines of the Year India-Far East Trade Lane".
OCT Honored as 2012 Top-Ranked Company in Shipping Industry.



• We Carry, We Care. •



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.
- We formed the task force and then taken some measures or coordinated by ISO14001 seeds in each division.
- Compliance with the regulations set out by supervisory boards of the competent authority and securities and Securities and Futures Bureau, and adherence employee handbook dealing with continuing evaluation, reward and punishment, Education and training.

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.
- Hulls are painted with a tin-free paint, avoiding the release of toxic tin into the environment, preventing damage to marine life.
- Reducing engine cylinder, speed shipping and set up PBCF to reduce fuel expenditure; Energy saving software has been added to all freezer containers.

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 Wan Hai 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 Wan Hai Charity Foundation to charity-related expenditures totaled TWD 16,287,047 in 2012.

■ In addition to this, the Company has also promoted the following charity and community participation

- (1) Support of the “JAZZ Charity Concert” run by the Wan Hai 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.
- (2) Continuation of the bi-annual “Wan Hai 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 1,482 participants, collecting a total of 2,047 donations, totaling 511,750cc.
- (3) Called for corporate volunteers to participate in two “Children’s home Outdoor Adventure” events, and three “Double Ninth Festival Nursing Home Concert” events, all run by Wan Hai Charity Foundation.
- (4) Donated shipping containers to Noordhoff Craniofacial Foundation for the shipment of 500 tons rice to Pakistan.

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

Looking back on 2012, it can still be seen as a very challenging year. The impact of global financial tsunami since 2009 remains a blow to market restoration in the shipping industry. The regional political instability, soaring oil prices, sluggish economic growth in the developing and developed economies and the over-supply in ship capacity have been testing shipping liners' management strategies and the ability of vessel deployment.

In the market demand and the service arrangement, Wan Hai has been keeping flexible strategy to seek the possibility of ocean rate restoration. In addition, in order to timely respond to the fast market changes, Wan Hai has always been evaluating an optimal vessel development in the long-haul and intra-Asia markets. Also in the operating cost control, Wan Hai has been actively cooperating with partners no matter on launching joint venture service or slot swap arrangement.

With regards to our long-term fleet deployment, apart from utilizing vessel charters to adjust our fleet tonnage, we have also been working with shipyards to coordinate adjustments to the ships to fulfill demands of our fleet and to conform to the new environmental policies. In the meantime, in order to quickly respond to the rapid changes in the market, Wan Hai plans a diversification in its employment of capital and investment opportunities and also adds to the mobility and efficiency of our application of capital.

As such, with the steadfast leadership from our able and dynamic Board of Directors, the untiring support and cooperation from shareholders, and dedicated efforts of management and staff, we have achieved operating revenue of TWD5,659,131 thousand and the profit after tax TWD182,800 thousand in 2012.

Look to 2013, with the mild recovery in the global economy, Wan Hai has still been devoting to the principal of "Customer First ∙ Full Participation ∙ Environmental Protection ∙ Business Continuity" in order to take challenges from the markets. And we are moving towards the direction for the future development.

1. To focus on man power training, strengthen the ability of policy consolidation and implementation.
2. To launch new service strings at a proper timing to carter to customers' demand.
3. To strictly tighten control over oil consumption and container supply. To install facilities on vessel which can help reduce bunker consumption and CO2 emission.
4. To plan on each individual strategy to ensure that company's resource is well utilized.

Lastly, with the Wan Hai's corporate spirit of " Service 、 Team Work 、 Growth", we encourage our team to work further and we believe with our efforts we are able to deal with more challenges ahead.

Sincerely,

Po-Ting Chen

Chairman

April 20, 2013



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-strait 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, Wan Hai 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, Wan Hai, 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 achieving our goals of becoming a truly global shipping company.

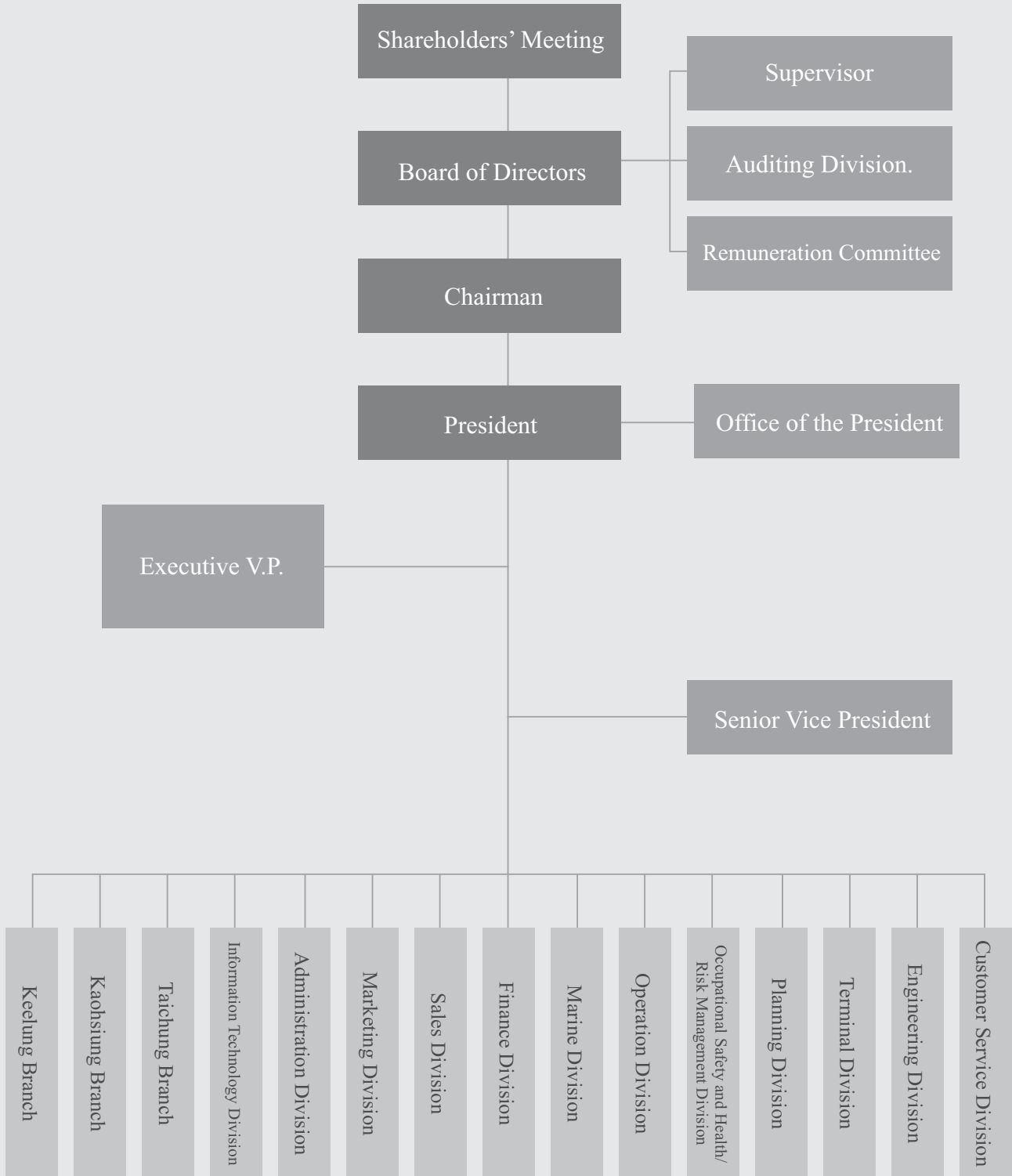
In 2011, in order to provide direct sailing service from Asia to west coast of South America, Wan Hai has jointly operated the service with other carriers to run this market starting from the end of April .In the meantime , in order to develop and expand the east Indian market , we have also launched a joint venture service to connect Far East Asia to Chennai , providing more comprehensive service coverage to customers. With the delivery of the new build vessels in year 2012 and 2013, we have been actively optimizing our service deployment in pursuit of the growth in business.



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

The list of Directors and Supervisors(18th Board of Directors committee)

Title		Chairmen	Director		Director		Director		Director		Director	
Name		Po-Ting Chen	Baltimore International Ltd.	Representative: Hui-Ying Chen	Chen-Yung Fundation	Representative: Chih-Chao Chen	Taili Corporation.	Representative: Randy Chen	Blue Moon Investment Co., Ltd.	Representative: Ye-Tsan Lee(note 1)	Blue Moon Investment Co., Ltd. Representative: Fu-Tian Huang (note 2)	
Date elected		2011-06-24	2011-06-24		2011-06-24		2011-06-24		2011-06-24		2011-06-24	
Tenure		3 years	3 years		3 years		3 years		3 years		3 years	
Date first elected (Note 2)		1999-05-06	2005-06-23		2011-06-24		2011-06-24		1999-05-06		1999-05-06	
Shareholding on date elected	No. of shares	9,146,237	1,714,241 0		30,383,025 0		5,208,816 0		2,778,405 0		2,778,405 0	
	Holding Ratio	0.43%	0.08% 0.10%		1.44% 0.00%		0.25% 0%		0.13% 0.00%		0.13% 0.00%	
Current Shareholding	No. of shares	9,603,548	1,799,953 2,262,000		31,902,176 8,242,283		5,469,256 0		2,917,325 0		2,917,327 0	
	Holding Ratio	0.43%	0.08% 0.10%		1.44% 0.37%		0.25% 0.00%		0.13% 0.00%		0.13% 0.00%	
Current shareholding of Spouse and Minor Children	No. of shares	0	0		0		0		0		0	
	Holding Ratio	0.00%	0.00%		0.00%		0.00%		0.00%		0.00%	
Shareholding under other names	No. of shares	0	0		0		0		0		0	
	Holding Ratio	0.00%	0.00%		0.00%		0.00%		0.00%		0.00%	
Major Academic qualification and professional experience		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		Jeanine Rainbolt College of Education, University of Oklahoma	
Positions held in the Company and other companies		FORMOSA WONDERWORLD Co., Ltd. Director/Chairman SHIH LIN PAPER CORP. Representative Director for legal entity/ Vice Chairman SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity/ Vice Chairman WAN HAI LINES (INDIA) PVT. LTD. Representative Director for legal entity K.K. WH Corporation Representative Director for legal entity WAN HAI LINES(UAE)L.L.C Representative Director for legal entity WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (PHILS) INC. Representative Director for legal entity WAN HAI LINES KOREA LTD. Representative Director for legal entity WAN HAI LINES(M) SDN.BHD. Representative Director for legal entity WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI INTERNATIONAL PTE. LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity YI CHUN SHIPPING AGENCIES SDN.BHD.Representative Director for legal entity DAWIN LOGISTICS(INTERNATIONAL)LTD. Representative Director for legal entity	FORMOSA WONDERWORLD Co., Ltd. Director/President SHIH LIN PAPER CORP. Director for legal entity SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Director for legal entity		YI CHAO CORP. Director/ Chairman WAN HAI LINES(AMERICA) LTD. Director for legal entity WAN HAI LINES(H.K.)LTD. Director for legal entity DAWIN LOGISTICS(INTERNATIONAL) LTD. Director for legal entity BAO SHENG SHIPPING AGENCY Co., Ltd. Director for legal entity/Chairman		EVERVALIANT CORP. Director WAN HAI LINES (PHILS) INC. Director for legal entity/ chairman / President WAN HAI LINES (SINGAPORE) PTE. LTD. Director for legal entity WAN HAI LINES(AMERICA) LTD. Director for legal entity SHIH LIN PAPER CORP. Supervisor for legal entity		SHIH LIN PAPER CORP. Director for legal entity SUNSHINE SHIH LIN DEVELOPMENTCo., Ltd. Director for legal entity FORMOSA WONDERWORLD Co., Ltd. Consultant		FORMOSA WONDERWORLD Co., Ltd.Consultant SHIH LIN PAPER CORP. Director for legal entity	
officer, director, or supervisor held by spouse or relatives within two levels Title Name of blood relations	Title	Director Consultant	Chairman Consultant		Supervisor		-		-		-	
	Name	Hui-Ying Chen Hui-Ling Chen	Po-Ting Chen Hui-Ling Chen		Chih Hsiang Chen		-		-		-	
	Relation	Siblings	Siblings		Siblings		-		-		-	

Title		Director	Director	Director	Supervisor	Supervisor	Supervisor
Name		Blue Moon Investment Co., Ltd. Representative: Fu-Lung Hsieh (note 3)	Ta Hsin Investment Co., Ltd. Representative: Huey-Juan Chen	Formosa Wonderland Co., Ltd. Representative: Cheng-Hsien Lin	Yee Sing Co., Ltd. Representative: Mei-Huei Wu	Yi Teh Optical Technology Co., Ltd. Representative: Chih-Hsiang Chen	Hwa-Mei Lin Yen
Date elected		2011-06-24	2011-06-24	2011-06-24	2011-06-24	2011-06-24	2011-06-24
Tenure		3 years	3 years	3 years	3 years	3 years	3 years
Date first elected (Note 2)		1999-05-26	2011-06-24	2011-06-24	2011-06-24	2008-06-18	2011-06-24
Shareholding on date elected	No. of shares	2,778,405 0	36,464,019 0	838,852 0	1,400,000 0	7,331,452 0	10,115,699
	Holding Ratio	0.13% 0.00%	1.73% 0.00%	0.04% 0.00%	0.07% 0.00%	0.35% 0.00%	0.48%
Current Shareholding	No. of shares	2,917,325 0	38,887,219 123,168	880,794 0	1,470,000 13,335	7,698,024 2,498,785	19,727,001
	Holding Ratio	0.13% 0.00%	1.73% 0.00%	0.04% 0.00%	0.07% 0.00%	0.35% 0.11%	0.89%
Current shareholding of Spouse and Minor Children	No. of shares	92,720	0	0	0	0	0
	Holding Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Shareholding under other names	No. of shares	0	0	0	0	0	0
	Holding Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Major Academic qualification and professional experience		Department of Shipping and Transportation Management, National Taiwan Ocean University	Department of International Trade, Tamkang University	Southern Methodist University, LL.M	Ming Chuan University	New Jersey College of Science and Engineering	Shih Chien University
Positions held in the Company and other companies		WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (VIETNAM) LTD. Representative Director for legal entity/Chairman WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity TK LOGISTICS INTERNATIONAL Co., LTD. Representative Supervisor for legal entity BAO SHENG SHIPPING AGENCY Co., LTD. Representative Supervisor for legal entity	WAN HAI LINES KOREA LTD. Director for legal entity WAN HAI LINES (AMERICA) LTD. Director for legal entity WAN HAI LINES (INDIA) PVT. LTD. Director for legal entity WAN HAI LINES (U.A.E) L.L.C Director for legal entity TK LOGISTICS INTERNATIONAL Co., LTD. Director for legal entity TAIPEI PORT CONTAINER TERMINAL CORP. Director for legal entity	SHIH LIN PAPER CORP. Representative Director for legal entity CHANG HWA BANK Representative Director for legal entity	YEE SING CO., Ltd. Finance Dept. Manager UNI COOPERATE INTERNATIONAL Co., Ltd. Supervisor	SHIH LIN PAPER CORP. Director SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Director for legal entity	SUN SHINE CONSTRUCTION Co., Ltd. Chairman UNI COOPERATE INTERNATIONAL Co., Ltd. Director/Chairman
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: Blue Moon Investment Co., Ltd. Representative: Ye-Tsan Lee 2011/6/24~ 2012/1/31.

* Note2: Blue Moon Investment Co., Ltd. Representative: Fu-Tian Huang 2012/3/21~ 2013/3/26.

* Note3: Blue Moon Investment Co., Ltd. Representative: Fu-Lung Hsieh from 2013/4/2

2. Major shareholders of corporation stockholders

Corporation shareholders	Major Shareholders and holdings %					
Formosa Wonderworld Co., Ltd.	Da Shin Investment, Inc. 10.48%	Yuki Holdings Group Limited 29.7%	Sunpark Investment Group Limited 29.81%	Blue Moon Investment Co., Ltd. 6.14%		
	Chaw-Chuan Chen 7.8%	Hui-Ling Chen 4.41%	Hui-Long Chen 3.89%	Hui-Ying Chen 3.34%		
Tai Li Corp.	R&D Investments, Inc. 90.820%		Chen-Yung Foundation 9.116%	Ching-Chih Chen 0.035%	Randy Chen 0.021%	
	Wen-Tsung Sue 0.002%	Te-Ming Lin 0.002%	Hsiu-Wen Wang 0.002%	An-Chou Lin 0.002%		
Chen-Yung Foundation	None					
Baltimore International Ltd.	In-Ru Chen 20%	Fu-Kuei Wu 20%	Po-Ting Chen 44%	Mei-Ru Chen 10%	Jau-Di Chen 6%	
Da Shin Investment, Inc.	Hui-Long Chen 6.67%	Hui-Ying Chen 10%	Su-Hsing Chen 5%	Po-Ting Chen 23.33%	In-Ru Chen 0.83%	
	Mei-Ru Chen 0.83%	Hui-Ling Chen 4.91%	Formosa Wonderworld Co., Ltd. 5.93%	Sun Trader Holding Corp. 41.67%	Jau-Di Chen 0.83%	
Blue Moon Investment Co., Ltd.	Po-Ting Chen 72.4%	Da Shin Investment, Inc. 2%		Hui-Ling Chen 2.3%	Formosa Wonderworld Co., Ltd. 3.8%	
	Chaw-Chuan Chen 2.7%	Su-Hsing Chen 2.7%	In-Ru Chen 3.5%	Hui-Ying Chen 3%	Mei-Ru Chen 3.5%	Hui-Long Chen 4.1%
Yee Sing Co., Ltd.	I-Cheng, Lin 3.45%	Chiu-Ling, Wu 17.24%	Che-I, Lin 53.45%	Chia-Chin, Lin 3.45%	Yu-Syuan, Lin 18.96%	Chia-Ying, Lin 3.45%
Yi Teh Optical Technology Co., Ltd.	Chih-Yuan Chen 99.91%			Yeong Yi (Asia) Corp. Ltd. 0.09%		

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

Corporation shareholders	Major shareholders of corporation shareholders				
R&D Investments, Inc.	Randy Chen 47.62%	Shea Chen 47.62%	Ching-Chih Chen 2.38%	Ruth Chen 2.38%	
Evervaliant Corp.	Tai Li Corp. 58.185%	R&D Investments, Inc. 11.507%		Yi Chun (Liberia) Shipping Co., Ltd. 25.460%	
	Chen-Yung Foundation 4.845%		Ching-Chih Chen 0.001%	Ruth Chen 0.001%	Chao-Heng Chen 0.001%
Yuki Holdings Group Limited	Woodwind Development Limited 100%				
Sunpark Investment Group Limited	Wonder View Investments Limited 100%				
Sun Trader Holding Corp.	Billion Sea Trading Limited 100%				
Yeong Yi (Asia) Corp. Ltd.	Smithson Crawford 32.165%、Hsin Feng Corp. 29.710%、Fon Tain Belon Co. Ltd. 26.244%、Skyway Industrial Limited 4.923%、Chen-Yung Foundation 3.436%、Chih-Chao Chen 1.947%、Kang Tu Industrial Co., Ltd. 0.683%、Eyon Corp. 0.550%、Chih-Yuan Chen 0.220%、Chen Tsou Meng Li 0.115%				

4. Information of Directors and Supervisors

2013.04.25

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
Baltimore International Ltd. Representative: Hui-Ying Chen			V								V		V		0
Chen-Yung Foundation Representative: Chih-Chao Chen			V			V		V		V	V	V			0
Taili Corporation Representative: Randy Chen			V			V		V		V	V	V			0
Blue Moon Investment Co., Ltd. Representative: Ye-Tsan Lee(Note 2)		V	V			V	V	V		V	V	V			0
Blue Moon Investment Co., Ltd. Representative: Fu-Tian Huang (Note 3)					V		V	V	V		V	V	V		0
Blue Moon Investment Co., Ltd. Representative: Fu-Lung Hsieh (Note 4)			V			V	V	V	V	V	V	V	V		0
Ta Hsin Investment Co., Ltd. Representative: Huey-Juan Chen			V			V	V	V	V	V	V	V	V		0
Formosa Wonderland Co., Ltd. Representative: Cheng-Hsien Lin		V	V		V		V	V			V	V			0
Yee Sing Co., Ltd. Representative: Mei-Huei Wu			V		V		V	V	V		V	V	V		0
Hwa-Mei LinYen			V		V		V	V		V	V	V	V	V	0
Yi Teh Optical Technology Co., Ltd. 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: Blue Moon Investment Co., Ltd. Representative:Ye-Tsan Lee 2011/6/24~ 2012/1/31.

Note 3: Blue Moon Investment Co., Ltd. Representative:Fu-Tian Huang 2012/3/21~ 2013/3/26.

Note 4: Blue Moon Investment Co., Ltd. Representative: Fu-Lung Hsieh appointed on 2013/4/2.

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

2013.04.16

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	Po-Ting Chen	2011-03-18	9,603,548	0.43%	0	0.00%	0	0.00%	Master of Business Administration, University of San Francisco	FORMOSA WONDERWORLD Co., Ltd. Director/Chairman SHIH LIN PAPER CORP. Representative Director for legal entity/Vice Chairman SUNSHINE SHIH LIN DEVELOPMENT Co., Ltd. Representative Director for legal entity/Vice Chairman WAN HAI LINES (INDIA) PVT. LTD. Representative Director for legal entity K.K. WH Corporation Representative Director for legal entity WAN HAI LINES(UAE)L.L.C Representative Director for legal entity WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES (PHILS) INC. Representative Director for legal entity WAN HAI LINES KOREA LTD. Representative Director for legal entity WAN HAI LINES(M) SDN.BHD. Representative Director for legal entity WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI LINES(AMERICA)LTD. Representative Director for legal entity WAN HAI INTERNATIONAL PTE. LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity YI CHUN SHIPPING AGENCIES SDN.BHD.Representative Director for legal entity DAWIN LOGISTIC(INTERNATIONAL) LTD. Representative Director for legal entity	Director Consultant	Hui-Ying Chen Hui-Ling Chen	Siblings
Executive Vice President	Huey-Juan Chen	2007-04-01	123,168	0.01%	0	0.00%	0	0.00%	Department of International Trade, Tamkang University	WAN HAI LINES KOREA LTD. Representative Director for legal entity WAN HAI LINES (AMERICA) LTD. Representative Director for legal entity WAN HAI LINES (INDIA) PVT. LTD. Representative Director for legal entity WAN HAI LINES(U.A.E) L.L.C Representative Director for legal entity TK LOGISTICS INTERNATIONAL Co., LTD.Representative Director for legal entity TAIPEI PORT CONTAINER TERMINAL CORP.Director for legal entity	-	-	-

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
Executive Vice President	Fu-Lung Hsieh	2013-02-01	109,312	0.00%	92,720	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	WAN HAI LINES THAILAND LTD. Representative Director for legal entity WAN HAI LINES VIETNAM LTD. Representative Director for legal entity / Chairman WAN HAI LINES KOREA LTD. Representative Supervisor for legal entity TK LOGISTICS INTERNATIONAL Co., LTD. Representative Supervisor for legal entity BAO SHENG SHIPPING AGENCY CO., LTD. Representative Supervisor for legal entity	-	-	-
Senior Vice President	Jen-Yee Huang	2007-06-01	10,838	0.00%	4,353	0.00%	0	0.00%	Department of Business Administration, National Cheng Kung University	WAN HAI LINES (SINGAPORE) PTE. LTD. Representative Director for legal entity WAN HAI INTERNATIONAL PTE. LTD Representative Director for legal entity BLUE OCEAN LOGISTICS CO., LTD. Representative Director for legal entity / Chairman	-	-	-
Senior Vice President	Wen-Chau Yeh	2007-06-01	936	0.00%	22,332	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Representative Director for legal entity DAWIN LOGISTIC (INTERNATIONAL) LTD. Representative Director for legal entity BLUE OCEAN LOGISTICS CO., LTD. Representative Director for legal entity WAN HAI LINES(H.K.)LTD. Representative Director for legal entity	-	-	-
Senior Vice President	Jiong-Xin Lin	2007-06-01	127,019	0.01%	0	0.00%	0	0.00%	Department of Merchant Marine, Chinese Culture University	CLIPPER INTERNATIONAL SHIPPING AGENCY LTD. Representative Director for legal entity SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Representative Director for legal entity	-	-	-
Vice President	Li-Kuang Huang	2007-04-01	105,627	0.00%	11,536	0.00%	0	0.00%	Mast of Business Administration, University of Buffalo, New York	SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD. Representative Director for legal entity	-	-	-
Vice President	Kuo-Loong Kao	2007-06-01	92,195	0.00%	43,653	0.00%	0	0.00%	Department of Merchant Marine, Chinese Culture University	-	-	-	-
Vice President	Ming-Shan Huang	2007-06-01	17,545	0.00%	6,856	0.00%	0	0.00%	Department of International Trade, Soochow University	BLUE OCEAN LOGISTICS CO., LTD. President	-	-	-
Vice President	Ching-Seng Huang	2007-06-01	0	0.00%	19,579	0.00%	0	0.00%	Department Shipping and Transportation Management, National Taiwan Ocean University	-	-	-	-
Vice President	Juang-Jyh Juang	2007-06-01	0	0.00%	0	0.00%	0	0.00%	Department of Mechanical Engineering, China Junior College of Technology	BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-
Vice President	Wei-Chien Chuang	2007-06-01	9,370	0.00%	454	0.00%	0	0.00%	Department of International Trade, National ChengChi University	TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity	-	-	-
Vice President	Wei-Hsin Hsu	2007-06-01	128,513	0.01%	395	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	142,377	0.01%	110	0.00%	0	0.00%	Department of Public Finance, Tamkang University	-	-	-	-
Project Vice President	Yen-Ru Chen	2009-05-01	65,951	0.00%	0	0.00%	0	0.00%	Department of Transportation and Navigation Science, National Taiwan Ocean University	-	-	-	-
Special Assistant to Executive President	Hung-Chuan Chien	2008-08-01	0	0.00%	5,775	0.00%	0	0.00%	Department of Transportation Technology & Management, Feng Chia University	-	-	-	-
Vice President	Hui-Chang Chung	2007-06-01	176,297	0.01%	20,721	0.00%	0	0.00%	Department of Shipping and Transportation Management, National Taiwan Ocean University	SHENZHEN YONG CHUN INTERNATIONAL SHIPPING MANAGEMENT CO., LTD. Representative Director for legal entity	-	-	-
Vice President	Chih-Heng Wan	2009-02-16	23,516	0.00%	58,214	0.00%	0	0.00%	Department of International Trade, Chinese Culture University	WAN HAI LINES KOREA LTD. Representative Director for legal entity	-	-	-
Vice President	Li-Mei Su	2009-02-16	1,212	0.00%	0	0.00%	0	0.00%	Department of International Trade, National ChengChi University	BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-
Special Assistant to Executive 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	-	-	-	-
Vice President	Ren-Kai Wu	2012-03-15	0	0.00%	0	0.00%	0	0.00%	Department of Industrial and Information Management National Cheng Kung University	-	-	-	-
Vice President	Chien-Cheng Hsiao	2012-03-15	0	0.00%	0	0.00%	0	0.00%	Department of International Trade Fu Jen Catholic University	WAN HAI LINES (VIETNAM) Ltd. Representative Director for legal entity	-	-	-
Deputy Vice President	Pei-Tai Kuo	2012-06-25	0	0.00%	0	0.00%	0	0.00%	Department of Economics Chinese Culture University	-	-	-	-
Deputy Vice President	Tai-Feng Sun	2011-10-31	0	0.00%	0	0.00%	0	0.00%	Department of Merchant Marine, National Taiwan Ocean University	-	-	-	-
Deputy Vice President	I-Feng Lin	2012-09-15	135	0.00%	0	0.00%	0	0.00%	Department of Merchant Marine, Tamkang University	TK LOGISTICS INTERNATIONAL Co., LTD. Representative Director for legal entity BAO SHENG SHIPPING AGENCY CO., LTD. Representative Director for legal entity	-	-	-
General Manager	Hsueh-Hua Lu	2013-04-01	0	0.00%	0	0.00%	0	0.00%	International Business & Management, Sheffield Hallam University	-	-	-	-
Assistant Vice President	Chia-Yi Hsiao	2007-08-13	8,199	0.00%	0	0.00%	0	0.00%	Department of Accounting, National Chung Hsing University	-	-	-	-
Vice President	Hui-Ling Chen (Note 1)	2011-05-01	28,069,043	1.27%	0	0.00%	0	0.00%	Department of Business Administration, Fu Jen Catholic University	-	President Director	Po-Ting Chen Hui-Ying Chen	Siblings
Deputy Vice President	Yi-Pai Chan (Note2)	2010-04-01	0	0.00%	0	0.00%	0	0.00%	Department of Social Work, Fu Jen Catholic University	-	-	-	-

Note 1: Hui-Ling Chen retired on 2012/2/15

Note 2: Yi-Pai Chan retired on 2012/2/25

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

1. Remuneration to directors

Title		Chairman	Director	Director	Director	Director	Director	Director
Name		Po-Ting Chen	Baltimore Baltimore International Ltd. Representative: Hui-Ying Chen	Chen-Yung Foundation Representative: Randy Chen	Blue Moon Investment Co., Ltd. Representative: Ye-Tsan Lee(note 1)	Blue Moon Investment Co., Ltd. Representative: Fu Tian Huang (note 2)	Ta Hsin Investment Co., Ltd. Representative: Huey Juian Chen	Formosa Wonder World Co., Lt Representative: Cheng-Hsien Lin
Remuneration to directors	(A) Allowance	Unconsolidated			1,753,200			
		Consolidated			1,753,200			
	(B) Retirement pension	Unconsolidated			0			
		Consolidated			0			
	(C) Remuneration from retained earnings	Unconsolidated			4,212,495			
		Consolidated			4,212,495			
	(D) Transportation allowance	Unconsolidated			1,583,527			
		Consolidated			1,583,527			
Percentage of (A+B+C+D) in net income after tax	Unconsolidated							
	Consolidated							
Related remuneration for serving in the company concurrently	(E) Salary, bonus and specific subsidy	Unconsolidated			5,675,867			
		Consolidated			14,877,317			
	(F) Retirement pension	Unconsolidated			108,000			
		Consolidated			259,562			
	(G) Employee's bonus from retained earnings	Unconsolidated		Cash bonus	23,424			
				Stock bonus	0			
	(H) Shares of employee's stock warranty	Unconsolidated		Cash bonus	23,424			
				Stock bonus	0			
Percentage of (A+B+C+D+E+F+G+H) in net income after tax	Unconsolidated		0.73					
	Consolidated		1.24					
Other income					354,880			

Note 1: Blue Moon Investment Co., Ltd. Representative: Ye-Tsan Lee 2011/6/24~2012/1/31(note 1)

Note 2: Blue Moon Investment Co., Ltd. Representative: Fu-Tian Huang From 2012/3/21

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	Hui-Ying Chen, Randy Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang, Huey-Juian Chen, Chih-Chao Chen	Hui-Ying Chen, Randy Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang, Huey-Juian Chen, Chih-Chao Chenn	Hui-Ying Chen, Randy Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang, Chih-Chao Chen	Hui-Ying Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang
From TWD 2,000,000 to 4,999,999	Po-Ting Chen	Po-Ting Chen	Po-Ting Chen, Huey-Juian Chen	Po-Ting Chen, Huey-Juian Chen
From TWD 5,000,000 to 9,999,999				Randy Chen, Chih Chao 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, Randy Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang, Huey-Juian Chen, Chih-Chao Chen	Po-Ting Chen, Hui-Ying Chen, Randy Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang, Huey-Juian Chen, Chih-Chao Chen	Po-Ting Chen, Hui-Ying Chen, Randy Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang, Huey-Juian Chen, Chih-Chao Chen	Po-Ting Chen, Hui-Ying Chen, Randy Chen, Ye-Tsan Lee, Cheng-Hsien Lin, Fu Tian Huang, Huey-Juian Chen, Chih-Chao Chen

2. Remuneration to supervisors

Title		Supervisor		Supervisor		Supervisor	
Name		Yee Sing Co., Ltd. Representative: Mei-Huei Wu		Yi Hsiang Industrial Co.,Ltd Representative: Chih Hsiang Chen		Hwa-Mei LinYen	
Remuneration to supervisors	(A) Allowance	Expense (c)	0				
		Unconsolidated	0				
	(B) Remuneration from retained earnings	Unconsolidated	1,805,355				
		Consolidated	1,805,355				
	Transportation allowance	Unconsolidated	120,000				
		Consolidated	120,000				
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	0.11					
	Consolidated	0.11					
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	Mei-Huei Wu, Chih Hsiang Chen, Hwa-Mei LinYen	Mei-Huei Wu, Chih Hsiang Chen, Hwa-Mei LinYen
From TWD 2,000,000 to 4,999,999		
From TWD 5,000,000 to 9,999,999		
From TWD 10,000,000 to 14,999,999		
From TWD 15,000,000 to 29,999,999		
From TWD 30,000,000 to 49,999,999		
From TWD 50,000,000 to 99,999,999		
TWD 100,000,000 and above		
Total	Mei-Huei Wu Chih Hsiang Chen Hwa-Mei LinYen	Mei-Huei Wu Chih Hsiang Chen Hwa-Mei LinYen

3. Remuneration to President and Vice presidents

Unit: TWD

Title		President		Executive President		
Name		Po-Ting Chen		Huey-Jiuan Chen		
(A) Salary	Unconsolidated	2,374,800				
	Consolidated	2,374,800				
(B) Retirement pension	Unconsolidated	108,000				
	Consolidated	108,000				
(C) Bonus and specific subsidy, etc.	Unconsolidated	866,400				
	Consolidated	866,400				
(D) Employee's bonus from retained earnings	Unconsolidated	Cash bonus	15,616			
		Stock bonus	0			
	Consolidated	Cash bonus	15,616			
		Stock bonus	0			
Percentage of (A+B+C+D) in net income after tax	Unconsolidated	0.18				
	Consolidated	0.18				
Shares of employee's stock warranty	Unconsolidated	0				
	Consolidated	0				
Other income				354,880		

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	Po-Ting Chen	Po-Ting Chen
From TWD 2,000,000 to 4,999,999	Huey-Jiuan Chen	Huey-Jiuan 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	Po-Ting Chen, Huey-Jiuan Chen	Po-Ting Chen, Huey-Jiuan Chen

4. Bonus to Executives

Unit: TWD thousand

Title	Name	Stock Bonus	Cash Bonus	Total	Percentage in Net Income after tax
President	Po-Ting Chen	0	188	188	0.001
Specil Assistant to President	Randy Chen				
Executive President	Huey-Juan Chen				
Senior Vice President	Fu-Lung Hsieh				
Senior Vice President	Jen-Yee Huang				
Senior Vice President	Wen-Chau Yeh				
Senior Vice President	Jiong-Xin Lin				
Vice President	Li-Kuang Huang				
Vice President	Kuo-Loong Kao				
Vice President	Ming-Shan Huang				
Vice President	Ching-Seng Huang				
Vice President	Juang-Jyh Juang				
Vice President	Wei-Chien Chuang				
Vice President	Wei-Hsin Hsu				
Vice President	Chung-Yi Kao				
Project Vice President	Yen-Ju Chen				
Special Assistan to Executive President	Hung-Chuan Chien				
Vice President	Hui-Chang Chung				
Vice President	Chih-Heng Wan				
Vice President	Li-Mei Su				
Special Assistant	Cheng-Hsien Huang				
Vice President	Ren-Kai Wu				
Vice President	Chien-Cheng Hsiao				
Vice President (Note 1)	Hui-Ling Chen				
Assistant Vice President	Chia-Yi Hsiao				

Note 1 : Retired on 2012/2/15

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 2012		Percentage of total remuneration in net income after tax in 2011		Description
	Unconsolidated	Consolidated	Unconsolidated	Consolidated	
Directors	0.73%	1.24%	0.41%	0.41%	Remuneration of retained earnings to directors and supervisors is according to the company's articles of incorporation.
Supervisors	0.11%	0.11%	0.00%	0.00%	
President and Executive vice president	0.18%	0.18%	99.01%	99.01%	

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 8th board of directors meetings 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	8	0	100%	
Director	Baltimore International Ltd. Representative: Hui-Ying Chen	6	2	75%	
Director	Taili Corporation Representative: Randy Chen	6	2	75%	
Director	Blue Moon Investment Co., Ltd. Representative: Ye-Tsan Lee	0	1	0%	Ye-Tsan Lee 2011/6/24~ 2012/1/31
Director	Blue Moon Investment Co., Ltd. Representative: Fu-Tian Huang	6	1	75%	Fu-Tian Huang 2012/3/21~ 2013/3/26
Director	Blue Moon Investment Co., Ltd. Representative: Fu-Lung Hsieh	0	0	0%	Fu-Lung Hsieh appointed on 2013/4/2
Director	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin	8	0	100%	
Director	Ta Hsin Investment Co., Ltd. Representative: Huey-Jiuan Chen	8	0	100%	
Director	Chen-Yung Foundation Representative: Chih-Chao Chen	5	3	63%	
Supervisor	Yee Sing Co., Ltd. Representative: Mei-Huei Wu	8	0	100%	
Supervisor	Hwa-Mei LinYen	4	0	50%	
Supervisor	Yi Teh Optical Technology Co., Ltd. Representative: Chih-Hsiang Chen	3	0	38%	

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.

Evaluation on the objective and performance of enhancement on the functions of Board of Directors in the current year and the most recent year: The Company plans to amend the Articles of Incorporation, and will elect independent directors upon expiration of the current directors' term of office, in order to comply with the requirements defined 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 In recent year(s), the Board of Directors convened a total of 8th board of directors meetings. 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	Yee Sing Co., Ltd. Representative: Mei-Huei Wu	8	100%	
Supervisor	Hwa-Mei LinYen	4	50%	
Supervisor	Yi Teh Optical Technology Co., Ltd. Representative: Chih-Hsiang Chen	3	38%	

Other remarks required:

1. The organization of Supervisors and their duties and responsibilities:

(1) 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.

(2) 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):

A. 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.

B 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.

2. 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:None

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 the operation	Distinction from the operation and governance of those TSEC/GTSM listed companies
1. Company's shares structure and shareholders right (1) Company's dealings with shareholders suggestions and disputes (2) The status of the roster of company's controlling shareholders and major shareholders (3) Establishment of risk control mechanism and firewall between company and its affiliates	(1) The Company has designated a spokesperson and an acting spokesperson for handling matters in connection with shareholders suggestions or disputes. (2) The Company has committed its stock affairs to Hua Nan Securities which in turn provides the latest share register of the Company including the controlling shareholders and major shareholders. (3) Risk control mechanism for trades, capital transaction, and information independence between the Company and its affiliates has already been established and strictly followed.	None None None
2. Formation and responsibility of the board of directors (1) Appointment of independent director in the Company (2) Regular review on the independency of the CPAs attesting for company's financial reports.	(1) The Company has planned to establish the post of independent director in 2013. (2) The CPA firm subscribed by the Company is among the three largest in the country reputed for its independency and expertise.	The Company has followed the law, regulations, and the resolutions of the Company's shareholders meeting to modify the Company's By-Laws and will select the independent director in 2013. None
3. Establishment of communication channel with interested parties/individuals	The Company has designated a special task force mainly for handling communication with interested parties/individuals and ensuring the communication flow.	None
4. Information Availability (1) Establishment of company website for disclosing financial matters and corporate governance related matters. (2) Other means for information disclosure adopted by company such as setting up English company website, appointment of special force for collection and disclosure of company information, enforcement of company spokesperson mechanism, placement on company website the conference calls made with company investors.	The Company's website http://www.wanhai.com has the following information disclosed (1) Financial and business related information (2) Information relating to the Company's corporate governance including the Company's By-laws, information relating to the asset acquisition and disposition, endorsement and guaranty by the Company, capital financing and lending, and derivative financial products purchase and disposition, etc. The Company has designated a task force mainly for handling collection and disclosure of company information. The Company is committed in thoroughly enforcing the spokesperson mechanism and making available at the Company website any and the entire conference calls made with the Company investors.	None None
5. Establishment and operation of committees concerning company's other functionality such as, procedures for nomination, wages determination, among others.	The Company has established a remuneration committee and held regular session two times during 2012.	None
6. In the event that a company has put in execution of corporate governance practice and principles pursuant to "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies," explains the distinctions between such company's and the Company's operation: The Company has not adopted such corporate governance practice and principles.		
7. Any other information that is beneficial to and may enhance the understanding of corporate governance (for example, employees right, employees welfare, investor relation, supplier relation, right 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.)		
8. In case there is a self evaluation report for corporate governance or an evaluation report conducted by an outside professional firm is available, explains and summarizes the conclusion of such self evaluation report (or evaluation report conducted by an outside professional firm), their major pitfalls (or recommendations) and overhauls		
* The Company has not constructed self evaluation report for corporate governance nor has it appointed outside professional firm for such report.		
Note 1: For continuing education for corporate directors/supervisors, please refer to Guidelines for Corporate Directors and Supervisors Continuing Education for the TSEC/GTSM Listed Companies (translation) promulgated by the Taiwan Stock Exchange Corporation.		
Note 2: In the event of a securities firm, securities investment and trust, securities investment consulting firm, and futures firm, there shall make available its risk management policy, risk assessment criteria, and policy and implementation for consumer or client protection.		
Note 3: The so-called self evaluation report for corporate governance means a self evaluation by a corporation based on its own set of evaluation criteria in which such 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.)
Fu-Tian Huang	Director	Apr 10,2012 ~Apr 11,2012	Securities & Futures Institute	Board director and the supervisor actual situation study class in Taipei	12
Cheng-Hsien Lin	Director	Jun 13,2012	Securities & Futures Institute	Board director and the supervisor actual situation advanced seminar "European debt influence"	3
		Jul 24,2012	Securities & Futures Institute	Insider ownership of listed companies trading laws follow the guidance meeting	3
Huey-Jiuan Chen	Director	Oct 25,2012	Financial Supervisory Commission	8th Taipei corporate government forum	3

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)

*Taiwan CIA Association: One individual (Financial Division)

* Continuing Education for Auditing Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Pei-Tai Kuo	Audit Supervisor	Jul 23~25,2012	Securities & Futures Institute	Pre-service training workshops of enterprises newly internal auditors	18

*Continuing Education/Training for the Financial Division personnel:

Name	Title	Date	Sponsor unit	Course	Time (hr.)
Chia-Yi Hsiao	Accounting Supervisor	Feb 17,2012	General Chamber of Commerce of the Republic of China	The impact of IFRS implement for enterprise tax	3
		Sep 03,2012	Accounting Research and Development Foundation	Obligation and practices of trade secret and Business Strife Limitation	4
		Sep 27,2012	Securities & Futures Institute	The practice of tax computation compose	7
		Nov 9,2012	Accounting Research and Development Foundation	The issue and direction of tax law under IFRS policy	4
Chih-Hsien Chen	Financial Supervisor	Jan 10,2012	Accounting Research and Development Foundation	The practice, finance impact and effect evaluation of enterprise cost down.	5
		Jan 11,2012	Accounting Research and Development Foundation	The law obligation of enterprise tax crime and case analyze of investigations	4
		Jun 18,2012	Accounting Research and Development Foundation	The thinking and practice of stock dividends	3.5
		Nov 9,2012	Accounting Research and Development Foundation	The issue and direction of tax law under IFRS policy	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"> (1) Policies and regulations concerning corporate responsibility, and an appraisal of effectiveness (2) The status of full and part-time work units established by the Company for promotion of corporate responsibility (3) 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 	<ul style="list-style-type: none"> (1) WHL spare no effort on caring about green globe, so that environmental and safety regulations were enacted as a means of promoting corroborative social accountability. Its listed as follows: <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) Set up the task force for energy reserving so as to chair and execute environmental policies into practice. (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 (2) For full achievement of corporate social accountability, we formed the task force and then taken some measures or coordinated by ISO 14001 seeds in each division. (3) Compliance with the regulations set out by supervisory boards of the competent authority and securities and Securities and Futures Bureau, and adherence employee handbook dealing with continuing evaluation, reward and punishment, Education and training. 	<p>No difference</p>
<p>2. Developing a sustainable environment</p> <ul 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 	<ul style="list-style-type: none"> (1) WHL 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: <ul style="list-style-type: none"> (A) Vessels use Low Steaming Shipping, reducing fuel consumption, and greatly reducing the effect of emissions on the environment (B) Hulls are painted with a tin-free paint, avoiding the release of toxic tin into the environment, preventing damage to marine life (C) 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 (D) 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 (E) Damaged or worn machines or fitting on vessels, if able to be repaired, are arranged to be reused by the manufacturer (F) 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: <ul style="list-style-type: none"> (A) Both newly built and current vessels have been fitted with sewage and bilge water treatment system, (B) Engines and generators on ships built after 2010 are all up to Tier 1 emissions standards. (C) Waste oil from engine rooms discharged to the shore is recycled by a qualified company (D) Bilge water from the engine room passes through a 15 PPM bilge water separator before being released, thus decreasing ocean pollution (E) On-board bilge water passes through a bilge water separator where organic matter is filtered out before being released (F) All engine room internal combustion engines, boilers, and incinerators comply with emissions laws and regulations (G) Our vessels use low-sulfur fuel in the ECA (Emission Control Area) and carry out the changeover procedure in order to comply with the regulations of MARPOL Annex VI, EU Directive and special port states. (3) All employees cooperate with person in charge to abide by ISO 14001 environmental management policies, wish for the ideal attainment of lifelong environmental protection. (4) WHL's policies for achieving goals of carbon emission and greenhouse gas reduction are as follows: <ul style="list-style-type: none"> (A) Reducing engine cylinder, speed shipping and set up PBCF to reduce fuel expenditure. (B) Energy saving software has been added to all freezer containers (C) Purchases low sulfur fuel to comply with the limit as required by MARPOL (D) Our vessels use low-sulfur fuel in the ECA (Emission Control Area), western US, Black Sea and EU carry out the changeover procedure. (E) In accordance with environmental policy, the resource reserving unit are set up and make some strategies. 	<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>(1) The status of the Company's observance of relevant labor laws and international labor standards, protecting the legal rights of employees and against the employment discrimination, creation of appropriate methods and processes for a management system and comply with it.</p> <p>(2) 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>(3) 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>(4) The status of the Company's cooperation with suppliers to strive for and promote corporate responsibility.</p> <p>(5) 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>(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) We check concentration of CO2 and illumination for caring about employees' healthy behavior regularly.</p> <p>(C) Standard on-site pier working safety: Aimed at the vendor management of pier, 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 (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 Wan Hai 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 Wan Hai Charity Foundation to charity-related expenditures totaled TWD 16,287,047 in 2012. In addition to this, the Company has also promoted the following charity and community participation:</p> <p>(A) Support of the "JAZZ Charity Concert" run by the Wan Hai 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 "Wan Hai 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 1,482 participants, collecting a total of 2,047 donations, totaling 511,750cc.</p> <p>(C) Called for corporate volunteers to participate in two "Children's home Outdoor Adventure" events, and three "Double Ninth Festival Nursing Home Concert" events, all run by Wan Hai Charity Foundation.</p> <p>(D) Donated shipping containers to Noordhoff Craniofacial Foundation for the shipment of 500 tons rice to Pakistan.</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>(1) Methods for the provision of information regarding the relevance and reliability of the Company's corporate responsibility</p> <p>(2) 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. 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): 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, e-booking and 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: 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>

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

3.3.10 Internal Control System Execution Status

WAN HAI LINES LTD. Statement of Internal Control System

Based on the self-examination of Company's internal control system for year ended of 2012, 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 that on Dec 31, 2012 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 assuring 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 7 directors and objected by 0 directors of the Company present at the meeting held on 20130424.

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 Important resolutions made at shareholders' meetings and directors' meetings in the recent year(s) and until the date of publication of the annual report

(1) Important resolutions made at shareholders' meetings:

Time	Ratification and Resolution
<p>2012 General Shareholder's Meeting (June 27, 2012)</p>	<p>Ratification:</p> <p>1.Motion: The financial statement and business report 2011 are submitted for ratification. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,790,381,267 votes showing agreement and 17,822 votes showing disagreement, and 120,030,000 invalid votes and abstentions. Therefore, the motion passed upon 93.72% affirmative votes out of the total shareholders with voting right present at the meeting.</p> <p>2.Motion: The proposal for allocation of earnings 2011 is submitted for ratification. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,790,380,268 votes showing agreement and 18,822 votes showing disagreement, and 120,029,999 invalid votes and abstentions. Therefore, the motion passed upon 93.72% affirmative votes out of the total shareholders with voting right present at the meeting.</p> <p>Discussion:</p> <p>1.Motion: The amendments to the "Regulations for Acquisition and Disposal of Assets to WAN HAI LINES LTD. And Subsidiaries" are submitted for discussion. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,775,952,261 votes showing agreement and 117,098 votes showing disagreement, and 134,359,730 invalid votes and abstentions. Therefore, the motion passed upon 92.96% affirmative votes out of the total shareholders with voting right present at the meeting.</p> <p>2.Motion: The "Procedure of Endorsement and Guarantees by WAN HAI LINES LTD. And Subsidiaries" are submitted for discussion. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,775,952,260 votes showing agreement and 117,099 votes showing disagreement, and 134,359,730 invalid votes and abstentions. Therefore, the motion passed upon 92.96% affirmative votes out of the total shareholders with voting right present at the meeting.</p> <p>3.Motion: The "Memorandum of Association of Wan Hai Lines" is submitted for discussion. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,776,063,718 votes showing agreement and 5,642 votes showing disagreement, and 134,359,729 invalid votes and abstentions. Therefore, the motion passed upon 92.97% affirmative votes out of the total shareholders with voting right present at the meeting.</p> <p>4.Motion: The amendments to the "General Shareholders Meeting Rules" made to deal with the new Company act are submitted for discussion. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,776,063,717 votes showing agreement and 5,643 votes showing disagreement, and 134,359,729 invalid votes and abstentions. Therefore, the motion passed upon 92.97% affirmative votes out of the total shareholders with voting right present at the meeting.</p> <p>5.Motion: The amendments to the "Procedures for the Election of Directors and Supervisors" made to deal with the new Company act are submitted for discussion. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,776,063,717 votes showing agreement and 5,642 votes showing disagreement, and 134,359,730 invalid votes and abstentions. Therefore, the motion passed upon 92.97% affirmative votes out of the total shareholders with voting right present at the meeting.</p> <p>6.Motion: The motion for scope of release the non-compete clause for directors is submitted for discussion. Resolution: According to the e-voting and live voting results for the motion, total present votes were 1,910,429,089, including 1,746,381,684 votes showing agreement and 15,845,136 votes showing disagreement, and 148,202,269 invalid votes and abstentions. Therefore, the motion passed upon 91.41% affirmative votes out of the total shareholders with voting right present at the meeting.</p>

(2) Important resolutions made at directors' meetings:

Date	Resolutions
6th Directors Meeting of 18th term, 2012 (January 19, 2012)	Motion: The motion for personnel transfer is submitted for review. Resolution: The motion passed after the directors' unanimous agreement upon the Chairperson's inquiry.
7th Directors Meeting of 18th term, 2012 (March 26, 2012)	Motion: The relevant issues related to the general shareholders' meeting 2012 are submitted for review. Resolution: The motion passed after the directors' unanimous agreement upon the Chairperson's inquiry.
7th Directors Meeting of 18th term, 2012 (March 26, 2012)	Motion: The motion for relief of non-competition restrictions on the Company's managers and also directors of the Company's subsidiaries is submitted for review. Resolution: The motion passed after the directors' unanimous agreement.
8th Directors Meeting of 18th term, 2012 (April 23, 2012)	Motion: The motion for allocation of earnings 2011 is submitted for review. Resolution: The motion passed after the directors' unanimous agreement.
11th Directors Meeting of 18th term, 2012 (September 28, 2012)	Motion: The motion for relief of non-competition restrictions on the Company's managers is submitted for review. Resolution: The motion passed after the directors' unanimous agreement.
12th Directors Meeting of 18th term, 2012 (October 25, 2012)	Motion: The motion for relief of non-competition restrictions on the Company's managers is submitted for review. Resolution: The motion passed after the directors' unanimous agreement.
13th Directors Meeting of 18th term, 2012 (December 21, 2012)	Motion: The motion for procurement of new containers (dry steel 26,000TEU and reefer 500TEU) to meet business needs 2013 is submitted for review. Resolution: The motion passed after the directors' unanimous agreement.
13th Directors Meeting of 18th term, 2012 (December 21, 2012)	Motion: The motion for relief of non-competition restrictions on the Company's managers is submitted for review. Resolution: The motion passed after the directors' unanimous agreement.

3.3.13 The major contents of any dissenting opinion of any director or supervisor regarding any material resolution passed by the Board of Directors, where there is a record or written statement of such opinion, for the recent fiscal year(s) and up to the date of printing of the annual report: 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: General Auditor, Chung-Yi Kao. Transfer on June 25, 2012 (The information was updated until April 25, 2013)

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 Discussion about execution of the resolutions made in the shareholders' meeting 2012

1. Ratification:
 - (1) Financial statements and business report 2011: Relevant statements and report have been submitted to the competent authority and declared pursuant to the Company act.
 - (2) Ratification of the proposal for allocation of earnings 2011: No earnings would be allocated pursuant to the resolution made at the shareholders' meeting.
2. Discussion:
 - (1) The motion for amendments to the "Regulations for Acquisition and Disposal of Assets to WAN HAI LINES LTD. And Subsidiaries": Already executed pursuant to the resolution.
 - (2) The motion for amendments to the "Procedure of Endorsement and Guarantees by WAN HAI LINES LTD. And Subsidiaries": Already executed pursuant to the resolution.
 - (3) The motion for amendments to the "Memorandum of Association of Wan Hai Lines": Already executed pursuant to the resolution.
 - (4) The motion for amendments to the "General Shareholders Meeting Rules" made to deal with the new Company act: Already executed pursuant to the resolution.
 - (5) The motion for amendments to the "Procedures for the Election of Directors and Supervisors" made to deal with the new Company act: Already executed pursuant to the resolution.
 - (6) The motion for scope of release the non-compete clause for directors: Already executed pursuant to the resolution.

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, 2012~Dec. 31, 2012	

Expressed in thousands of New Taiwan dollars

Amount scales	Fees item	Audit fees	Non-audit fees	Total
1	Under 2,000 thousand dollars		762	762
2	2,000~4,000 thousand dollars			
3	4,000~6,000 thousand dollars	5,000		5,000
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	5,000	0	0	0	762	762	2012/1/1-2012/12/31	Non-audit fees-others (including the following items): Transfer pricing report, and Audit business tax by direct deduction method service

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

Due to no replacement of CPA, information on replacement of CPA in this section is 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 2012		2012/1/1~2012/12/31		At the end of 2012		2013/1/1~2013/4/16		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	9,603,548	4,378,614	0	5,224,934	9,603,548	9,603,548	0	-5,224,934	2011.03.18 serve GM
Director	Baltimore International Ltd. Representative: Hui-Ying Chen	1,799,953	1,647,241	0	0	1,799,953	1,647,241	0	-800,000	
Director	CHEN-YUNG Memorial Foundation Representative: Chih-Chao Chen	31,902,176	0	0	0	31,902,176	0	0	0	
Director	TALI Corporation Representative: Randy Chen	5,469,256	3,925,778	0	-2,841,000	5,469,256	1,084,778	0	0	
Director	Blue Moon Investment Corporation. Representative: Ye-Tsan Lee	2,917,325	0	0	0	2,917,325	0	0	0	2012.01.31 Resign Representative
Director	Blue Moon Investment Corporation. Representative: Fu-Tian Huang	0	0	0	0	0	0	0	0	1.2012.03.21 New Representative 2.2013.03.26 Resign Representative
Director	Blue Moon Investment Corporation Representative: Fu-Lung Hsieh	0	0	0	0	0	0	0	0	2013.04.02 New Representative
Director	Da Shin Investment, Inc. Representative: Huey-Jiuan Chen	38,287,219	22,350,000	0	-4,400,000	38,287,219	17,950,000	0	0	
Director	Formosa Wonderworld Co., Ltd. Representative: Cheng-Hsien Lin	880,794	0	0	0	880,794	0	0	0	
Supervisor	Yee Sing Co., Ltd. Representative: Mei-Hui Wu	1,470,000	0	0	0	1,470,000	0	0	0	
Supervisor	Yi The Optical Technology Co., Ltd. Representative: Chih Hsiang Chen	7,698,024	0	0	0	7,698,024	0	0	0	
Supervisor	Hwa Mei Lin Yen	10,621,483	0	9,105,518	0	19,727,001	0	0	0	
Main shareholder	Yi Chun (Liberia) Shipping Co., Ltd.	285,234,291	88,864,514	0	0	285,234,291	88,864,514	0	0	
Executive Vice President	Huey-Jiuan Chen	123,168	0	0	0	123,168	0	0	0	

Title (note1)	Name	At the beginning of 2012		2012/1/1~2012/12/31		At the end of 2012		2013/1/1~2013/4/16		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	
Executive Vice President	Fu-Lung Hsieh	109,312	0	0	0	109,312	0	0	0	1.2013.02.01 newly appointed 2.Finance Executive
Manager	Hui-Ying Chen	46,664,105	25,872,683	-44,402,105	-23,610,683	2,262,000	2,262,000	0	0	
Senior Vice President	Jen-Yee Huang	10,838	0	0	0	10,838	0	0	0	
Senior Vice President	Wen-Chau Yeh	936	0	0	0	936	0	0	0	
Senior Vice President	Jiong-Xin Lin	127,019	0	0	0	127,019	0	0	0	
Vice President	Li- Kuang Huang	105,627	0	0	0	105,627	0	0	0	
Vice President	Kuo-loong ao	92,195	0	0	0	92,195	0	0	0	
Vice President	Otto Huang	17,545	0	0	0	17,545	0	0	0	
Vice President	Ching-Seng Huang	0	0	0	0	0	0	0	0	
Vice President	Juang-Jyh Juang	0	0	0	0	0	0	0	0	
Vice President	Wei-Chien Chuang	9,370	0	0	0	9,370	0	0	0	
Vice President	Wei-Hsin Hsu	128,513	0	0	0	128,513	0	0	0	
Vice President	Chung-Yi Kao	142,377	0	0	0	142,377	0	0	0	
Project Vice President	Yen-Ru Chen	65,951	0	0	0	65,951	0	0	0	
Special Assistant to Executive President	Hung-Chuan Chien	0	0	0	0	0	0	0	0	
Vice President	Hui-Chang Chung	176,297	0	0	0	176,297	0	0	0	
Vice President	Chih-Heng Wan	23,516	0	0	0	23,516	0	0	0	
Vice President	Li-Mei Su	1,212	0	0	0	1,212	0	0	0	
Special Assistant to Executive President	Ching-Seng Huang	0	0	0	0	0	0	0	0	
Vice President	Jen-Kai Wu	0	0	0	0	0	0	0	0	2012.03.15 newly appointed
Vice President	Chien-Cheng Hsiao	0	0	0	0	0	0	0	0	2012.03.15 newly appointed
Consultant	Huai-Ling Chen	28,069,043	209,562	0	0	28,069,043	209,562	0	0	
Assistant Vice President	Chia-Yi Hsiao	8,199	0	0	0	8,199	0	0	0	

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

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: Chao-Heng Chen	285,234,291	12.86%	0	0.00%	0	0.00%	None	None	
	10,343,320	0.46%	14,368,127	0.64%	0	0.00%	Ching-Chih Chen Chih-Yuan Chen	Relatives within the second degree Relatives within the second degree	
Taiwan (Liberia) Container Express Co., Ltd. Representative: Hui-Ying Chen	170,902,859	7.70%	0	0.00%	0	0.00%	None	None	
	2,262,000	0.10%	0	0.00%	0	0.00%	Da Shin Investment, Inc	Director	
							Liu He Investment, Inc. Su-Hsing Chen Po-Ting Chen	Supervisor Relatives within the second degree	
China (Liberia) Container Express Co., Ltd. Representative: Randy Chen	170,902,859	7.70%	0	0.00%	0	0.00%	None	None	None
	0	0.00%	0	0.00%	0	0.00%	Ching-Chih Chen	Relatives within the second degree	
Asia Pacific Container Terminal Inc. Representative: Han Jui Tsai	106,214,398	4.79%	0	0.00%	0	0.00%	Da Shin Investment, Inc.	Director	None
	0	0.00%	0	0.00%	0	0.00%	None	None	
Chun-Hsing Lin	56,667,820	2.55%	0	0.00%	0	0.00%	None	None	None
Evervaliant Corp. Representative: Ching-Chih Chen	46,786,950	2.11%	0	0.00%	0	0.00%	None	None	None
	0	0.00%	9,095,335	0.41%	0	0.00%	Randy Chen	Relatives within the second degree	
Entrusted trust accounts of Su- Hsing Chen Representative: Su- Hsing Chen	44,402,105	2.00%	0	0	0	0.00%	None	None	None
	10,165,149	0.46%	7,276,500	0.33%	0	0.00%	Po-Ting Chen Hui-Ying Chen	Relatives within the second degree Relatives within the second degree	
Yeong Yi (Asia) Co., Ltd. Representative: Chih-Yuan Chen	41,365,724	1.86%	0	0.00%	0	0.00%	None	None	None
	15,858,552	0.72%	6,403,184	0.29%	0	0.00%	Chao-Heng Chen	Relatives within the second degree	
Da Shin Investment, Inc. Representative: Po-Ting Chen	38,287,219	1.73%	0	0.00%	0	0.00%	Liu He Investment, Inc. Hui-Ying Chen	Director Director	None
							Su-Hsing Chen	Relatives within the second degree	
	9,603,548	0.43%	0	0.00%	0	0.00%	Hui-Ying Chen	Relatives within the second degree	
							Liu He Investment, Inc.	Representative of corporate director	
Liu He Investment, Inc. Representative: Po-Ting Chen	32,977,554	1.49%	0	0.00%	0	0.00%	Da Shin Investment, Inc.	Director	None
							Su-Hsing Chen	Relatives within the second degree	
	9,603,548	0.43%	0	0.00%	0	0.00%	Hui-Ying Chen Da Shin Investment, Inc.	Relatives within the second degree Relatives within the second degree 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 corporate 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 corporate 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	100.00%	901,540	100.00%
Wan Hai Lines (HK) Ltd.	-	-	160,000,000	100.00%	160,000,000	100.00%
Wan Hai Lines (S) Pte. Ltd.	538,075,000	100.00%	0	0.00%	538,075,000	100.00%
Wan Hai Lines (M) Sdn. Bhd.	-	-	500,000	100.00%	500,000	100.00%
Yi chun Shipping Agencies(M) Sdn. Bhd	-	-	200,000	100.00%	200,000	100.00%
Wan Hai Lines Korea Ltd.	-	-	20,000	100.00%	20,000	100.00%
Wan Hai Lines (America) Ltd.	90,000	100.00%	0	0.00%	90,000	100.00%
Wan Hai Information Technology Network Ltd.	No shares issued	-	No shares issued	100.00%	No shares issued	100.00%
Wan Hai International Pte. Ltd.	-	-	50,000	100.00%	50,000	100.00%
Wan Hai Lines (India) Pvt. Ltd.	-	-	10,000	100.00%	10,000	100.00%
K.K. WH Corporation	500	100.00%	0	0.00%	500	100.00%
Wan Hai Lines (Germany) GmbH	No shares issued	100.00%	No shares issued	0.00%	No shares issued	100.00%
Wan Hai Lines (UAE.) LLC.	-	-	147	49.00%	147	49.00%
Shih Lin Paper Co., Ltd.	5,419,088	2.08%	25,560,314	9.83%	30,979,402	11.91%
Taipei Port Container Terminal Corp.	64,062,500	15.25%	0	0.00%	64,062,500	15.25%
TK Logistics International Co., Ltd.	14,300,000	55.00%	0	0.00%	14,300,000	55.00%
Dawin Logistics (International) Ltd.	-	-	75,640,000	100.00%	75,640,000	100.00%
Shenzhen Asia World Logistics Ltd.	No shares issued	-	No shares issued	100.00%	No shares issued	100.00%
Shenzhen Uniwin International Logistics Ltd.	No shares issued	-	No shares issued	100.00%	No shares issued	100.00%
Clipper International shipping Agency Ltd.	No shares issued	-	No shares issued	49.00%	No shares issued	49.00%
Blue Ocean Logistics Co, Ltd.	No shares issued	-	No shares issued	100.00%	No shares issued	100.00%
Wan Hai Lines (Thailand) Ltd.	-	-	24,500	49.00%	24,500	49.00%
United Stevedoring Corporation	781,250	15.63%	0	0.00%	781,250	15.63%
Bao Sheng Shipping Agency Co., Ltd.	3,000,000	70.01%	0	0.00%	3,000,000	70.01%
Shenzhen Yong Chun International Shipping Management Co., Ltd.	No shares issued	-	No shares issued	90.00%	No shares issued	90.00%

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
1994.09.27	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
1996.06.22	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
1997.07.30	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
1998.06.25	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
1999.06.25	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
2000.07.15	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
2001.07.20	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
2003.07.09	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
2004.07.08	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
2004.11.02	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
2005.02.22	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
2005.05.04	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
2005.08.03	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
2005.09.28	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
2005.10.13	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
2006.10.12	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
2007.07.27	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
2007.10.12	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
2008.01.14	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
2008.04.18	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
2008.09.05	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
2008.12.05	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
2009.01.12	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
2009.03.11	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
2009.05.11	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
2009.08.13	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
2011.09.02	10	2,500,000,000	25,000,000,000	2,218,297,466	22,182,974,660	Capital increment by retained earnings TWD1,056,332,120	none	Note19

- 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 Mayy 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
 Note19: Approved by SFB on July 21, 2011 with notice No. 1000032221

Shares

April 16,2013

Type	Authorized Capital			Remark	
	Shares	Issued on Market	Unissued		Total
Common Stock		2,218,297,466	281,702,534	2,500,000,000	-

4.1.2 Shareholder's Composition

April 16, 2013

	Government institution	Financial institution	Other Corporation	Individual	Foreign institutes and corporation	Total
Stockholder's No.	5	19	118	37,027	322	37,491
Holding shares	25,348,491	43,885,136	623,260,464	591,875,287	933,928,088	2,218,297,466
Holding percentage	1.14%	1.97%	28.10%	26.68%	42.11%	100.00%

4.1.3 Shares' Distribution

April 16,2013

Shares Level	Stockholder's No.	Holding shares	Holding percentage
1-----999	13,940	3,065,667	0.14%
1,000-----5,000	14,068	31,050,966	1.40%
5,001-----10,000	3,975	26,964,389	1.22%
10,001-----15,000	2,089	24,667,177	1.11%
15,001-----20,000	661	11,492,070	0.52%
20,001-----30,000	994	23,568,345	1.06%
30,001-----40,000	421	14,450,010	0.65%
40,001-----50,000	238	10,622,725	0.48%
50,001----100,000	473	32,765,189	1.48%
100,001----200,000	263	36,997,248	1.67%
200,001----400,000	140	39,184,638	1.77%
400,001----600,000	38	18,833,167	0.85%
600,001----800,000	22	14,902,021	0.67%
800,001--1,000,000	20	17,678,199	0.80%
1,000,001~	149	1,912,055,655	86.19%
Total	37,491	2,218,297,466	100.00%

4.1.4 Main shareholders

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

April 16, 2013

Main share holders	Holding Shares	Holding percentage
Yi Chun (Liberia) Shipping Co., Ltd.	285,234,291	12.86%
Taiwan (Liberia) Container Express Co., Ltd.	170,902,859	7.70%
China (Liberia) Container Express Co., Ltd.	170,902,859	7.70%
Asia Pacific Container Terminal Inc.	106,214,398	4.79%
Chun-Hsing Lin	56,667,820	2.55%
Evervaliant Corp.	46,786,950	2.11%
Entrusted trust accounts of Su- Hsing Chen	44,402,105	2.00%
Yeong Yi (Asia) Co., Ltd.	41,365,724	1.86%
Da Shin Investment, Inc.	38,287,219	1.73%
Liu He Investment, Inc.	32,977,544	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	2012	2011	2013/01/01~2013/04/25
Market Price per share (Note 1)	Highest		17.65	26.15	17.65
	Lowest		13.10	12.35	15.60
	Average		15.41	19.07	16.45
Net Value per share (Note 2)	Before Distribution		13.74	13.05	13.87
	After Distribution		(Note 4)	13.05	-
Earnings per share	Weighted Average shares		2,218,297,466	2,218,297,466	2,218,297,466
	Earning Per Share (Note 3 & 4)	Before Adjustment	0.82	0.01	0.05
		After Adjustment			
Dividend per share	Cash Dividend		0.8	0	-
	Stock Dividend	Dividends from Retained Earnings	0	0	-
		Dividends from Capital Surplus	0	0	-
	Accumulated dividend not paid (Note 5)		0	0	-
Return on Investment	Price / Earning Ratio (Note 6)		18.79	1,907	-
	Price / Dividend Ratio (Note 7)		19.26	-	-
	Cash Dividend Yield Rate (Note 8)		0.05	-	-

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: Adjustments to the before and after figures on retroactive adjustments to non-denominated stock dividends are to be duly noted.

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

Note5: Conditions that stipulated beneficiary certification requires the issuance of all cumulative appropriation of the current year over a year in future with earnings are required to disclose all cumulative dividends undistributed to date.

Note6: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note7: Price / Dividend Ratio = Average Market Price / Annual Dividend per Share

Note8: Cash Dividend Yield Ratio = Annual Dividend per Share / Average Market Price

4.1.6 The Dividend Policy and Execution

1. Dividend policy

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
- (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 and long-term finance requirements, 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.

2. Proposed distribution of retained earnings of year 2012

Our company's proposal for profit distribution is as follows: As required by relevant laws and the company's Memorandum of Association, we appropriate NT\$ 182,835,494 as legal reserve and NT\$ 1,055,770,132 as special reserve. Furthermore, we appropriate NT\$ 6,017,850 as cash remuneration for Directors and Supervisors, NT\$ 6,017,850 as cash bonus for employees, and NT\$ 589,749,310 as dividend for shareholders. Added to allocate the capital surplus from the share premium account, NT\$1,184,888,663 and NT\$0.8 appropriated as cash dividend per share. (including earnings appropriation NT\$0.26585673, allocation of capital surplus-premium share account NT\$0.53414327)

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.
2. The 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 2012: The accrued employee bonus and remuneration for directors and supervisors in this period showed no discrepancy from the amounts proposed for distribution.
3. Information on any employee bonus distribution proposal approved by the board of directors:
 - (1) 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: Our company's proposed cash remuneration for directors and supervisors and employee cash bonus amounted to NT\$ 12,035,700, which is not different from the expense estimates recognized for 2012.
 - (2) 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 2012.
 - (3) The annual report shall assess the effect upon imputed earnings per share of any proposed distribution of employee bonuses and director/supervisor remuneration: Diluted earnings per share is \$0.82/share.
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: This condition is not applicable because there has been no employee bonus or remuneration for directors and supervisors in the previous year.

4.1.9 Buyback of Common Stock: None

4.2 Status of Corporate Bond

Bond Type	1st Ordinary unsecured bond issuing of 2011		2nd Ordinary unsecured bond issuing of 2011
	A	B	
Issue date	June 22, 2011	June 24, 2011	July 28, 2011
Par value	TWD 1,000,000		TWD 1,000,000
Place of listing	At R. O. C.		At R. O. C.
Issue price	At Par value		At Par value
Total issue amounts	TWD 3,000 million	TWD 4,500 million	TWD 2,900 million
Coupon rate	Fixed annual rate at 1.65%	Fixed annual rate at 1.85%	Fixed annual rate at 1.75%
Maturity date	5-year, Date of maturity: June 22, 2016	7-year, Date of maturity: June 24, 2018	6-year, Date of maturity: July 28, 2017
Guarantee institute	Nil		Nil
Trustee	H.C.B. Trust Dept.		H.C.B. Trust Dept.
Lead manager	Nil		Nil
Endorsement lawyer	Modern Law office		Modern Law office
Endorsement accountant	KPMG		KPMG
Redemption	on the Maturity Date		on the Maturity Date
Outstanding amount	TWD 7,500,000,000		TWD 2,900,000,000
Redemption / Call option	Nil		Nil
Restriction covenants	Nil		Nil
Rating institute	Taiwan Ratings		Taiwan Ratings
Rating date	May 03, 2012		May 03, 2012
Rating result of the bond	TWBBB+		TWBBB+
Rights	The amounts of bonds converted	Nil	Nil
	Terms and Conditions for issuance and conversion	Nil	Nil
Terms and Conditions for issuance and conversion	Nil		Nil
Trustee for conversion	Nil		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 Ordinary Bond :

Unit: TWD thousand

Program Item	Execution Situation		Accumulated till Mar 31, 2013	Reason for being ahead or behind schedule
Vessel purchase	Amount	Program	18,223,738	Actual payment according to contract schedule
		Actual	16,106,226	
	Progress	Program	100.00%	
		Actual	88.38%	



Condition of the Business Operation

5.1 Business profile

5.1.1 Scope of business

- 1) Marine transportation (94.05%)
- 2) Shipping agency (0.03%)
- 3) Purchase & sales of vessels and containers (0.55%)
- 4) Container freight station business (1.07%)
- 5) Leasing of vessels and containers (4.36%)

Wan hai Lines provides full-containerized shipping service covering ports in Taiwan, China, Kansai and Kanto in Japan, Korea, Thailand, Indonesia, Phillipines, Singapore, Malaysia, Hong Kong, Vietnam, Myanmar, India, Pakistan, Sri Lanka, Iran, the Middle East, the United States, Mexico, Guatemala, Ecuador, Columbia, Peru ,Chile, 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 the direct services across the Taiwan Strait.

5.1.2 General state of the industry

The outlook for the shipping industry is deeply impacted in recent years by the imbalance in tonnage supply and demand and the slowdown of global economic growth attributed to the Euro debit crisis, less-than-expected growth of China's economy and the US fiscal cliff risk. In order to deal with the various challenges, Wan Hai has not only utilized its own fleets but also adjusted its chartered fleet to meet its demand. In addition, we also cooperate with various shipping companies by means of joint venture in order to seek lower operating costs. And we are also dedicated to planning the optimal scale of fleet in response to the fast changing markets and to pursuit better market share and profitability.

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, South and 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.

1. In service study and development, we have three projects:

- (1) To study and launch new service strings.
- (2) To build up the company image.
- (3) To upgrade the customer service quality.

The expense for

Year	Total	Study
Year 2011	TWD 48,721,630	1. East Mediterranean 2. Australia and New Zealand 3. West Africa /South Africa 4. East Coast of the United States 5. Niche markets in the Asia region (India and Indonesia) 6. Service rationalization 7. Promotion of E-commerce 8. Strengthening Strategic alliance
Year 2012	TWD 38,742,814	1. West and North Africa 2. Central America 3. Niche markets in the Asia region 4. Service rationalization 5. Promotion of E-commerce 6. Strengthening strategic alliance

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

Fleet: Up to the end of year, Wan Hai has a total fleet of 78 vessels. Among the 78 vessels, 73 are own vessels and 5 are chartered vessels.

Service Profile: Service model can be categorized as three different types. ☉ Independent Service --- 13 strings. ☉ Joint Venture Services --- 21 strings. ☉ Slot Charter --- 20 strings:

☉ Independent Services: 13 strings

- 1. Japan Kanto to S.E.A (JTS) service deployed with four vessels.
Japan Kanto – Taiwan – Hong Kong – Singapore – Malaysia
- 2. Japan Kanto to Thailand service (JTT) deployed with four vessels.
Japan Kanto – Taiwan – Hong Kong – Thailand
- 3. Japan Kansai – Thailand service (JST) deployed with four vessels.
Japan Kansai – Taiwan – Hong Kong – Thailand

4. Korea/ Vietnam / S.E.A service (KVX) deployed with four vessels.
Korea – Taiwan – Hong Kong – Vietnam – Singapore – Malaysia
 5. Japan Kansai to Vietnam (JSV) deployed with three vessels.
Japan Kansai – Taiwan – Vietnam
 6. Taiwan to Haiphong I (HPH) deployed with one vessel.
Taiwan – Haiphong
 7. Japan/ South China / Vietnam (JSH) deployed with three vessels
Japan Kansai – South China – Vietnam
 8. Taiwan – Xiamen (XMN) deployed with one vessel
Taiwan – Xiamen
 9. Taiwan to Fuzhou (FOC) deployed with one vessel
Taiwan – Xiamen – Taiwan – Fuzhou
 10. Taiwan to Philippines (TPS) deployed with one vessel
Taiwan – Philippines
 11. Taiwan to Hong Kong I (HKG) deployed with one vessel
Taiwan – Hong Kong
 12. Taiwan to Hong Kong II (PRD) deployed with one vessel
Taiwan – Hong Kong
 13. Persian Gulf service (UGS) deployed with one vessel
- © Joint Service: 21 strings
1. Korea to South East Asia (KSS), joint venture with EMC. WHL deploys three vessels and EMC deploys one vessel.
Korea – Taiwan – Hong Kong – South East Asia
 2. China / Vietnam / Thailand (CVT), joint venture with OOCL. WHL deploys three vessels and OOCL deploys one vessel.
China – Vietnam – Thailand
 3. Japan to South East Asia express service (NS3), joint venture with IAL, WHL deploys 2 vessels and IAL deploys one vessel.
Japan – Hong Kong – Singapore – Malaysia
 4. Taiwan/ South China / Indonesia service (TPI), joint venture with EMC, WHL deploys 2 vessels and EMC deploys one vessel.
Taiwan – South China – Indonesia
 5. Japan / Taiwan/ Philippines service (JTP), joint venture with EMC, WHL deploys 2 vessels and EMC deploys one vessel.
Japan – Taiwan – Philippines.
 6. Japan/ China / Vietnam (JCV), joint venture with IAL. WHL deploys 2 vessels and IAL deploys one vessel.
Japan – China – Vietnam
 7. China to Middle East service (CMS), joint venture with MOL and PIL.
 8. Japan Kansai to South China (JTH), joint venture with EMC.
 9. Taiwan/ South China/ S.E.A / India, joint venture with EMC and HLC.
 10. Taiwan to East/ North China (NCT), joint venture with Sinotrans.
 11. Taiwan to East/North China (NCT II), joint venture with Sinotrans.

12. Far East Asia to Black Sea (ABX), joint venture with PIL, CSCL, YML and KLI.
13. Taiwan/ Hong Kong / South China/ Indonesia (THI), joint venture with YML.
14. Singapore / Malaysia / Thailand/ Indonesia (TJS), joint venture with KLI. WHL and KLINE each deploy one vessel.
15. Singapore / Malaysia / Chennai (SC1). Joint venture with BTL. WHL and BTL each deploy one vessel.
16. China to India (IFX). Joint Venture with KLINE, PIL and SCI. WHL deploys two and KLI, PIL and SCI each deploy one vessel.
17. Japan Kanto to Thailand (NTE). Joint venture with IAL and Hamburg Sud. Each deploys one vessel.
18. China to South California (CCB). Joint venture with Kline. WHL deploys two and KLI deploys three vessels.
19. South China to India (TMT). Joint venture with IAL and EMC. Each deploys one vessel.
20. Persian Gulf to Pakistan (GPS). Joint venture with Simatech.
21. Taiwan / South & East China / West Coast of South America (WSA), joint venture with EMC/COSCON/PIL. WHL deploys four, PIL deploys three and EMC / COS each deploy one vessel.

© Fixed Slot Charter: 20 strings

1. Vietnam to Thailand: IA5 and IA7
2. South China to Haiphong: SVG
3. Singapore / Malaysia / Chittagong: SBX
4. South China to Taiwan: GTE
5. Malaysia to Belawan: IMX
6. Taiwan to Shanghai: SHA
7. Malaysia to Yangong: YGN
8. Taiwan to Cebu: KCX + KMC
9. Hochiming to Cambodia: PNS
10. Hochiming to Cambodia: PNH
11. China to North Europe: NE1
12. China to North Europe: NE3
13. Hong Kong to North China: CN1
14. Fuzhou to Kaohsiung: FTS II
15. Japan to South East Asia: CHS
16. Asia to the West Coast of South America: WSA
17. Asia to the West Coast of South America: NAX
18. Asia to the West Coast of South America: CEX
19. Japan/ Taiwan/ South East Asia: IF1
20. Japan to South East Asia: CHS3

Disposal or acquisition of real estate or long-term investment plan in 2013.

1. Expected to dispose real estate or long-term investment in one year: Disposal of 3,500 containers.
2. Expected to dispose real estate or long-term investment in one year: Procurement of 18,250 containers.

Future Plans for service:

In addition to maintaining current comprehensive service network, enlarging the scope of cross-strait service, we have also been devoted to proceeding with service re-structuring plans in order to sharpen our competitiveness.

5.2.1 Market Analysis

1. Major service areas and ratio of market share

Wan Hai 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:

(1) Northeast Asia

The market has been matured and the economic condition is comparatively stable compared to other regions. From the semi long-term perspective, the economic growth will slow down. However, with the possibility of forming free trade agreement among China, Japan and Korea, we see more trade flow in this region. Meanwhile, Wan Hai has had its deep root in the market of Taiwan, Japan and Korea, in order to strengthen competitiveness, we have been studying to re-adjust services and also engaging in more space swap cooperation with other liners to provide more network to customers.

(2) Mainland China

The 21st century belongs to Asia. Among Asian countries, the spotlight remains projected on China and India. According to IMF, China's GDP has surpassed Japan and become the No. 2 economy in the world after the US. Wan Hai has been continuing expanding its presence in China. With the opening of direct service across the Taiwan Strait, we saw a steady growth in cargo volume in this region. And we still continue enlarging our service net work and applying for the license for cross-strait service in response to the demand from market.

(3) Southeast Asia

The regional economic development is built based on ASEAN countries. According to IMF, the GDP growth will exceed Taiwan, Korea, Hong Kong and Singapore in year 2014 and will become the main force for Asia's economic growth. With the acceleration of regional economic and trade integration in recent years, the economic development is significantly on the way up. In witness of the cargo growth, we have also consolidated and employ our shipping resources to provide faster, safer shipping services, and maintain our competitiveness and market share in Southeast Asia.

(4) The Indian Subcontinent, Pakistan, and the Middle East

In comparison with EU and US market, the emerging economies such as Muslim countries remain a solid market and is one of the fast growing economies in addition to China.

In consideration of the flourishing development in trade between Asia and Middle East, and in addition to deploying larger size vessels to jointly operate the Middle East service with other carriers in pursuit of lower operating costs, Wan Hai also obtained space

that connected Thailand to the Middle East via Singapore and Malaysia to form a more comprehensive service coverage for this trade lane.

(5) The America

The economic growth in the states is moderate in recent years. 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 to West Coast of South America, we have provided service to customers via the arrangement of fixed slot charter from other carriers. By taking this opportunity, we are seeking a proper timing to enlarge more presence in this market.

(6) The Black Sea and Europe

Impacted by the Euro debt crisis and skyrocketing oil prices, we saw the economic downturn. In response to the dramatic and adverse market conditions, we had changed our service from joint venture to fixed slot charter so as to minimize our risk exposure. However, we still keep an eye on the market and look for a proper timing to put in our own fleet.

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

(1) 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

(2) Challenges

- (A) Foreign exchange volatility risk
- (B) Oil price volatility risk
- (C) Threat of new competitors
- (D) Uncertain economic situation of relevant economies

(3) 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, Phillippines, Singapore, Malaysia, Hong Kong, Vietnam, India, Pakistan, Sri Lanka, Iran, the Middle East, the U.S., Uruguay, Argetina, Brazil, Mexico, Columbia, Peru ,Chile , 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

Wan Hai'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 2012	Year 2011
Sales Income (TWD)	56,591,000,000	62,697,000,000
Operating Capacity (TEU)	3,074,000	3,368,000
Vessels in Operation	76	79

5.3 Human Resources Statistics

Location		Year	2012	2011	2013 as of Apr 25
No. of Employees	Offices		838	804	846
	Terminals		389	395	429
	Total		1227	1199	1275
Average Age			39.6	39.6	38.6
Average Years of Service			7.9	7.9	7.8
Level of Education	Ph. D Degree		1	2	1
	Master's Degree		198	188	195
	College Degree		672	641	721
	Associate Degree		175	173	180
	High School		135	152	134
	Below High School		46	43	44

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 Currently 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 detected 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 VI 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 VI 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 VI.

- (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 ECA 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, 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.
- (14) 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 467 classes were run in 2012, with a total of 10,245 participants.

Class type	Content	Time (hr.)	Number of Trainees	Total Cost
Newcomers Orientation	<p>Orientation program designed for new employees to participate in a series of training classes, helping them to better understand the Company's corporate culture, the organization and function of each department</p> <p>The program consists of:</p> <p>(1) Corporate culture: corporate culture and business ideals</p> <p>(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</p> <p>(3) Basic skills: Report-writing skills, business etiquette, Wan Hai Family site</p> <p>(4) Shipping industry knowledge: introduction to the shipping industry, the global shipping process, an overview of vessels and shipping containers</p> <p>(5) On-site visit: a visit to Taichung harbor and TK Logistics International, guided tour of each floor of the company</p> <p>(6) General awareness: professional integrity and legal responsibilities</p>	80	66	\$188,360
Professional training for general staff	<p>(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</p> <p>(2) Apart from specific professional training, a yearly ISO awareness and fire safety training course is given</p> <p>(3) Seminars and other activities aimed at employees personal and professional development</p> <p>(4) Off-Job training:</p> <p>(A) Oral presentation skills</p> <p>(B) Conversation and negotiation skills</p> <p>(C) Communication across department</p> <p>(D) Relationship and conflict resolution</p> <p>(E) Appearance and professional image management</p> <p>(F) Business etiquette and reception skills</p>	580	9,612	\$ 904,776
Professional training for supervisors	<p>Series courses for middle-level managers and executive-level managers:</p> <p><Middle-level></p> <p>(1) Knowing ME generation~ Leading good talent</p> <p>(2) Brain storming~ Innovative thinking</p> <p>(3) Learning communication from movie</p> <p>(4) Be a coaching leader</p> <p><Executive-level></p> <p>(1) Cross department communication and coordination</p> <p>(2) Professional managers' international view advanced</p>	21	206	\$ 246,836
Courses sponsored by the Employee Benefits Committee	<p>Every year the Employee Benefits Committee assists in the training of employees, this years courses included:</p> <p>There are five classes of Effective time management.</p>	10	192	\$75,000
External training courses	<p>(1) As required by law, internal auditing personnel must complete a minimum of six hours of training related to their profession</p> <p>(2) Labor safety courses : Labor safety and sanity, fire safety training</p> <p>(3) Finance classes: IFRS, taxes in Mainland China</p> <p>(4) Information technology courses.</p> <p>(5) For the first-time supervisor courses.</p>	849	169	\$ 945,426
TOTAL		1540hrs	10,245	\$2,360,398

5. Guidelines for employee behavior and morality

Employee conduct and morality are of the utmost importance to Wan Hai. 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:

- (A) All employees should take pride in being a part of Wan Hai, and faithfully observe the company requirements regarding working environment, workplace attitude, employee relationships, etc., as publicized in various regulations, notices, and official announcements.
- (B) 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.
- (C) During employment at Wan Hai, 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.
- (D) 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.
- (E) 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:

- (A) 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.
- (B) 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.
- (C) Activeness and Accountability: employees are to be held accountable by their superiors for working hard to complete their assigned duties
- (D) 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 Wan Hai. 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 pier working safety:

Aimed at the vendor management of piers, 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

1. Joint Venture Contracts

Partners	Model	Cooperation coverage	CooperationDuration		
			from		to
PIL/CSCL/ Kline/YML	Joint Venture	Far East to Black Sea	2009/1/15	-	90 days pre-notice
PIL/Kline/SCI	Joint Venture	Far East to India	2011/4/30	-	2014/4/29
PIL/Kline/MOL	Joint Venture	China to Middle East	2010/2/07	-	2013/6/5
Coscon	Charter	Far East to Europe	2011/6/25	-	2013/12/30
	Charter	Asia to the West Coast of America	2012/9/7	-	2013/3/31
	Swap	Trans-Pacific Trade	2012/5/6	-	2014/5/5
	Swap	China to Northeast Asia	2009/7/24	-	30 days pre-notice
EMC / HLC	Joint Venture	Far East to India	2006/04/30	-	2014/4/29
EMC	Joint Venture	Northeast Asia to South China	2002/09/01	-	2013/8/31
	Joint Venture	Northeast Asia to South China & Philippine	2008/09/12	-	2013/9/11
	Swap	Intra Asia	2009/02/22	-	30 days pre-notice
	Joint Venture	Korea to South East Asia	2012/3/8	-	2013/9/7
EMC/IAL	Joint Venture	South China to India	2011/4/29	-	2014/4/28
Sinotrans	Joint Venture	Across Taiwan Strait service	2005/05/12	-	2014/5/11
	Swap	China to Southeast Asia	2010/02/14	-	45 days prenotice
	Swap	Across Taiwan Strait service	2009/11/13	-	45 days prenotice
MOL	Swap	Intra Asia	2008/12/18	-	90 days prenotice
	Charter	Northeast Asia to Southeast Asia	2012/9/6	-	2014/3/5
OOCL	Joint Venture	China to Southeast Asia	2011/4/3	-	2014/4/3
	Charter	China to Southeast Asia	2011/4/3	-	2014/4/3
SEACON	Charter	Intra Asia	2010/7/1	-	30 days pre-notice
	Charter	Intra Asia	2011/5/1	-	30 days pre-notice
	SWAP	Intra Asia	2011/12/21	-	30 days pre-notice
YML	JV	Intra Asia	2012/12/21	-	2012/6/20
KLINE	Swap	Intra Asia	2011/9/20	-	30 days pre-notice
	Joint Venture	Trans-Pacific Trade	2012/5/6	-	2014/5/5
	Joint Venture	Southeast Asia	2011/06/23	-	2013/6/22
Ming Sheng	Swap	Across Taiwan Strait service	2005/04/28	-	60 days prenotice
Simatech	Joint Venture	Southwest Asia	2008/7/11	-	60 days prenotice
	Swap	Southwest Asia	2010/5/19	-	2013/8/30
CUL	Charter	China to Southeast Asia	2011/9/30	-	30 days pre-notice
	Charter	Across Taiwan Strait service	2009/02/10	-	30 days pre-notice
IAL	Charter	Intra Asia	2008/8/18	-	30 days pre-notice
	Swap	Intra Asia	2009/11/9	-	30 days pre-notice
	Charter	Intra Asia	2011/2/19	-	30 days pre-notice
	Charter	Intra Asia	2008/12/22	-	30 days pre-notice
	Swap	Intra Asia	2011/9/11	-	30 days pre-notice
	Joint Venture	Intra Asia	2011/9/11	-	2013/10/1
CNC	Charter	Intra Asia	2011/12/4	-	2013/4/24
BTL	Joint Venture	Southeast Asia to India	2009/5/20	-	60 days prenotice
	Charter	Intra Asia	2011/5/1	-	30 days pre-notice
	swap	Intra Asia	2011/7/15	-	30 days pre-notice
MCC	Charter	Southeast Asia	2011/12/4	-	30 days pre-notice
Sovereign	Charter	Southeast Asia	2011/5/8	-	30 days pre-notice
Gemadep	Charter	Southeast Asia	2011/5/8	-	30 days pre-notice

2.Long –Term Loan

Unit: TWD thousand

Bank	Period	2012.12.31	2011.12.31
Chang Hwa Commercial Bank Chi-Lin Branch	Jun.26, 2009~ Jun.26, 2014	290,000	483,333
Bank SinoPac Banking Division	Jun.26, 2009~ Jun.26, 2016	348,000	432,000
Bank SinoPac Banking Division	Mar.12, 2010~ Mar.12, 2017	363,600	434,300
First Bank Commercial Chien Cheng Branch	Jun.12, 2009~ Jun.12, 2016	0	270,000
First Bank Commercial Chien Cheng Branch	Jun.26, 2009~ Jun.12, 2016	0	360,000
First Bank Commercial Chien Cheng Branch	Feb.25, 2011~ Jun.12, 2014	550,000	540,000
First Bank Commercial Chien Cheng Branch	Mar.14, 2011~ Jun.12, 2015	600,000	540,000
First Bank Commercial Chien Cheng Branch	Mar.24, 2011~ Jun.12, 2016	600,000	540,000
First Bank Commercial Chien Cheng Branch	Aug.16, 2011~ Aug.16, 2016	87,408	90,870
First Bank Commercial Chien Cheng Branch	Aug.18, 2011~ Aug.16, 2016	116,544	121,160
First Bank Commercial Chien Cheng Branch	Aug.25, 2011~ Aug.16, 2016	378,768	393,700
First Bank Commercial Chien Cheng Branch	May.16, 2012~ May.16, 2017	582,720	0
Taiwan Cooperative Bank Cheng-Tung Branch	Jul.20, 2012~ Jul.20, 2022	3,167,083	0
Taiwan Cooperative Bank Cheng-Tung Branch	Jun.26, 2009~ Jun.26, 2016	175,000	225,000
Taiwan Cooperative Bank Cheng-Tung Branch	Jan.9, 2009~ Jan.9, 2014	874,080	1,514,500
Taiwan Cooperative Bank Cheng-Tung Branch	Sep.9, 2010~ Sep.9, 2015	1,165,440	1,211,600
Hua Nan Commercial Bank Cheng-Tung Branch	Sep.21, 2011~ Sep.21, 2016	1,165,440	1,211,600
BNP PARIBAS Taipei Branch	Dec.26, 2007~Dec.26, 2012	0	253,224
Syndication Loan	Sep.28, 2006~Sep.30, 2014	1,821,000	2,839,688
Mega International Commercial Bank Singapore Branch	Sep.22, 2009~Sep.22, 2016	390,215	513,848
Mega International Commercial Bank Singapore Branch	Jan.31, 2012~Jan.31, 2019	546,300	0
Mega International Commercial Bank Singapore Branch	May.23, 2012~May.23, 2019	1,060,550	0
Mega International Commercial Bank Singapore Branch	Apr.18, 2012~Apr.18, 2019	655,560	0
Chang Hwa Commercial Bank Singapore Branch	Feb.14, 2012~ Dec.5, 2018	670,128	0
Land Bank of Taiwan Changan Branch	Apr.12, 2012~ Apr.12, 2022	1,689,888	0
First Commercial Bank Singapore Branch	Sep.30, 2009~Sep.30, 2016	391,588	508,872
Hua Nan Commercial Bank Singapore Branch	Aug.27, 2009~Aug.27, 2016	1,762,145	2,289,924
Mega International Commercial Bank Central Branch	Jul.24, 2006~Jul.24, 2016	77,345	96,685
Mega International Commercial Bank Central Branch	Jul.24, 2006~Jul.24, 2013	961	11,961
First Commercial Bank Sao Chuan Tou Branch	May.11, 2009~ May.11, 2020	132,509	132,509
First Commercial Bank Sao Chuan Tou Branch	May.11, 2009~ May.11, 2020	101,500	101,500
Taipei Fubon Bank Hong Kong Branch	Mar.15, 2010~Mar.15, 2017	471,886	545,936
	Subtotal	20,235,658	15,662,280
	Less: Current-portion of long-term loans	(3,786,341)	(3,472,078)
	Total	\$16,449,317	\$12,190,202



Financial Highlights

6.1 Summarized financial statements for the past 5 years – ROC GAAP

6.1.1 Summarized balance sheets

Unit: TWD thousand

Item	Year	Financial analysis in the past five years				
		2012	2011	2010	2009	2008
Current Assets		28,551,675	29,822,523	28,393,576	22,613,106	20,639,117
Fund and Investment		18,563,385	13,636,647	12,091,555	12,472,299	16,559,449
Property ,Plant and Equipment		8,416,604	12,037,781	9,662,230	9,652,196	11,644,299
Intangible Assets		307,816	323,954	313,810	11,686	16,252
Other Assets		586,126	661,200	703,582	1,020,326	1,102,444
Total Assets		56,425,606	56,482,105	51,164,753	45,769,613	49,961,561
Current Liabilities	Before distribution	8,638,610	8,900,837	12,666,298	10,959,281	13,178,721
	After distribution	(Note1)	8,900,837	14,910,382	10,959,281	13,178,721
Long-term Liabilities		15,983,159	17,264,300	5,069,860	7,813,573	8,696,122
Other Liabilities		1,327,816	1,366,529	1,483,106	709,408	459,611
Total Liabilities	Before distribution	25,949,585	27,531,666	19,219,264	19,482,262	22,334,454
	After distribution	(Note1)	27,531,666	21,463,348	19,482,262	22,334,454
Common stock		22,182,975	22,182,975	21,126,643	21,126,643	21,557,513
Capital surplus		2,446,570	2,446,570	2,446,570	2,440,478	2,495,565
Accumulated Earnings	Before distribution	7,758,014	5,929,659	9,209,769	3,762,115	5,498,325
	After distribution	(Note1)	5,929,659	5,909,353	3,762,115	5,498,325
Unrealized gain (loss) on financial instruments		(539,526)	(592,164)	373,209	(576,309)	(1,661,376)
Accumulated currency adjustments		(1,108,007)	(750,066)	(936,857)	(231,331)	(1,643)
Unrecognized pension cost		(265,532)	(268,062)	(275,462)	(235,682)	(137,305)
Revaluation increments		1,527	1,527	1,527	1,527	1,527
Total stockholders' equity	Before distribution	30,476,021	28,950,439	31,945,489	26,287,351	27,627,107
	After distribution	(Note1)	28,950,439	29,701,405	26,287,351	27,627,107

Note1 : Retained earnings in year 2012 have not yet proposed for distribution.

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

6.1.2 Summarized income statements

Unit: TWD thousand

Item	Year	Financial analysis in the past five years				
		2012	2011	2010	2009	2008
Operating revenue		56,591,314	62,697,925	64,712,063	47,088,138	65,125,847
Gross profit		4,401,472	(329,732)	10,162,175	3,958,838	(1,334,284)
Operating income		2,753,471	(1,966,612)	8,427,901	2,553,375	(3,122,761)
Non-operating income & gain		1,328,887	3,310,412	1,900,419	2,645,168	6,834,010
Non-operating expense & loss		1,929,917	963,825	3,154,477	5,953,418	4,802,391
Net income before income tax		2,152,441	379,975	7,173,843	(754,875)	(1,091,142)
Net income after income tax		1,828,355	20,306	5,447,654	(1,635,278)	5,291
Income(loss) from operations of discontinued segments		-	-	-	-	-
Extraordinary gain or loss		-	-	-	-	-
Cumulative effect of changes in accounting principles		-	-	-	-	-
Net income		1,828,355	20,306	5,447,654	(1,635,278)	5,291
Earning per share (Note 1)		0.82	0.01	2.46	(0.77)	0

Note 1: Base on retroactive adjustment calculation.

Note 2 : The summarized financial data for the past 5 years all have been certified by CPA.

6.1.3 CPA and Audit results for the past 5 years

Year	CPA name	Audit results
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.
2011	Lily-Lu Fu-Wei Chen	The audit report is partly based on the report of another auditor, Unqualified opinion with an added explanatory paragraph.
2012	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 statements for the past 5 years-International Financial Reporting Standards

6.2.1 Summarized balance sheets

Unit : TWD thousand

Item	Year	Financial analysis in the past five years					2013 as of Mar. 31
		2012	2011	2010	2009	2008	
Current Assets							32,825,000
Property ,Plant and Equipment							40,676,021
Intangible Assets							69,417
Other Assets							4,682,696
Total Assets							78,253,134
Current Liabilities	Before distribution						13,038,054
	After distribution						(Note 1)
Long-term Liabilities							34,443,882
Total Liabilities	Before distribution						47,481,936
	After distribution						(Note 1)
Equity attributable to parent company holding				N/A			30,621,340
Common stock							22,182,975
Capital surplus							2,446,570
Accumulated Earnings	Before distribution						7,222,669
	After distribution						(Note 1)
Other Equity							(1,230,874)
Treasury Stock							0
Non-Controlling Equity							149,858
Total stockholders' equity	Before distribution						30,771,198
	After distribution						(Note 1)

Note1 : Retained earnings in year 2012 have not yet proposed for distribution.

Note2 : The summarized data for the first quarter of 2013 has been certified by CPA.

6.2.2 Summarized income statements- International Financial Reporting Standards

Unit : TWD thousand

Item	Year	Financial analysis in the past five years					2013 as of Mar. 31
		2012	2011	2010	2009	2008	
Operating revenue							13,869,152
Gross profit							747,605
Operating income							(89,466)
Non-operating income & expense							254,735
Net income before income tax							165,269
Income(loss) from operations of discontinued segments							113,322
Losses from discontinued operation							0
Profit (Loss) from this period							113,322
Other comprehensive profit and loss (Net value after tax)							416,573
Total Comprehensive profit and loss from this period				N/A			529,895
Net earnings attributable to parent company holding							124,886
Net earnings attributable to non-controlling interest							(11,564)
Total comprehensive profit and loss attributable to parent company holding							541,545
Total comprehensive profit and loss attributable to non-controlling Equity							(11,650)
Earning per share (Note1)							0.05

Note1 : Retained earnings in year 2012 have not yet proposed for distribution.

Note2 : The summarized data for the first quarter of 2013 has been certified by CPA.

6.3 Summarized financial analysis for the past 5 years – ROC GAAP

Item		Year	Financial analysis in the past five years					
			2012	2011	2010	2009	2008	
Financial structure (%)	Ratio of liabilities to assets		45.99	48.74	37.56	42.57	44.70	
	Ratio of long-term capital to fixed assets		551.99 (Note 1)	383.91	383.09	353.30	311.94	
Solvency (%)	Current ratio		331	335	224	206	156	
	Quick ratio		318	319	206	196	145	
	Times interest earned ratio		9(Note 2)	3	64	-1	-2	
Operating Performance	Accounts receivable turnover (turns)		27	32	50	44	54	
	Average collection period		13	11	7	8	7	
	Inventory turnover (turns)		-	-	-	-	-	
	Accounts payable turnover (turns)		9.48	11.15	11.16	10.22	13.82	
	Average days in sales		-	-	-	-	-	
	Fixed assets turnover (turns)		5.53	5.78	6.70	4.42	5.90	
	Total assets turnover (turns)		1.00	1.16	1.34	0.98	1.18	
Profitability	Return on total assets (%)		3.62(Note 3)	0.32	11.43	-2.93	0.54	
	Return on stockholders' equity (%)		6.15(Note 3)	0.07	18.71	-6.07	0.02	
	Ratio to issued capital (%)	Operating income		12(Note 4)	-9	40	12	-14
		Pre-tax income		9.70(Note 5)	1.71	33.96	-3.57	-5.06
	Profit ratio (%)		3(Note 3)	0	8	-3	0	
	Earnings per share (\$)		0.82(Note 6)	0.01	2.46	-0.77	0	
Cash flow	Cash flow ratio (%)		62.97(Note 7)	9.87	45.49	18.51	45.95	
	Cash flow adequacy ratio (%)		65.52	65.72	118.45	91.60	81.63	
	Cash reinvestment ratio (%)		8.59(Note 7)	-2.22	11.27	4.37	3.05	
Leverage	Operating leverage		4.29(Note 8)	-6.05	2.34	4.7	-4	
	Financial leverage		1.1(Note 8)	0.92	1.01	1.14	0.89	

Note 1: The ratio of long-term capital to fixed assets increased because in 2012 the net amount of fixed assets decreased from the previous year.

Note 2: Interest Coverage Ratio increased because in 2012 income tax and interest expenses significantly increased compared to net profit before tax.

Note 3: Because net profit after tax in 2012 increased compared to that in 2011, Return on Assets, Return on Equity, and Net Profit Margin all increased accordingly.

Note 4: The ratio of operating income to paid-in capital increased because operating income increased in 2012.

Note 5: The ratio of net profit before tax to paid-in capital increased because net profit before tax increased in 2012.

Note 6: Earnings per share in 2012 increased from the level of previous year because net profit before tax increased.

Note 7: Net cash flow from operating activities increased in 2012, thereby causing cash flow ratio and cash reinvestment ratio to increase.

Note 8: The degree of operating leverage and the degree of financial leverage increased in 2012 because operating

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)

6.4 Summarized financial analysis for the past 5 years-International Financial Reporting Standards

Item	Year	Financial analysis in the past five years					2013 as of Mar. 31	
		2012	2011	2010	2009	2008		
Financial structure (%)	Ratio of liabilities to assets		N/A					60.68
	Ratio of long-term capital to fixed assets							160.33
Solvency (%)	Current ratio							252
	Quick ratio							239
	Times interest earned ratio							2
Operating Performance	Accounts receivable turnover (turns)							5
	Average collection period							69
	Inventory turnover (turns)							-
	Accounts payable turnover (turns)							2.02
	Average days in sales							-
	Fixed assets turnover (turns)							0.35
	Total assets turnover (turns)							0.18
Profitability	Return on total assets (%)							0.36
	Return on stockholders' equity (%)							0.37
	Ratio to issued capital (%)	Operating income						0
		Pre-tax income						0.75
	Profit ratio (%)							1
	Earnings per share (\$)							0.05
Cash flow	Cash flow ratio (%)							8.17
	Cash flow adequacy ratio (%)							76.79
	Cash reinvestment ratio (%)		1.24					
Leverage	Operating leverage		-25.57					
	Financial leverage		0.31					

6.5 Supervisors' Report for Fiscal Year 2012

6.5.1 Supervisors' Report for Fiscal Year 2012

In accordance with Article 219 of the Company Act, the board of Directors has submitted year 2012 final statements, including the business report 、 financial statements of the company and earnings appropriation. 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 2012 financial statements herewith to be approved.

To the general shareholders' meeting of 2013

WAN HAI LINES LTD.

Supervisor

Yee Sing Co., Ltd.



Representative

Mei-Huei Wu



Supervisor

Hwa-Mei LinYen



Supervisor

Yi Teh Optical Technology Co., Ltd.



Representative

Chih-Hsiang Chen



April 25, 2013

6.5.2 Supervisors' Report for Fiscal Year 2012(Consolidated)

In accordance with Article 219 of the Company Act, the board of Directors has submitted year 2012 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 2012 consolidated financial statements herewith to be approved.

To the general shareholders' meeting of 2013

WAN HAI LINES LTD.

Supervisor

Yee Sing Co., Ltd.



Representative

Mei-Huei Wu



Supervisor

Hwa-Mei LinYen



Supervisor

Yi Teh Optical Technology Co., Ltd.



Representative

Chih-Hsiang Chen



March 26, 2013

6.6 Financial Statement for Fiscal Year 2012

6.6.1 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, 2012 and 2011, 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 the other auditors. The Company's investments in these companies at December 31, 2012 and 2011, were \$248,746 thousand and \$263,203 thousand, respectively, representing 0.44% and 0.47% of total assets and related, investment loss recognized by the Company were \$9,474 thousand and \$53,074 thousand, representing 0.44% and 13.97% of income before income tax, for the years ended December 31, 2012 and 2011, respectively. Those financial statements were audited by the 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, 2012 and 2011, 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, and accounting principles generally accepted in the Republic of China.

The Company prepared consolidated financial statements for the years ended December 31, 2012 and 2011, on which modified unqualified audit reports have been given.

March 25, 2013

WAN HAI LINES LTD.
Balance Sheets

December 31, 2012 and 2011

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

	2012	2011
Current assets:		
Cash and cash equivalents	\$ 19,755,257	19,892,529
Financial assets at fair value through profit or loss — current	-	101,021
Available-for-sale financial assets — current	2,740,381	2,651,019
Notes receivable	20,653	28,414
Accounts receivable	1,607,479	2,227,786
Accounts receivable — related parties	177,945	114,346
Other receivables	773,190	750,373
Other receivables — related parties	41,839	4,989
Fuels	974,986	1,169,870
Receivables from agents	1,608,250	2,134,129
Other current assets	851,695	748,047
Total current assets	<u>28,551,675</u>	<u>29,822,523</u>
Investments:		
Long-term equity investments under equity method	19,491,288	11,551,717
Available-for-sale financial assets — non-current	258,219	224,892
Financial assets measured at cost — non-current	648,438	648,438
Bond portfolios with inactive market — non-current	1,165,440	1,211,600
Long-term investments — net	<u>18,563,385</u>	<u>13,636,647</u>
Fixed assets :		
Cost:		
Land	620,477	620,477
Buildings	122,209	122,209
Containers	15,979,869	16,424,659
Computer and communication equipment	186,768	221,114
Vessels	4,143,127	4,143,127
Privileged wharf equipment	672,011	673,311
Leased assets	68,609	68,609
Leasehold improvement	6,508	6,508
Furniture and fixtures	8,822	7,769
Revaluation increments	1,527	1,527
Cost and revaluation	<u>21,809,927</u>	<u>22,289,310</u>
Less: accumulated depreciation	15,881,985	14,308,303
Prepayments for equipment	2,488,662	4,056,774
Net fixed assets	<u>8,416,604</u>	<u>12,037,781</u>
Intangible assets:		
Deferred pension costs	232,617	253,764
Other intangible assets	75,199	70,190
Total intangible assets	<u>307,816</u>	<u>323,954</u>
Other assets:		
Refundable deposits	177,043	207,045
Deferred charges	409,083	454,155
Total other assets	<u>586,126</u>	<u>661,200</u>
Total other assets	<u>\$ 56,425,606</u>	<u>56,482,105</u>
Current liabilities:		
Financial liabilities at fair value through profit or loss — current	\$ 41,983	658,192
Accounts payable	5,279,445	5,288,719
Accounts payable — related parties	164,790	277,116
Income tax payable	25,304	-
Accrued expenses	280,455	285,041
Current portion of long-term loans	1,713,841	1,757,057
Payables to agents	736,632	209,087
Other current liabilities	396,160	425,625
Total current liabilities	<u>8,638,610</u>	<u>8,900,837</u>
Long-term liabilities:		
Bonds payable	10,400,000	10,400,000
Long-term loans	5,583,159	6,864,300
Total long-term liabilities	<u>15,983,159</u>	<u>17,264,300</u>
Other liabilities:		
Accrued pension liability	524,370	576,239
Guarantee deposits received	1,995	49,712
Deferred income tax liabilities — non-current	668,701	539,433
Deferred credits — gains from inter-affiliate accounts	132,750	162,226
Unrealized gain on sale and leaseback	-	38,919
Total other liabilities	<u>1,327,816</u>	<u>1,366,529</u>
Total liabilities	<u>25,949,585</u>	<u>27,531,666</u>
Stockholders' equity :		
Common stock — \$10 par value per share; 2,500,000 thousand shares authorized in 2011 and 2010; 2,218,297 thousand shares 2,112,664 thousand shares issued as of December 31, 2011 and 2010, respectively	<u>22,182,975</u>	<u>22,182,975</u>
Capital surplus	2,446,570	2,446,570
Retained earnings:		
Legal reserve	5,073,891	5,071,860
Special reserve	855,768	837,493
Unappropriated earnings	1,828,355	20,306
Total retained earnings	<u>7,758,014</u>	<u>5,929,659</u>
Other adjustments to stockholders' equity:		
Cumulative translation adjustments	(1,108,007)	(750,066)
Net loss not recognized as pension cost	(265,532)	(268,062)
Unrealized gain (loss) on financial instruments	(539,526)	(592,164)
Unrealized revaluation increments	1,527	1,527
Total other adjustments to stockholders' equity	<u>(1,911,538)</u>	<u>(1,608,765)</u>
Total stockholders' equity	<u>30,476,021</u>	<u>28,950,439</u>
Commitments and contingencies		
Total liabilities and stockholders' equity	<u>\$ 56,425,606</u>	<u>56,482,105</u>

WAN HAI LINES LTD.

Statements of Income

For the years ended December 31, 2012 and 2011

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

	2012	2011		
Net operating revenue	\$ 56,591,314	62,697,925		
Operating cost	<u>52,189,842</u>	<u>63,027,657</u>		
Gross profit	4,401,472	(329,732)		
Operating expenses	<u>1,648,001</u>	<u>1,636,880</u>		
Operating income	<u>2,753,471</u>	<u>(1,966,612)</u>		
Non-operating income and gains:				
Interest income	170,238	133,570		
Investment income under the equity method	-	1,226,603		
Gain on disposal of fixed assets	315,490	920,879		
Gain on disposal of investments, net	41,835	74,956		
Foreign exchange income, net	-	171,805		
Valuation gain on financial assets	615,145	566,248		
Other income	<u>186,179</u>	<u>216,351</u>		
	<u>1,328,887</u>	<u>3,310,412</u>		
Non-operating expenses and losses:				
Interest expenses	261,339	180,732		
Investment loss under the equity method	793,486	-		
Loss on disposal of fixed assets	1,605	334		
Foreign exchange loss, net	162,868	-		
Valuation loss on financial liabilities	655,743	745,154		
Other losses	<u>54,876</u>	<u>37,605</u>		
	<u>1,929,917</u>	<u>963,825</u>		
Net income before income tax	2,152,441	379,975		
Income tax expenses	<u>324,086</u>	<u>359,669</u>		
Net income	<u>\$ 1,828,355</u>	<u>20,306</u>		
	Before tax	After tax	Before tax	After tax
Basic earnings per share (dollars)	<u>\$ 0.97</u>	<u>0.82</u>	<u>0.17</u>	<u>0.01</u>
Diluted earnings per share (dollars)	<u>\$ 0.97</u>	<u>0.82</u>	<u>0.17</u>	<u>0.01</u>

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

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increments	Total
Balance on January 1, 2011	\$ 21,126,643	2,446,570	4,700,716	797,610	3,711,443	(936,857)	(275,462)	373,299	1,527	31,945,489
Net income for the year ended December 31, 2011	-	-	-	-	20,306	-	-	-	-	20,306
Appropriations of retained earnings:										
Legal reserve	-	-	371,144	-	(371,144)	-	-	-	-	-
Special reserve	-	-	-	39,883	(39,883)	-	-	-	-	-
Cash dividends	-	-	-	-	(2,244,084)	-	-	-	-	(2,244,084)
Stock dividends	1,056,332	-	-	-	(1,056,332)	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-	7,400	-	-	7,400
Valuation adjustment of available-for-sale financial assets	-	-	-	-	-	-	-	(965,463)	-	(965,463)
Cumulative translation adjustments	-	-	-	-	-	186,791	-	-	-	186,791
Balance on December 31, 2011	22,182,975	2,446,570	5,071,860	837,493	20,306	(750,066)	(268,062)	(592,164)	1,527	28,950,439
Net income for the year ended December 31, 2012	-	-	-	-	1,828,355	-	-	-	-	1,828,355
Appropriations of retained earnings :										
Legal reserve	-	-	2,031	-	(2,031)	-	-	-	-	-
Special reserve	-	-	-	18,275	(18,275)	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-	2,530	-	-	2,530
Valuation adjustment of available-for-sale financial assets	-	-	-	-	-	-	-	52,695	-	52,695
Cumulative translation adjustments	-	-	-	-	-	(357,941)	-	-	-	(357,941)
Additional valuation adjustment of financial assets from long-term investments under the equity method	-	-	-	-	-	-	-	(57)	-	(57)
Balance on December 31, 2012	<u>\$ 22,182,975</u>	<u>2,446,570</u>	<u>5,073,891</u>	<u>855,768</u>	<u>1,828,355</u>	<u>(1,108,007)</u>	<u>(265,532)</u>	<u>(539,526)</u>	<u>1,527</u>	<u>30,476,021</u>

Note: The directors' and supervisors' remuneration of \$33,678 and employees' bonuses of \$33,678 thousand have been recognized as operating expense.

WAN HAI LINES LTD.
Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 1,828,355	20,306
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,058,353	2,435,159
Amortization	103,424	95,634
Allowance (reversal of allowance) for inventory valuation	3,528	(18,842)
Investment loss (income) under the equity method	793,486	(1,226,603)
Cash dividend from subsidiaries	9,445	6,545
Gain on disposal of fixed assets	(352,804)	(998,384)
Fixed assets classified into expense	597	-
Gain on disposal of available-for-sale financial asset	(41,835)	(74,956)
Unrealized foreign exchange (gain) loss	(38,565)	112,361
Deferred income tax expense	175,098	68,107
Changes in assets:		
Financial assets at fair value through profit or loss	101,021	94,199
Notes receivable	7,761	3,946
Accounts receivable	620,307	(743,945)
Accounts receivable — related parties	(63,599)	(107,913)
Other receivables	(85,509)	(253,049)
Fuels	191,356	192,345
Other current assets	(149,478)	589,654
Receivables from agents	525,879	1,694,347
Changes in liabilities:		
Financial liabilities at fair value through profit or loss	(616,209)	(568,145)
Accounts payable	(9,274)	(134,977)
Accounts payable — related parties	(112,326)	(33,961)
Income tax payable	25,304	(271,857)
Accrued expenses	(4,586)	(167,677)
Other current liabilities	(29,465)	287,735
Accrued pension liability	(28,192)	(4,542)
Payables to agents	527,545	(4,542)
Net cash provided by operating activities	<u>5,439,617</u>	<u>878,208</u>
Cash flows from investing activities:		
Increase in available-for-sale financial assets	(219,022)	(1,199,804)
Proceeds from sale of available-for-sale financial assets	190,863	469,728
Available-for-sale financial assets — proceeds from capital reduction	-	6,180
Increase in long-term investments under equity method	(6,100,500)	(89,557)
Payments for acquisition of fixed assets	(10,052,402)	(7,513,712)
Proceeds from sale of fixed assets	11,914,534	3,152,959
Decrease (increase) in refundable deposits	30,002	(25,677)
Increase in deferred charges	(11,394)	(1,514)
(Increase) decrease in other receivable — related parties — financing accommodation	(36,850)	(38,720)
Payment for intangible assets	(4,771)	139,682
Net cash used in investing activities	<u>(4,289,540)</u>	<u>(5,100,435)</u>
Cash flows from financing activities:		
Increase in bonds payable	-	10,400,000
Decrease in bonds payable	-	(3,000,000)
Increase in long — term loans	589,400	3,571,880
Repayment of long — term loans	(1,829,032)	(1,342,480)
Increase (decrease) in guarantee deposits	(47,717)	48,627
Cash dividends	-	(2,244,084)
Net cash provided (used in) provided financing activities	<u>(1,287,349)</u>	<u>7,433,943</u>
Net (decrease) increase in cash and cash equivalents	<u>(137,272)</u>	<u>3,211,716</u>
Cash and cash equivalents at beginning of year	<u>19,892,529</u>	<u>16,680,813</u>
Cash and cash equivalents at end of period	<u>\$ 19,755,257</u>	<u>\$ 19,892,529</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (excluding capitalized interest)	<u>\$ 337,6310</u>	<u>134,710</u>
Cash paid for income tax	<u>\$ 151,654</u>	<u>572,190</u>
Investing and financing activities not affecting cash flows:		
Current portion of long — term loans	<u>\$ 1,713,841</u>	<u>1,757,057</u>
Fixed assets classified into deferred charges	<u>\$ 13,929</u>	<u>913</u>
Accumulated translation adjustments	<u>\$ (357,941)</u>	<u>186,791</u>
Valuation adjustments of available — for — sale financial assets	<u>\$ 52,638</u>	<u>(965,463)</u>
Recognition of deferred pension costs and net loss not recognized as pension cost	<u>\$ (23,677)</u>	<u>(38,328)</u>
Fixed assets classified into intangible assets	<u>\$ 33,267</u>	<u>27,500</u>
Investment activity affecting both cash and non-cash items:		
Payments for acquisition of fixed assets	<u>\$ 10,052,402</u>	<u>7,160,691</u>
Decrease in payables for purchase of equipment	<u>\$ -</u>	<u>353,021</u>
Cash payment	<u>\$ 10,052,402</u>	<u>7,513,712</u>
Proceeds from sales of fixed assets	<u>\$ 11,851,842</u>	<u>3,212,638</u>
Decrease (increase) in other current assets	<u>\$ 62,692</u>	<u>(59,679)</u>
Cash received	<u>\$ 11,914,534</u>	<u>3,152,959</u>

6.6.2 Notes to Financial Statements

December 31, 2012 and 2011

(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, 2012 and 2011, the Company had 992 and 955 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, and accounting principles generally accepted in the Republic of China. Significant accounting policies and the measuring basis were as follows:

(1) 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 by 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 by 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.

(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) 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) Cash and cash equivalents

All highly liquid short term investments 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.

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

(A) Financial assets

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.

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.

The Company designates derivatives as hedges of operating, financing and investment risk. Pursuant to this policy, the Company holds or issues derivatives for hedging 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.

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.

(B) 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; non current financial liabilities should be recorded as financial liabilities at fair value through profit or loss under long term liabilities. Financial liabilities for trading purposes are derivative contracts that are hedging instruments but are not accounted for under hedge accounting.

(6) Available-for-sale financial assets

The Company's purchases or sales of financial assets are recognized using trade date accounting. Available for sale financial assets are mainly investments in domestic stocks or beneficiary certificates, and the transaction costs are recognized at fair value in addition to purchasing or issuing costs.

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.

Costs of available for sale financial assets are computed based on the weighted average method, and the accumulated amount of unrealized gain (loss) under shareholders' equity is reversed and recorded as current net income or loss. Stock dividends received are recorded as additional shares instead of investment income. Cash dividends are recorded as dividend income at the ex dividend date.

(7) 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.

(8) 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) Receivable financial assets

Allowance for doubtful accounts previously was estimated and calculated based on historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred in prior years.

Effective from January 1, 2011, the Company adopted the 3rd amendment of Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." In accordance with SFAS No. 34, receivables shall be measured at amortized cost using the effective interest method. The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event (e.g., repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through current profit or loss.

(10) 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.

(11) Fuels

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.

(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 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:

- (A) the investor company intends to continue its support for the investee company, or
- (B) 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 which the Company has the ability to control, 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 being accounted for under the equity method, investees which the Company has the ability to control should be included in the Company's quarterly, semiannual, and annual consolidated financial statements.

(13) Fixed assets

Land is stated at acquisition cost, which can be revalued 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 relation 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 life
Buildings	43~56 years
Containers	3~10 years
Computer and communication equipment	3~4 years
Vessels	18~25 years
Privileged wharf equipment	3~10 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.

(14) 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 life
Computer software	3 years

The residual value, amortization period, and 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

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

(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) 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 items that are directly debited or credited to stockholders' equity can be classified into two groups. First are those items that directly affect stockholders' equity and are not included in the computation of net income. Therefore, they do not affect pretax financial income for the current period, but are, according to the tax laws, included in taxable income. Consequently, pretax financial income and taxable income differ. Second are those items that, according to the tax laws, are excluded from taxable income, but a difference between the tax basis and the book value of the related asset or liability has occurred. When the related asset or liability is recovered or settled, a taxable or deductible amount will result; therefore, a taxable temporary difference should be properly recognized as deferred tax assets or liabilities.

Deferred income tax assets and liabilities are classified as current or non current in accordance with the related assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or non current according to the expected realization date of such deferred tax assets or liabilities.

When the basic income tax, which is calculated in accordance with the Basic Income Tax Act, is higher than the income tax calculated in accordance with the Income Tax Act, the difference is recorded in current income tax.

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

(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) Operating segment information

Effective from January 1, 2011, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 41, "Operating Segments". An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which discrete financial information is available.

The operating segment information is disclosed in the Company’s consolidated financial statements in accordance with SFAS No. 41; therefore, the Company does not disclose segment information in individual financial statements.

(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.

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

Effective from January 1, 2011, the Company adopted the 3rd amendment of Statement of Financial Accounting Standards (SFAS) No. 34, “Financial Instruments: Recognition and Measurement”. The recognition, measurement, and impairment evaluation of receivables is subject to SFAS No. 34. The change in accounting principle did not have significant effect on the financial statements for the year ended December 31, 2011.

Effective from January 1, 2011, the Company adopted SFAS No. 41, “Operating Segments”. In accordance with SFAS No. 41, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial impact of the business activities in which it engages and the economic environments in which it operates. The Company determines and presents the operating segments based on the information that is internally provided to the chief operating decision maker. This Standard supersedes SFAS No. 20, “Segment Reporting”. Such changes in accounting principle did not have significant impact on the financial statements for the year ended December 31, 2011.

4. Cash and Cash Equivalents

	December 31, 2012	December 31, 2011
Cash on hand	\$ 45,696	44,054
Demand deposits	283,045	586,339
Checking accounts	4,077	19,971
Time deposits	4,126,000	8,964,000
Foreign currency deposits—demand deposits	279,932	796,156
Foreign currency deposits—time deposits	15,008,967	9,474,173
Cash equivalents—money market deposit accounts—foreign currency	7,540	7,836
Total	<u>\$ 19,755,257</u>	<u>19,892,529</u>

5. Financial Assets at Fair Value through Profit or Los—Current

As of December 31, 2012 and 2011, financial assets held for trading purposes were as follows:

	2012	2011
Structured financial instruments	\$ -	106,524
Add: valuation adjustment	<u>-</u>	<u>(5,503)</u>
	<u>\$ -</u>	<u>101,021</u>

6. Available-for-sale Financial Assets—Current

	December 31, 2012		
	Cost	Valuation adjustment	Fair value
Domestic listed stocks	<u>\$ 3,136,605</u>	<u>(396,224)</u>	<u>2,740,381</u>

	December 31, 2011		
	Cost	Valuation adjustment	Fair value
Domestic listed stocks	<u>\$ 3,066,611</u>	<u>(415,592)</u>	<u>2,651,019</u>

For the years ended December 31, 2012 and 2011, the details of movement of unrealized gain (loss) on available for sale financial assets-current were as follows:

	2012	2011
Beginning balance	\$ (415,592)	367,248
Recognized in the period	<u>19,368</u>	<u>(782,840)</u>
Ending balance	<u>\$ (396,224)</u>	<u>(415,592)</u>

7. Fuels

	December 31, 2012	December 31, 2011
Marine diesel oil	\$ 138,064	120,648
Marine residual fuel oil	833,619	1,039,905
Fresh lubricating oil	<u>6,831</u>	<u>9,317</u>
Sub total	978,514	1,169,870
Less: allowance for reduction of inventory	<u>(3,528)</u>	<u>-</u>
Total	<u>\$ 974,986</u>	<u>1,169,870</u>

8. Receivables from and Payables to Agents

The Company operates its main businesses in Northeast Asia, Southeast Asia, the Middle East, India, Pakistan, China, the Americas and Europe, where agents were established to expand the business, collect freight on behalf of the Company and disburse various expenses. As of December 31, 2012 and 2011, the balances of current accounts with agents were as follows:

	December 31, 2012	December 31, 2011
Receivables from agents:		
Agents in Netherlands	\$ 4,707	3,752
Agents in Pakistan	14,282	25,146
Agents in Belgium	7,278	3,019
Agents in Dubai - WHL - UAE	3,296	19,386
Agents in Dubai - A2	655	1,392
Agents in Hong Kong - WHL - Hongkong (CISA)	544,085	529,267
Agents in Hong Kong - WHL - Hongkong (SUIL)	-	188,177
Agents in Hong Kong - WHL - Hongkong	-	147,429
Agents in India - WHL - India	163,816	275,311
Agents in India - OMEGA	-	17,628
Agents in Korea - WHL - Korea	37,512	260
Agents in Malaysia - WHL - Malaysia	93,591	94,779
Agents in East Malaysia	2,829	1,423
Agents in Indonesia - BBN	7,626	4,376
Agents in Indonesia - WHL - JKT	89,203	91,884
Agents in Indonesia - TMS	20,569	25,771
Agents in Philippines - WHL - Philippines	40,431	25,435
Agents in Qatar - Q2	20,501	10,935
Agents in Bahrain - ONYX	-	649
Agents in Iran	1,608	21,595
Agents in Japan - WHL - Japan	431,133	552,168
Agents in Japan - WH Corporation	1,842	9,885
Agents in Iraq IQ	69	570
Agents in Cambodia - STRAITS	2,755	2,357
Agents in United States - STRACHAN	41,689	16,531
Agents in Oman	4,287	5,808
Agents in Germany - DE	3,397	968
Agents in Myanmar	3,824	2,604
Agents in Vietnam - Phoenix	6,346	4,133
Agents in Greece	575	-
Agents in Romania	28,641	13,676
Agents in Turkey - TR	16,302	15,802
Agents in Ukraine	-	7,191
Agents in Argentina - AR	-	7,190
Agents in Kuwait	-	1,688
Agents in Egypt - EG	-	250
Agents in Saudi Arabia - DM	15,401	4,621
Agents in Uruguay - UY	-	1,073
	<u>\$ 1,608,250</u>	<u>2,134,129</u>

December 31, 2012 December 31, 2011

Payables to agents:		
Agents in Singapore - WHL - INTL.	\$ 26,704	31,999
Agents in Kuwait	127	-
Agents in Turkey - T1	154	180
Agents in America - WHL - America	10,808	6,775
Agents in Sri Lanka	2,723	868
Agents in Thailand - WHL - Thailand	111,168	127,224
Agents in Bangladesh	2,739	5,088
Agents in Egypt - E2	23,612	8,624
Agents in Kenya - KE	26	3,006
Agents in Shenzhen - Yong Chun	1,504	1,205
Agents in Tanzania - TZ	1,013	353
Agents in Brazil	-	23,675
Agents in Hong Kong - WHL - Hongkong	457,680	-
Agents in Hong Kong - WHL - Hongkong (SUIL)	97,747	-
Agents in Germany - D2	-	37
Agents in Russia	-	53
Agents in Argentina - AR	2	-
Agents in Bahrain - ONYX	325	-
Agents in Ukraine	300	-
	<u>\$ 736,632</u>	<u>2,134,129</u>

9. Long term Equity Investments under Equity Method

As of December 31, 2012 and 2011, equity investments under equity method were as follows:

	Percentage of ownership	2012		2011		
		Investment cost	Amount	Percentage of ownership	Investment cost	Amount
Wan Hai Lines (Singapore) Pte Ltd.	100.00	\$ 11,950,235	16,063,200	100.00	\$ 5,847,735	11,099,932
Wan Hai Lines (America) Ltd.	100.00	132,000	73,801	100.00	132,000	69,910
K.K. WH Corporation	100.00	7,141	14,240	100.00	7,141	15,090
Wan Hai Lines (Germany) GmbH	100.00	1,018	7,961	100.00	1,018	7,107
Tan Cang Cai Mep International Terminal Co., Ltd. (Vietnam)	21.33	259,917	152,744	21.33	259,917	171,096
T.K. Logistics International Co., Ltd.	55.00	143,000	141,531	55.00	143,000	147,360
Bao Sheng Shipping Agency Co., Ltd.	70.01	30,000	37,811	70.01	30,000	41,222
		<u>\$ 12,523,311</u>	<u>16,491,288</u>		<u>\$ 6,422,811</u>	<u>11,551,717</u>

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

For the years ended December 31, 2012 and 2011, the Company's investment (loss) gain from long - term equity investments was as follows:

	2012	2011
Wan Hai Lines (Singapore) Pte Ltd.	\$ (784,217)	1,262,195
Wan Hai Lines (America) Ltd.	6,653	(6,409)
K.K. WH Corporation	1,288	(820)
Wan Hai Lines (Germany) GmbH	937	1,936
Tan Cang Cai Mep International Terminal Co., Ltd. (Vietnam)	(18,352)	(47,781)
T.K. Logistics International Co., Ltd.	(5,829)	6,988
Bao Sheng Shipping Agency Co., Ltd.	6,034	10,494
	<u>\$ (793,486)</u>	<u>1,226,603</u>

In the year 2012, the board of director resolved to increase \$6,100,500 to the capital of Wan Hai Lines (Singapore) Pte Ltd. The Company subscribed all the shares, and its ownership percentage is still 100%.

Bao Sheng Shipping Agency Co., Ltd. paid cash dividends in the years 2012 and 2011, and the Company's long term investment were reduced by \$9,445 and \$6,545, respectively.

The board of directors of the Company resolved to invest USD8,320 thousand in a joint venture to establish Tan Cang Cai Mep International Terminal Co., Ltd. (Vietnam) in July 2009. The Company owned 21.33% of its outstanding shares. The investment was completed on January 26, 2011, and the amount previously recorded in prepayment for long term investment was transferred to long term equity investments under equity method.

As of December 31, 2012 and 2011, the cumulative translation adjustments for subsidiaries were as follows:

	December 31, 2012	December 31, 2011
Wan Hai Lines (Singapore) Pte Ltd.	\$ (1,068,212)	(715,254)
Wan Hai Lines (America) Ltd.	(5,252)	(2,490)
K.K. WH Corporation	500	2,638
Wan Hai Lines (Germany) GmbH	(981)	(898)
Tan Cang Cai Mep International Terminal Co., Ltd. (Vietnam)	(41,040)	(41,040)
	<u>\$ (1,114,985)</u>	<u>(757,044)</u>

10. Available for sale Financial Assets - Non current

	December 31, 2012	December 31, 2010
Listed stocks - Shin Lin Paper Co., Ltd.	\$ 288,515	288,515
Add: valuation adjustment	(30,296)	(63,623)
	<u>\$ 258,219</u>	<u>224,892</u>

For the years ended December 31, 2012 and 2011, the details of movement of unrealized gain (loss) on available for sale financial assets - non current were as follows:

	2012	2011
Beginning balance	\$ (63,623)	119,000
Increase (decrease) in this period	33,327	(182,623)
Ending balance	<u>\$ (30,296)</u>	<u>(63,623)</u>

11. Financial Assets Measured at Cost - Non current

	December 31, 2012	December 31, 2011
Stock investments - Taipei Port Container Terminal Corp.	\$ 640,625	640,625
Stock investments - United Stevedoring Corporation	7,813	7,813
	<u>\$ 648,438</u>	<u>648,438</u>

12. Bond Portfolios with Inactive Market - Non current

	December 31, 2012	December 31, 2011
Foreign bonds	<u>\$ 1,165,440</u>	<u>1,211,600</u>

13. Fixed Assets

- 1) The Company revaluated its fixed assets (except for land) on December 31, 1976 and 1980. As of December 31, 2012 and 2011, the revaluation increments of fixed assets were both \$1,527.
- 2) For the years ended December 31, 2012 and 2011, the capitalized interests were \$71,594 and \$53,517, respectively, and the capitalized interest rates were 0.14%~0.19% and 0.08%~0.18%, respectively.
- 3) For the information on the fixed assets pledged for bank loans as of December 31, 2012 and 2011, please refer to note 27.
- 4) The Company entered into a letter of intent on February 25, 2011 for a real estate located at 10F, No. 122 Dunhua North Road, Taipei, Taiwan, and its parking lot at the basement. The total contract amount was \$362,500. The ownership was transferred in May 2011, and the Company received the right of use in July, 2011.

14. Refundable Deposits

As of December 31, 2012 and 2011, the refundable deposits were \$177,043 and \$207,045, respectively. Time deposits pledged as refundable deposits were \$47,505 and \$94,702, respectively. Please refer to note 27 for details.

15. Deferred Charges

	December 31, 2012	December 31, 2011
Wharf	\$ 395,747	452,173
Decoration	13,336	1,982
	<u>\$ 409,083</u>	<u>454,155</u>

16. Short term Loans

For the years ended December 31, 2012 and 2011, the interest rate for the short - term loans were 1.14% and 0.80%~0.88%, respectively, and the loans would mature within one year.

As of December 31, 2012 and 2011, the Company had provided promissory notes amounting to \$6,466,072 and \$6,948,205, respectively, as pledges for its short - term loans.

As of December 31, 2012 and 2011, the unused lines of credit amounted to approximately \$6,703,454 and \$7,702,813, respectively (\$438,231 and \$455,581 were shared with related parties).

17. Financial Liabilities at Fair Value through Profit or Loss - Current

As of December 31, 2012 and 2011, the details of financial liabilities for trading purposes were as follows:

	December 31, 2012	December 31, 2011
Exchange rate options	\$ 33,064	420,998
Exchange rate swaps	-	194,860
Interest rate swaps	8,919	42,334
	<u>\$ 41,983</u>	<u>658,192</u>

18. Long term Loans and Current Portion of Long term Loans

Name of bank	Nature	Term	December 31, 2012	December 31, 2011
Changhwa Commercial Bank, Chi - lin Branch	Mortgage	June 26, 2009~June 26, 2014	290,000	483,333
BNP Paribas, Taipei Branch	Mortgage	Dec. 26, 2007~Dec. 26, 2012	-	253,224
Taiwan Cooperative Bank, Chengtung Branch	Mortgage	Jan. 09, 2009~Jan. 09, 2014	874,080	1,514,500
Taiwan Cooperative Bank, Chengtung Branch	Mortgage	June 26, 2009~June 26, 2016	175,000	225,000
Taiwan Cooperative Bank, Chengtung Branch	Mortgage	Sep. 09, 2010~Sep. 09, 2015	1,165,440	1,211,600
Bank SinoPac, Banking Division	Mortgage	June 26, 2009~June 26, 2016	348,000	432,000
Bank SinoPac, Banking Division	Mortgage	Mar. 12, 2010~Mar. 12, 2017	363,600	434,300
First Commercial Bank, Chiencheng Branch	Mortgage	June 12, 2009~June 12, 2016	-	270,000
First Commercial Bank, Chiencheng Branch	Mortgage	June 26, 2009~June 12, 2016	-	360,000
First Commercial Bank, Chiencheng Branch	Mortgage	Feb. 25, 2011~June 12, 2014	550,000	540,000
First Commercial Bank, Chiencheng Branch	Mortgage	Mar. 14, 2011~June 12, 2015	600,000	540,000
First Commercial Bank, Chiencheng Branch	Mortgage	Mar. 24, 2011~June 12, 2016	600,000	540,000
First Commercial Bank, Chiencheng Branch	Mortgage	Aug. 16, 2011~Aug. 16, 2016	87,408	90,870
First Commercial Bank, Chiencheng Branch	Mortgage	Aug. 18, 2011~Aug. 16, 2016	116,544	121,160
First Commercial Bank, Chiencheng Branch	Mortgage	Aug. 25, 2011~Aug. 16, 2016	378,768	393,770
First Commercial Bank, Chiencheng Branch	Mortgage	May 16, 2012~May 16, 2017	582,720	-
Hua Nan Commercial Bank Cheng Tung Branch	Mortgage	Sep. 21, 2011~Sep. 21, 2016	1,165,440	1,211,600
			<u>7,297,000</u>	<u>8,621,357</u>
Less: current portion of long-term loans			<u>1,713,841</u>	<u>1,757,057</u>
			<u>\$5,583,159</u>	<u>6,864,300</u>

Some of the above long term loans were denominated in US dollars. As of December 31, 2012 and 2011, foreign currency debt amounted to USD150,000 thousand and USD158,360 thousand, respectively.

Some of the above long term loans were denominated in US dollars. As of December 31, 2012 and 2011, foreign currency debt amounted to USD150,000 thousand and USD158,360 thousand, respectively.

For the years ended December 31, 2012 and 2011, interest rates for long term loans were 1.037%~2.831% and 0.86%~3.20%, respectively.

The restrictions of the BNP Paribas Taipei Branch loan were as follows:

- (1) Minimum consolidated tangible assets of \$17,000,000.
- (2) Maximum consolidated net debt to stockholders' equity ratio [(short term loans + current portion of long term loans + long term loans + current portion of bonds payable + bonds payable cash and cash equivalents)/stockholders' equity] of 1.2.
- (3) Minimum consolidated times interest earned ratio of 1.5.
- (4) Minimum consolidated cash and cash equivalents of \$1,000,000.

The Company's future repayments of long term loans were as follows:

January 2013~December 2013	\$	1,713,841
January 2014~December 2014		1,558,903
January 2015~December 2015		2,190,636
January 2016~December 2016		1,607,140
After January 2017		<u>226,480</u>
	\$	<u>7,297,000</u>

For details of collateral securities, please see note 27. As of December 31, 2012 and 2011, the Company had provided promissory notes amounting to \$6,180,377 and \$6,751,750, respectively, as pledges for its long term loans.

19. Bonds Payable

The Company's bonds payable - domestic as of December 31, 2012 and 2011, were as follows:

	2012	2011
Straight bonds (the Ordinary Bonds)	\$ 10,400,000	10,400,000
Less: Bonds payable due within one year	<u>-</u>	<u>-</u>
	<u>\$ 10,400,000</u>	<u>10,400,000</u>

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

- (1) Issue amount

\$7,500,000. There are two series of bonds categorized by the terms, series A is amounting to \$3,000,000 and series B is amounting to \$4,500,000.

(2) Nominal amount

Par value \$1,000 per unit.

(3) Issuance period

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

(4) Issued price: at par value

(5) Nominal interest rate

1. Series A: 1.65%

2. Series B: 1.85%

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

(7) Redemption on the maturity date

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

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

(9) Trustee

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

(10) Agency for payment of principal and interest

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

(11) Certification institution: None

(12) Announcement

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

The Company issued an unsecured corporate bond in July 2011. It was the Company's second domestic bond issue in 2011, and was effective upon submission to the regulatory authority on July 19, 2011. The issuance terms were as follows:

(1) Issue amount

Up to \$2,900,000.

(2) Nominal amount

Par value \$1,000 per unit.

(3) Issuance period

The issuance dates begin from July 28, 2011; the maturity period is six years.

(4) Issued price: at par value

(5) Nominal interest rate: 1.75%.

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

(7) Redemption on the maturity date

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

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

(9) Trustee

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

(10) Agency for payment of principal and interest

Land Bank of Taiwan Co., Ltd., Changan Branch is assigned for handling payments of the principal and interest according to the bondholder list provided by TDCC.

(11) Certification institution: None

(12) Announcement

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

All of the bonds payable issued in 2004 were redeemed in June 2011. The offering conditions were as follows:

(1) Issue amount

Up to \$9,000,000. There are three series of bonds categorized by the terms, each amounting to \$3,000,000. The three series are divided into six parts depending on the conditions and issue date, with each part amounting to \$500,000.

(2) Nominal amount

Par value \$10,000 per unit.

(3) Issuance period

The issuance dates begin from June 28~30, 2004; the maturity periods for Series A, B and C are five, six and seven years, respectively.

(4) Issued price: at par value

(5) Nominal interest rate

1. Series A: 3.00%~4.35%

2. Series B: 3.55%~4.45%

3. Series C: 3.80%~4.31%

(6) Payment of interest: payment each half year. The interest measurement date is set 2 days prior to a business day in London, and the interest is readjusted by 6M LIBOR calculated once from the initial date. The interest rate shall exceed 0%.

(7) Redemption on the maturity date

The Ordinary Bonds will be redeemed at par on the Maturity Date.

(8) Bond form: coupon bonds are anonymous unless holders apply separately. Under the condition of loss, theft, or damage, holders shall apply for new coupon bonds according to procedures and be responsible for any costs incurred.

(9) Trustee

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

(10) Agency for payment of principal and interest

Mega International Commercial Bank, Trust Department, including branches in Hsinchu, Taichung, and Kaohsiung, handles payments of principal and interest.

(11) Certification institution: Mega International Commercial Bank, Trust Department

(12) Announcement

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

20. 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, 2012 and 2011, was as follows:

	December 31, 2012	December 31, 2011
Vested benefit:		
Vested benefit obligation	\$ (355,249)	(347,344)
Non vested benefit obligation	(456,672)	(480,019)
Accumulated benefit obligation	(811,921)	(827,363)
Additional benefit based on future salaries	(305,877)	(317,872)
Projected benefit obligation	(1,117,798)	(1,145,235)
Fair value of plan assets	287,551	251,124
Funded status	(830,247)	(894,111)
Unrecognized net obligation	277,244	296,923
Unrecognized loss	526,783	542,775
Additional minimum pension liability	(498,150)	(521,826)
Accrued pension liability	<u>(524,370)</u>	<u>(576,239)</u>
Net loss not recognized as pension cost	<u>\$ 265,532</u>	<u>268,062</u>

As of December 31, 2012 and 2011, the vested benefit of the employee retirement plan was \$409,074 and \$405,649, respectively.

The details of net periodic pension cost were as follows:

	2012	2011
Service cost	\$ 19,214	19,359
Interest cost	18,930	18,633
Expected return on plan assets	(6,358)	(5,195)
Amortization	23,747	25,285
Net periodic pension cost	<u>\$ 55,533</u>	<u>58,082</u>

Pension benefits obligation actuarial assumptions:

	2012	2011
Discount rate	2.00%	2.25%
Rate of increase in future salaries	3.00%	3.00%
Expected long term rate of return on plan assets	2.00%	2.25%

As of and for the years ended December 31, 2012 and 2011, the pension details were as follows:

	2012	2011
Accrued pension liability	<u>\$ 524,370</u>	<u>576,239</u>
Pension fund balance	<u>\$ 287,551</u>	<u>251,124</u>
Pension expense:		
Defined benefit retirement plan	55,533	58,082
Defined contribution retirement plan	26,435	25,137
Retirement plan under Seafarer Act and Maritime Act	36,275	37,808
	<u>\$ 118,243</u>	<u>121,027</u>

21. Income Tax

For the years ended December 31, 2012 and 2011, the Company's applicable income tax rate is 17%, and the Company adopted the "Income Basic Tax Act" to compute basic tax.

For the years ended December 31, 2012 and 2011, the components of income tax expense were as follows:

	2012	2011
Current income tax expense	\$ 148,988	291,562
Deferred income tax expense	<u>175,098</u>	<u>68,107</u>
Income tax expense	<u>\$ 324,086</u>	<u>359,669</u>

For the years ended December 31, 2012 and 2011, deferred income tax expense (benefit) were as follows:

	2012	2011
Unrealized foreign exchange (loss) gain	\$ (58,145)	171,774
Allowance for inventory valuation	(600)	-
Amortization of capitalized interest	81	81
Provision for pension	1,109	694
Unrealized gain on financial assets	104,575	96,262
Foreign investment (loss) gain under the equity method, net	(134,803)	209,221
Realized gain on disposal of fixed assets	5,010	5,011
Deferred depreciation expense	31,742	-
Loss carryforward	207,172	(414,936)
Adjustment of prior year's deferred income tax	<u>18,957</u>	<u>-</u>
Deferred income tax expense	<u>\$ 175,098</u>	<u>68,107</u>

The deferred income tax assets (liabilities) were as follows:

	December 31, 2012	December 31, 2011
Current:		
Deferred income tax assets (recorded as other current assets)	<u>\$ 96,468</u>	<u>142,298</u>
Non current:		
Deferred income tax assets	226,998	459,327
Deferred income tax liabilities	<u>(895,699)</u>	<u>(998,760)</u>
Net deferred income tax assets (liabilities) - non current	<u>\$ (668,701)</u>	<u>(539,433)</u>
Total deferred income tax assets	<u>\$ 323,466</u>	<u>601,625</u>
Total deferred income tax liabilities	<u>\$ 895,699</u>	<u>998,760</u>
Total allowance for deferred income tax assets	<u>\$ -</u>	<u>-</u>

As of December 31, 2012 and 2011, the temporary differences relating to deferred income tax assets (liabilities) were as follows:

	December 31, 2012		December 31, 2011	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets (liabilities):				
Unrealized exchange loss	\$ 521,948	88,731	179,921	30,586
Allowance for inventory valuation	3,528	600	-	-
Amortization of capitalized interest	2,570	436	3,045	517
Provision for pension	47,830	8,131	54,815	9,318
Unrealized loss on financial assets	41,983	7,137	657,128	111,712
Deferred gain on disposal of fixed assets	132,750	22,568	162,226	27,578
Foreign investment gain under equity method	(5,076,676)	(863,957)	(5,870,367)	(998,760)
Deferred depreciation expense	(186,716)	(31,742)	-	-
Cumulative translation adjustments	41,040	6,978	41,040	6,978
Loss carryforward	1,111,090	<u>188,885</u>	2,440,802	<u>414,936</u>
		<u>\$ (572,233)</u>		<u>(397,135)</u>

According to the “Income Tax Act”, losses are deductible from taxable income in the future ten years. Details of the existing loss carryforward of the Company as of December 31, 2012, were as follows:

Loss year	December 31, 2012	Expiration year
2011 (estimated)	<u>\$ 1,111,090</u>	2021

The ROC income tax authorities have examined the Company’s income tax returns for all fiscal years through 2009.

The Company’s income tax returns for the years 2004 to 2007 had been examined by the tax authorities. The Company considered itself eligible for treatment under the “Income Tax Act”, Article 4 1, and voluntarily revised the relevant part of income tax returns and applied for re examination and refund in April 2010, but was rejected. The Company filed for a retrial to the Court of Appeal. The total amount of tax was paid in the quarter ended March 31, 2011.

As of December 31, 2012 and 2011, the balance of the ICA (imputation credit account) was as follows:

	December 31, 2012	December 31, 2011
Balance of ICA	<u>\$ 29,384</u>	<u>9,346</u>
	2012 (expected)	2011 (actual)
The imputation tax credit ratio for resident stockholders in ROC	<u>1.61%</u>	<u>20.48 %</u>

As of December 31, 2012 and 2011, unappropriated earnings were as follows:

	December 31, 2012	December 31, 2011
1998 and after	<u>\$ 1,828,355</u>	<u>20,306</u>

22. Stockholders' Equity

(1) Capital surplus

According to the ROC Company Act prior to the new amendment in January 2012, capital surplus can only be used to offset accumulated deficit or to increase share capital using the realized capital surplus. Capital surplus cannot be used for distribution of cash dividends. According to the new amendment of ROC Company Act, the aforementioned realized capital surplus includes the income derived from the issuance of new shares at a premium and the income from endowments received by the company. The share capital capitalized in any one year may not exceed a certain percentage for the company to increase its share capital under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers. The Company may only increase its capital reserve out of share capital from cash premium on capital stock once a year. The additional capital reserve from share capital may not be increased during the same fiscal year as additional share capital from cash premium on capital stock.

The Company's capital surplus as of December 31, 2012 and 2011, was as follows:

	December 31, 2012	December 31, 2011
Capital surplus - share premium		
Premium on capital stock	\$ 22,839	22,839
Paid in capital in excess of par value through conversion	<u>2,407,676</u>	<u>2,407,676</u>
	<u>2,430,515</u>	<u>2,430,515</u>
Capital surplus - others		
Long term equity investments	<u>16,055</u>	<u>16,055</u>
	<u>\$ 2,446,570</u>	<u>2,446,570</u>

(2) Legal reserve

According to the ROC Company Act prior to the new amendment in January 2012, the Company must retain 10% of its after tax annual earnings as legal reserve until such retention equals the amount of the total capital. The legal reserve can only be used to offset deficits, and cannot be distributed as cash dividends. Up to one half of legal reserve can be converted to share capital when it reaches an amount equal to one half of the issued share capital. According to the new amendment of ROC Company Act, when the Company incurs no loss, it may, in pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by cash. Only the portion of the legal reserve which exceeds 25 percent of the paid in capital may be distributed.

(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 dividends 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 insufficient for special reserve but there is prior years' accumulated income, the special reserve should be provided from prior years' earnings before distribution.

For the year ended December 31, 2012, the estimated amount of the employees' bonus was \$6,018, and the directors and supervisors' remuneration was \$6,018.

The net profit after-tax in 2011 is \$20,306, and the stockholders' meeting decided to appropriate legal reserve of \$2,031 and special reserve of \$18,275 on June 27, 2012. No bonuses or remuneration was distributed. The related information can be obtained on the website of the Market Observation Post System.

The appropriation of 2011 and 2010 earnings had been approved in the stockholders' meetings on June 27, 2012, and June 24, 2011, respectively. The appropriations and dividends per share were as follows:

	2011	2010
Dividends per share (in dollars)		
Cash dividends	\$ -	1.06
Stock dividends	-	0.50
	<u>-</u>	<u>1.56</u>
Employees' cash bonus	\$ -	33,678
Directors' and supervisors' remuneration	-	33,678
Total	<u>\$ -</u>	<u>67,356</u>

6.7 The 2012 Consolidated Financial Statements of WAN HAI LINES LTD.

6.7.1 Independent Auditors' Audit 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, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2012 and 2011. 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 \$118,042 thousand and \$176,609 thousand, which represented 0.15% and 0.24% of total consolidated assets, as of December 31, 2012 and 2011, respectively. Those subsidiaries' net operating revenues amounted to \$22,212 thousand and \$36,252 thousand, which represented 0.04% and 0.05% of total consolidated operating revenues, for the years ended December 31, 2012 and 2011, respectively. Long term equity investment accounted for by the equity method amounted to \$152,744 thousand and \$203,573 thousand, which represented 0.20% and 0.28% of total consolidated assets, as of December 31, 2012 and 2011, respectively, and related investment loss amounted to \$18,352 thousand and \$19,186 thousand, which represented 0.83% and 4.44% of the consolidated income before income tax, for the years ended December 31, 2012 and 2011, 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, 2012 and 2011, 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, 2013

WAN HAI LINES LTD.

Consolidated Balance Sheets

December 31, 2012 and 2011

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

	2012	2011
Current assets:		
Cash and cash equivalents (note 4 and 26)	\$ 25,643,131	\$ 23,887,501
Financial assets at fair value through profit or loss - current (note 5,25, and 26)	-	101,021
Available-for-sale financial assets - current (note 6 and 26)	2,740,381	2,651,019
Notes receivable (note 26)	22,785	30,628
Accounts receivable (note 26)	2,316,621	2,918,127
Accounts receivable — related parties (notes 26 and 27)	153,508	115,270
Other receivables (note 26)	961,788	1,030,361
Fuels (note 7)	1,248,581	1,429,465
Receivables from agents (note 8, 26 and 27)	744,081	882,718
Restricted assets (notes 26 and 28)	5,550	306
Other current assets (note 22)	<u>578,572</u>	<u>772,708</u>
Total current assets	<u>34,414,998</u>	<u>33,819,124</u>
Investment:		
Long-term equity investments under equity method (note 9)	180,625	203,573
Other long - term investments	-	12,935
Available-for-sale financial assets-non-current (note 10 and 26)	258,219	224,892
Financial assets measured at cost-non-current (note 11 and 26)	648,438	648,438
Bond portfolios with inactive market-non-current (note 12 and 26)	<u>1,165,440</u>	<u>1,211,600</u>
Long-term investments-net	<u>2,252,722</u>	<u>2,301,438</u>
Fixed assets (notes 13, 28 and 29):		
Cost:		
Land	658,243	659,739
Buildings	1,085,576	1,121,126
Containers	15,979,901	16,424,692
Computer and communication equipment	345,801	384,240
Vessels	56,075,301	45,918,593
Privileged wharf equipment	955,690	956,990
Leasehold improvement	9,898	83,278
Furniture and fixtures	127,354	130,212
Leased assets	522,977	446,821
Revaluation increments	<u>1,527</u>	<u>1,527</u>
Cost and revaluation	75,762,268	66,127,218
Less: accumulated depreciation	38,019,472	34,604,228
Prepayments for equipment	<u>2,491,663</u>	<u>4,056,774</u>
Net fixed assets	<u>40,234,459</u>	<u>35,579,764</u>
Intangible assets:		
Deferred pension costs	390,701	474,331
Other intangible assets	<u>76,312</u>	<u>72,862</u>
Total intangible assets	<u>467,013</u>	<u>547,193</u>
Other Assets:		
Refundable deposits (note 14, 26, 28 and 29)	210,805	241,631
Deferred charges (note 15)	411,513	457,380
Deferred income tax assets — non-current (note 22)	2,953	3,361
Other assets	<u>13,154</u>	<u>703</u>
Total other assets	<u>638,425</u>	<u>703,075</u>
Total assets	<u>\$ 78,007,617</u>	<u>\$ 72,950,594</u>

WAN HAI LINES LTD.

Consolidated Balance Sheets

December 31, 2012 and 2011

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

	2012	2011
Current liabilities:		
Financial liabilities at fair value through profit or loss — current (note 17, 25 and 26)	\$ 143,585	\$ 877,042
Accounts payable (note 26)	6,358,423	6,075,076
Accounts payable — related parties (note 26 and 27)	225,670	283,207
Income tax payable	67,602	19,945
Accrued expenses (note 26)	674,692	766,092
Current portion of long-term loans (notes 19, 26 and 28)	3,786,341	3,472,078
Payables to agents (note 8 and 26)	31,021	41,884
Other current liabilities	853,239	1,139,387
Total current liabilities	<u>12,140,573</u>	<u>12,674,711</u>
Long-term liabilities:		
Financial liabilities at fair value through profit or loss — non-current (note 18 and 26)	6,608,467	6,676,815
Bonds payable (noted 20 and 26)	10,400,000	10,400,000
Long-term loans (notes 19, 26 and 28)	16,449,317	12,190,202
Total long-term liabilities	<u>33,457,784</u>	<u>29,267,017</u>
Other liabilities:		
Unrealized gain on sale and leaseback	282,805	443,177
Accrued pension liability (note 21)	761,233	856,629
Guarantee deposits received (note 26)	53,030	51,187
Deferred income tax liabilities — non-current (note 22)	674,663	544,639
Total other liabilities	<u>1,771,731</u>	<u>1,895,632</u>
Total liabilities	<u>47,370,088</u>	<u>43,837,360</u>
Stockholders' equity (notes 6, 10, 13, 21, 22, 23 and 24):		
Common stock — \$10 par value per share; 2,500,000 thousand shares authorized in 2012 and 2011; 2,218,297 thousand shares issued as of December 31, 2012 and 2011	22,182,975	22,182,975
Capital surplus	2,446,570	2,446,570
Retained earnings:		
Legal reserve	5,073,891	5,071,860
Special reserve	855,768	837,493
Unappropriated earnings	1,828,355	20,306
Total retained earnings	<u>7,758,014</u>	<u>5,929,659</u>
Other adjustments to stockholders' equity		
Cumulative translation adjustments	(1,108,007)	(750,066)
Net loss not recognized as pension cost	(265,532)	(268,062)
Unrealized loss on financial instruments	(539,526)	(592,164)
Unrealized revaluation increment	1,527	1,527
Total other adjustments to stockholders' equity	<u>(1,911,538)</u>	<u>(1,608,765)</u>
Minority interest	161,508	162,795
Total stockholders' equity	<u>30,637,529</u>	<u>29,113,234</u>
Commitments and contingencies (note 16, 19 and 29)		
Total liabilities and stockholders' equity	<u>\$ 78,007,617</u>	<u>\$ 72,950,594</u>

WAN HAI LINES LTD.
Consolidated Statements of Income

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2012	2011		
Net operating revenue (note 27)	\$ 62,615,224	66,824,814		
Operating cost (notes 21, 27 and 32)	<u>56,725,703</u>	<u>64,364,326</u>		
Gross profit	5,889,521	2,460,488		
Operating expenses (notes 21, 23, 27 and 32)	<u>3,102,031</u>	<u>2,785,760</u>		
Operating income	<u>2,787,490</u>	<u>(325,272)</u>		
Nonoperating income and gains:				
Interest income (note 26)	209,758	194,907		
Investment income under the equity method (note 9)	7,013	-		
Gain on disposal of fixed assets	316,510	920,879		
Gain on disposal of investments, net (note 26)	41,835	74,956		
Foreign exchange income, net	-	304,970		
Valuation gain on financial assets (note 25)	725,690	772,391		
Other income	<u>207,201</u>	<u>273,481</u>		
	<u>1,508,007</u>	<u>2,541,584</u>		
Nonoperating expenses and losses:				
Interest expenses (note 13 and 26)	791,242	647,424		
Investment loss under the equity method (note 9)	-	19,186		
Loss on disposal of fixed assets	2,180	1,853		
Foreign exchange loss, net	236,887	-		
Valuation loss on financial liabilities (note 25)	977,921	818,364		
Other losses	<u>73,412</u>	<u>297,187</u>		
	<u>2,081,642</u>	<u>1,784,014</u>		
Net income before income tax	2,213,855	432,298		
Income tax expenses (note 22)	<u>381,718</u>	<u>399,990</u>		
Net income	<u>\$ 1,832,137</u>	<u>32,308</u>		
Attributable to				
Parent company	\$ 1,828,355	20,306		
Minority interest	<u>3,782</u>	<u>12,002</u>		
	<u>\$ 1,832,137</u>	<u>32,308</u>		
	Before tax	After tax	Before tax	After tax
Basic earnings per share (dollars)	<u>\$ 0.97</u>	<u>0.82</u>	<u>0.17</u>	<u>0.01</u>
(note 24)				
Diluted earnings per share	<u>\$ 0.97</u>	<u>0.82</u>	<u>0.17</u>	<u>0.01</u>
(dollars) (note 24)				

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

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Loss on Financial Instruments	Unrealized Revaluation Increment	Minority Interest	Total
Balance on January 1, 2011	\$ 21,126,643	2,446,570	4,700,716	797,610	3,711,443	(936,857)	(275,462)	373,299	1,527	156,473	32,101,962
Net income for the year ended December 31, 2011	-	-	-	-	20,306	-	-	-	-	12,002	32,308
Appropriations of retained earnings (note 23) (note):											
Legal reserve	-	-	371,144	-	(371,144)	-	-	-	-	-	-
Special reserve	-	-	-	39,883	(39,883)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,244,084)	-	-	-	-	-	(2,244,084)
Stock dividends	1,056,332	-	-	-	(1,056,332)	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-	7,400	-	-	-	7,400
Minority interest	-	-	-	-	-	-	-	-	-	(3,039)	(3,039)
Valuation adjustment of available-for-sale financial assets (notes 6 and 10)	-	-	-	-	-	-	-	(965,463)	-	-	(965,463)
Cumulative translation adjustments	-	-	-	-	-	186,791	-	-	-	(2,641)	184,150
Balance on December 31, 2011	<u>22,182,975</u>	<u>2,446,570</u>	<u>5,071,860</u>	<u>837,493</u>	<u>20,306</u>	<u>(750,066)</u>	<u>(268,062)</u>	<u>(592,164)</u>	<u>1,527</u>	<u>162,795</u>	<u>29,113,234</u>
Net income for the year ended December 31, 2012	-	-	-	-	1,828,355	-	-	-	-	3,782	1,832,137
Appropriations of retained earnings (note 23):											
Legal reserve	-	-	2,031	-	(2,031)	-	-	-	-	-	-
Special reserve	-	-	-	18,275	(18,275)	-	-	-	-	-	-
Net loss not recognized as pension cost	-	-	-	-	-	-	2,530	-	-	-	2,530
Minority interest	-	-	-	-	-	-	-	-	-	(4,174)	(4,174)
Valuation adjustment of available-for-sale financial assets (notes 6 and 10)	-	-	-	-	-	-	-	52,695	-	-	(52,695)
Cumulative translation adjustments	-	-	-	-	-	(357,941)	-	-	-	(895)	(358,836)
Additional valuation adjustment of financial assets from long-term investments under the equity method	-	-	-	-	-	-	-	(57)	-	-	(57)
Balance on December 31, 2012	<u>\$ 22,182,975</u>	<u>2,446,570</u>	<u>5,073,891</u>	<u>855,768</u>	<u>1,828,355</u>	<u>(1,108,007)</u>	<u>(265,532)</u>	<u>(539,526)</u>	<u>1,527</u>	<u>161,508</u>	<u>30,637,529</u>

Note: The directors' and supervisors' remuneration of \$33,678 and employees' bonuses of \$33,678 have been recognized as operating expense.

WAN HAI LINES LTD.
Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 1,832,137	32,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,721,807	4,964,560
Amortization	107,129	98,670
Allowance (reversal of allowance) for inventory valuation	3,528	(18,842)
Investment (income) loss under the equity method	(7,013)	19,186
Cash dividend from subsidiary	29,323	16,417
Gain on disposal of fixed assets, net	(474,702)	(1,087,408)
Fixed assets classified into expense	597	-
Gain on disposal of available-for-sale financial assets	(41,835)	(74,956)
Unrealized foreign exchange (gain) loss	(38,565)	112,361
Deferred income tax expenses	170,922	63,422
Changes in assets:		
Financial assets at fair value through profit or loss	101,021	94,199
Notes receivable	7,843	2,000
Accounts receivable	601,506	254,843
Accounts receivable — related parties	(38,238)	(108,789)
Other receivables	5,881	(310,518)
Fuels	177,356	(67,250)
Other current assets	154,914	(260,021)
Receivables from agents	138,637	993,137
Changes in liabilities:		
Financial liabilities at fair value through profit or loss	(801,805)	(641,887)
Accounts payable	283,347	402,025
Accounts payable — related parties	(57,537)	(113,171)
Income tax payable	47,657	(289,785)
Accrued expenses	(91,400)	(172,975)
Other current liabilities	(286,148)	145,998
Accrued pension liability	(9,236)	47,702
Payables to agents	(10,863)	(20,743)
Net cash provided by operating activities	<u>6,526,263</u>	<u>4,080,483</u>
Cash flows from investing activities:		
Increase in available-for-sale financial assets	(219,022)	(1,199,804)
Proceeds from sale of available-for-sale financial assets	190,863	469,728
Available-for-sale financial assets — proceeds from capital reduction	-	6,180
Proceeds from sale of bond portfolios with inactive market	-	56
Increase in long-term investments under equity method	-	(89,557)
Payments for acquisition of fixed assets	(10,422,067)	(9,955,521)
Proceeds from sale of fixed assets	357,357	3,154,468
Decrease (increase) in refundable deposits	30,826	(1,485)

WAN HAI LINES LTD.
Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	2012	2011
Payment for deferred charges	(12,830)	(3,462)
Decrease in restricted assets	(5,244)	-
Payment for intangible assets	(4,782)	(38,812)
Increase in other assets	(12,451)	(233)
Net cash used in investing activities	<u>(10,097,350)</u>	<u>(7,658,442)</u>
Cash flows from financing activities:		
Increase in bonds payable	-	10,400,000
Decrease in bonds payable	-	(3,000,000)
Increase in long-term loans	8,495,821	5,232,455
Repayment of long-term loans	(3,488,889)	(2,704,882)
Increase in guarantee deposits	1,843	49,693
Cash dividends paid	-	(2,244,084)
Change in minority interest	(4,174)	(3,039)
Net cash provided by financing activities	<u>5,004,601</u>	<u>7,730,143</u>
Effect of exchange rate changes	322,116	(222,116)
Net increase in cash and cash equivalents	1,755,630	3,930,068
Cash and cash equivalents at beginning of year	23,887,501	19,957,433
Cash and cash equivalents at end of period	<u>\$ 25,643,131</u>	<u>23,887,501</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (excluding capitalized interest)	<u>\$ 857,118</u>	<u>603,888</u>
Cash paid for income tax	<u>\$ 207,600</u>	<u>627,834</u>
Investing and financing activities not affecting cash flows:		
Current portion of long-term loans	<u>\$ 3,786,341</u>	<u>3,472,078</u>
Fixed asset reclassified as deferred charges	<u>\$ 13,929</u>	<u>913</u>
Valuation adjustments of available-for-sale financial assets	<u>\$ 52,638</u>	<u>(965,463)</u>
Accumulated translation adjustment	<u>\$ (357,941)</u>	<u>186,791</u>
Recognition of deferred pension cost and net loss not recognized as pension cost	<u>\$ (86,160)</u>	<u>(68,923)</u>
Fixed assets reclassified as intangible assets	<u>\$ 33,316</u>	<u>27,500</u>
Investment activity affecting both cash and non-cash items:		
Payments for acquisition of fixed assets	\$ 10,422,067	9,602,021
Decrease in payables for purchase of equipment	-	(353,021)
Cash payment	<u>\$ 10,422,067</u>	<u>9,955,521</u>
Proceeds from sales of fixed assets	\$ 294,665	3,214,147
Decrease (increase) in other receivables — sale of fixed assets	62,692	(59,679)

Cash received

\$ 357,357

3,154,468

6.7.2 Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(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, 2012 and 2011, the names of the Company's subsidiaries were as follows:

Investing company	Name of subsidiary	Activities	Directly or indirectly held percentage	
			2012	2011
The Company	Wan Hai Lines (Singapore) Pte Ltd.	International freight transportation, acting as agent for transport affairs, vessel leasing, and container chartering	100.00	100.00
The Company	(WHL Singapore)	International freight transportation and acting as agent for transport affairs	100.00	100.00
The Company	Wan Hai Lines (America) Ltd.	Managing container terminals and storage facilities	55.00	55.00
The Company	(WHL America)	Operating and managing of container yard and vessel leasing	100.00	100.00
The Company	T.K. Logistics International Co., Ltd. (TK)	International freight transportation and acting as agent for transport affairs	100.00	100.00
The Company	K.K. WH Corporation	Maritime transportation and shipping agency services	70.01	70.01
WHL Singapore	Wan Hai Line (M) Sdn. Bhd. (WHL Malaysia)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHL Singapore	Wan Hai Lines (HK) Limited	International freight transportation and acting as agent for transport affairs	100.00	100.00

Investing company	Name of subsidiary	Activities	Directly or indirectly held percentage	
			2012	2011
WHL Singapore	(WHL Hongkong)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHL Singapore	Wan Hai Lines (Phils.), Inc. (WHL Phils.)	Acting as agent for transport affairs	100.00	100.00
WHL Singapore	Wan Hai Lines (Korea) Ltd. (WHL Korea)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHL Singapore	Wan Hai International Pte Ltd. (WHL INTL.)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHL Singapore	Yi Chun Shipping Agencies Sdn. Bhd.	International freight transportation and acting as agent for transport affairs	49.00 (Note 1)	49.00 (Note 1)
WHL INTL.	(Yi Chun)	International freight transportation and acting as agent for transport affairs	100.00	100.00
WHL Hongkong	Wan Hai Lines (Thailand) Limited	Information software service	100.00	100.00
WHL Hongkong	Dawin Logistics (International) Ltd. (DL)	Freight transportation, acting as agent for transport affairs, and investment	100.00	100.00
Dawin	Shenzhen Uniwin International Logistics (SUIL)	International freight transportation and acting as agent for transport affairs	100.00	100.00
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	Shanghai Clipper International Shipping Agency Ltd. (SCSA)	International freight transportation and acting as agent for transport affairs	49.00 (Note 2)	49.00 (Note 2)
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	90.00	90.00

Note 1: As of December 31, 2012 and 2011, the Consolidated Company did not directly or indirectly hold over one half of the voting rights of WHL Thailand; however, the subsidiary WHL Singapore occupies three of five seats on the board of WHL Thailand. As a result, WHL Singapore has direct control of WHL Thailand.

Note 2: As of December 31, 2012 and 2011, the Consolidated Company did not directly or indirectly hold over one half of the voting rights of CISA; however, the Consolidated Company occupies four of five seats on the board of CISA. As a result, the Consolidated

Company has direct control of CISA.

As of December 31, 2012 and 2011, the Company and its subsidiaries (the Consolidated Company) had 3,935 and 3,768 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. The Company and all of its subsidiaries mentioned in note 1 were included in the consolidated financial statements.

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

(2) 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 by 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 by 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. The functional currency is used as the reporting currency for subsidiaries overseas, and the functional currency of Wan Hai Lines (Singapore) Pte Ltd., the Company's important subsidiary, is US dollars. Exchange gains or losses resulting from the translation process should be recorded as translation adjustments, which are included as a separate component of stockholder's equity. Assets and liabilities should be translated at the current rate at the balance sheet date. Stockholders' equity accounts should

be translated at the historical rate except for the beginning balance of the retained earnings, which is the ending balance for the previous 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.

(3) 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.

(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) Cash and cash equivalents

All highly liquid investments 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 agreements to resell and commercial paper maturing within 3 months of the investment date.

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

(A) Financial assets

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.

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.

The Consolidated Company designates derivatives as hedges of operating, financing and investment risk. Pursuant to this policy, the Consolidated Company holds or issues

derivatives for hedging 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.

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.

(B) 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; non current financial liabilities should be recorded as financial liabilities at fair value through profit or loss under long term liabilities. Financial liabilities for trading purposes are derivative contracts that are hedging instruments but are not accounted for under hedge accounting.

(7) Available-for-sale financial assets

The Consolidated Company's purchases or sales of financial assets are recognized using trade date accounting. Available-for-sale financial assets are mainly investments in domestic stocks or beneficiary certificates, and the transaction costs are recognized at fair value in addition to purchasing or issuing costs.

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.

Costs of the available for sale financial assets are computed based on the weighted average method, and the accumulated amount of unrealized gain (loss) under shareholders' equity is reversed and recorded as current net income or loss. Stock dividends received are recorded as additional shares instead of investment income. Cash dividends are recorded as dividend income at the ex dividend date.

(8) 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.

(9) 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.

(10) Receivable financial assets

Allowance for doubtful accounts previously was estimated and calculated based on historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred in prior years.

Effective from January 1, 2011, the Consolidated Company adopted the 3rd amendment of Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." In accordance with SFAS No. 34, receivables shall be measured at amortized cost using the effective interest method. The Consolidated Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event (e.g., repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through current profit or loss.

(11) Impairment of non financial 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.

(12) Fuels

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.

(13) 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:

- (A) The investor company intends to continue its support for the investee company, or
- (B) 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 which the Company has the ability to control, 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.

(14) 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 relation 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	20~50 years
Containers	3~10 years	2~16 years
Computer and communication equipment	3~4 years	2~10 years
Vessels	18~25 years	2~25 years
Privileged wharf equipment	3~10 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.

(15) 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:

Assets	Useful life
Computer software	3 years

The residual value, amortization period, and 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.

(16) 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.

(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 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 ROC 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 ROC 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 ROC Seafarer Act came into

effect in 1999, the disbursement of a crewmember's retirement fund was calculated following the ROC Labor Standards Act and is subject to the pension scheme under the ROC 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) Income tax

The Consolidated 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 items that are directly debited or credited to stockholders' equity can be classified into two groups. First are those items that directly affect stockholders' equity and are not included in the computation of net income. Therefore, they do not affect pretax financial income for the current period, but are, according to the tax laws, included in taxable income. Consequently, pretax financial income and taxable income differ. Second are those items that, according to the tax laws, are excluded from taxable income, but a difference between the tax basis and the book value of the related asset or liability has occurred. When the related asset or liability is recovered or settled, a taxable or deductible amount will result; therefore, a taxable temporary difference should be properly recognized as deferred tax assets or liabilities.

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

When the basic income tax, which is calculated in accordance with Basic Income Tax Act, is higher than the income tax calculated in accordance with the Income Tax Act, the difference is

recorded in current income tax.

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.

(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) Operating segment information

Effective from January 1, 2011, the Consolidated Company adopted Statement of Financial Accounting Standards (SFAS) No. 41, "Operating Segments". An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

(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.

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

Effective from January 1, 2011, the Company adopted the 3rd amendment of Statement of Financial Accounting Standards (SFAS) No. 34, “Financial Instruments: Recognition and Measurement”. The recognition, measurement, and impairment evaluation of receivables is subject to SFAS No. 34. The change in accounting principle did not have significant effect on the financial statements as of and for the year ended December 31, 2012.

Effective from January 1, 2011, the Consolidated Company adopted SFAS No. 41, “Operating Segments”. In accordance with SFAS No. 41, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial impact of the business activities in which it engages and the economic environments in which it operates. The Consolidated Company determines and presents the operating segments based on the information that is internally provided to the chief operating decision maker. This Standard supersedes SFAS No. 20, “Segment Reporting”. Such changes in accounting principle did not have significant impact on the consolidated financial statements for the year ended December 31, 2011.

of its financial statements to evaluate the nature and financial impact of the business activities in which it engages and the economic environments in which it operates. The Consolidated Company determines and presents the operating segments based on the information that is internally provided to the chief operating decision maker. This Standard supersedes SFAS No. 20, “Segment Reporting”. Such changes in accounting principle did not have significant impact on the consolidated financial statements for the year ended December 31, 2011.

6.8 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	2012	2011	Difference	
				Amounts	%
Current assets		28,551,675	29,822,523	(1,270,848)	(4.26)
Long-term investment		18,563,385	13,636,647	4,926,738	36.13
Fixed assets		8,416,604	12,037,781	(3,621,177)	(30.08)
Intangible assets		307,816	323,954	(16,138)	(4.98)
Other assets		586,126	661,200	(75,074)	(11.35)
Total assets		56,425,606	56,482,105	(56,499)	(0.10)
Current liabilities		8,638,610	8,900,837	(262,227)	(2.95)
Long-term liabilities		15,983,159	17,264,300	(1,281,141)	(7.42)
Other liabilities		1,327,816	1,366,529	(38,713)	(2.83)
Total liabilities		25,949,585	27,531,666	(1,582,081)	(5.75)
Common stock		22,182,975	22,182,975	0	0.00
Capital surplus		2,446,570	2,446,570	0	0.00
Retained earnings		7,758,014	5,929,659	1,828,355	30.83
Other adjustments to stockholders' equity		(1,911,538)	(1,608,765)	(302,773)	(18.82)
Total stockholders' equity		30,476,021	28,950,439	1,525,582	5.27

Note: Illustration for significant variance

1. The increase in long-term investment is mainly due to the capital injection to Wan Hai Lines (Singapore) Pte Ltd. in 2012.
2. The decrease of fixed assets is mainly due to that most vessels were acquired and sold to Wan Hai Lines (Singapore) Pte Ltd. in 2012.

7.2 Analysis of operation results

Comparative analysis of operation results

Unit: TWD thousand ;%

Item	Year	2012		2011		Increase (Decrease)	Variation percentage (%)
		Subtotal	Total	Subtotal	Total		
Operating revenue		56,649,352		62,771,353		(6,122,001)	(9.75)
Less : operating income return		<u>58,038</u>		<u>73,428</u>		(15,390)	(20.96)
Net operating revenue			56,591,314		62,697,925	(6,106,611)	(9.74)
Operating cost			<u>52,189,842</u>		<u>63,027,657</u>	(10,837,815)	(17.20)

Item	Year	2012		2011		Increase (Decrease)	Variation percentage (%)
		Subtotal	Total	Subtotal	Total		
Gross profit			4,401,472		(329,732)	4,731,815	1434.86
Operating expense			<u>1,648,001</u>		<u>1,636,880</u>	11,121	0.68
Operating income			2,753,471		(1,966,612)	4,720,083	240.01
Non-operating income and gain			1,328,887		3,310,412	(1,981,525)	(59.86)
Non-operating expenses and loss			<u>1,929,917</u>		<u>963,825</u>	966,092	100.24
Net income before income tax			2,152,441		379,975	1,772,466	466.47
Less : income tax expenses			<u>324,086</u>		<u>359,669</u>	(35,583)	(9.89)
Net income after income tax			<u>\$1,828,355</u>		<u>\$20,306</u>	1,808,049	8904.01

Note: Illustration for variation for the past two years

1. The main reason for the increase of the gross profit, net income before income tax and net income after income tax in 2012 was the decrease in operation cost and the decline in oil price.
2. The main reason for the decrease of the non-operating income and gain in 2012 was the decrease in selling containers.
3. The main reason for the increase of the non-operating expenses and loss in 2012 was the effect of exchange rate.

7.3 Analysis of cash flow

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

Items	Year	2012	2011	Increase(Decrease) (%)
Cash flow ratio		62.97	9.87	537.99%
Cash flow adequacy ratio		65.52	65.72	-0.30%
Cash re-investment ratio		8.59	-2.22	486.94%

Analysis of increase/decrease ratios:

The global economic resulted in an increase in cash inflow from operating activities and the increase resulted in the up of cash flow 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
19,755,257	2,535,068	-407,125	21,883,200	-	-

1. Analysis of cash flow for this year:

- (1) Operating activities: Expected demand and the average ocean freight rate will have a minor downward correction in the next coming year, so the Company estimated that the cash inflow from operating activities is TWD 2,535,068,000.

- (2) Investing activities: Planning to dispose the fixed assets in the next coming year, the Company estimated that the cash inflow from investment activities is TWD 712,627,000.
- (3) Financing activities: Under the influence of repaying loan in the next coming year, the Company estimated that the cash outflow from financing activities is TWD 198,769,000.
- (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)						
				2009	2010	2011	2012	2013	2014	2015
Purchasing vessels Purchasing containers Investing terminal	Loans:70% internal Funds:30%	New Vessel : 2 full-container vessels in year 2009 2 full-container vessels in year 2011 9 full-container vessels in year 2012 3 full-container vessels in year 2013 Investing terminal Purchasing containers	26,162,804	1,557,261	2,165,637	6,658,287	9,913,745	5,867,874	-	-

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

Purchasing new vessels:

1. Two new full-container vessels with capacities of 1,805 TEUs:
 - (1) One new full-container vessel is deployed in the service routes of JPOSA–JPUKB-JPMOJ-JPHKT-TWTPE-TWTXG-HKHKG-TWKHH-TWTXG-TWKEL-JPOSA, with 14 days per voyage and 26 voyages per year. Expected operating revenue will be increased by TWD903,936,000 per year.
 - (2) One new full-container vessel is deployed in the service routes of JPTYO- JPYOK-JPNGO-HKHKG-THBKK-THLCH-HKHKG-CNSKU-JPTYO, with 21 days per voyage and 17 voyages per year. Expected operating revenue will be increased by TWD 522,805,000 per year.
2. Four new full-container vessels with capacities of 1,040TEUs:
 - (1) Three new full-container vessels are deployed in the service routes of JPOSA–JPUKB-JPHIJ-JPMOJ-JPHKT-KRUSN-TWKHH-HKHKG-VNHPH-CNFAN-CNYTN-HKHKG-JPOSA, with 21 days per voyage and 14 voyages per year. Expected operating revenue will be increased by TWD1,406,094,000 per year.
 - (2) One new full-container vessel is deployed in the service routes of TWKHH-VNHPH-TWKHH, with 14 days per voyage and 26 voyages per year. Expected operating revenue will be increased by TWD 487,645,000 per year.
3. Three new full-container vessels with capacities of 4,532TEUs:
 - (1) Three new full-container vessels are deployed in the service routes of CNTAO-CNSHA-CNNGB-USLAX-CNTAO, with 42 days per voyage and 8 voyages per year. Expected operating revenue will be increased by TWD 3,085,002,000 per year.

7.5 The main reasons for profits and losses of the investment plans in the last 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 businesses, shipping agencies, and vessel rental companies. Our profit from investments in the past year totaled TWD -793,486,000, mainly comprised of the decline of vessel rentals from companies we have invested in. 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 Wan Hai Singapore and Wan Hai Hong Kong. The company provides guarantees for long-term vessel loans to Wan Hai 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 expense for WHL future research and development plans.

The development plans of research of new market.

The budget for the research of new market, new service and other development plan to enhance the competitiveness comes to TWD33,950 thousand, including:

1. Research for market
2. Study for niche market in Asia region
3. Study for service rationalization
4. Promotion of E-commerce
5. Enlargement of the development of strategic alliance.

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

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 and related investment.

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 2011. 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.
3. U.S.-Korea FTA was scheduled to take effect on January 1,2012 for linked to the East Asian regional industry and trade changes, the Company will adjust the route structure and operational strategy.

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 and payment are all covered by our insurance and can be reimbursed from the insurance policy. Hence, all the related risks are under proper control and have no any material effect to our company.

7.6.13 Other important risks: Nil

7.7 Other significant information: Nil

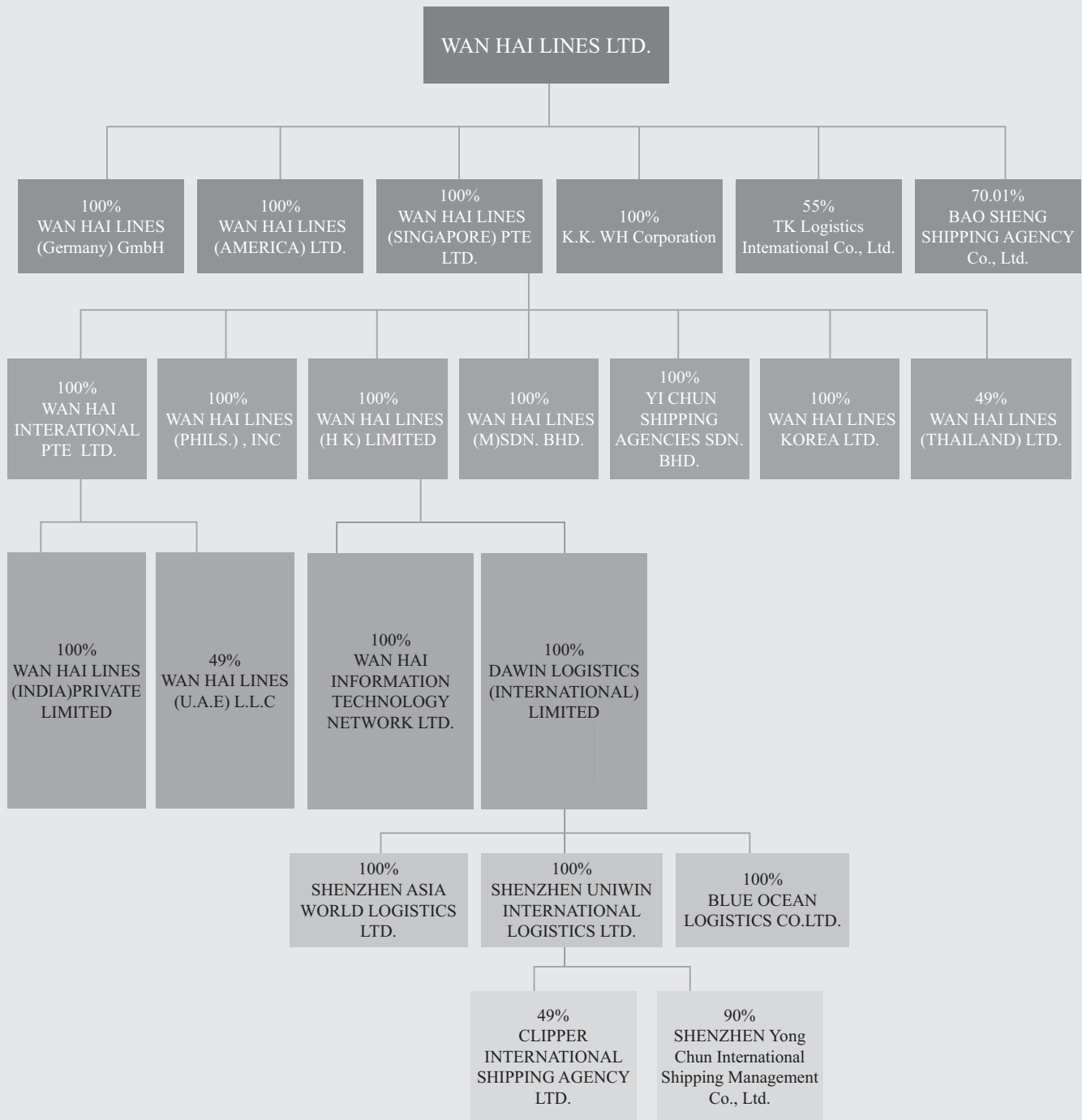


Special Disclosure

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:41.085/29.136	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:7.7521/29.136	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (SINAPORE) PTE LTD.	1991.05.09	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	394,190,795(USD) ex. rate:29.136	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:3.063/29.136	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:3.063/29.136	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:1070.3/29.136	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (AMERICA) LTD.	2000.08.16	2510W. Dunlap Ave. Ste 425 Phoenix, AZ 85021	4,000,000(USD) ex. rate:29.1360	International sea transportation, operations, agencies for transport affairs
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	2000.07.13	26FL. No.418 DONGFENGZHONG RD., HUA YI TAI INTERNATIONAL GUANGZHOU,CHINA	2,125,450(RMB) ex. rate:6.2318/29.136	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:1.2233/29.136	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (INDIA) PRIVATE LIMITED	2002.05.28	A-102 & 103, The Qube, Near To International Airport, Marol Village,Andheri (East), Mumbai-400 059	100,000(INR) ex. rate:54.85/29.136	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:86.25/29.1360	Operation & Management of Terminal, Charter hire business
Wan Hai Lines (Germany) GmbH	2004.04.29	Brandstwiete 1, 20457 Hamburg, Germany	25,000(EUR) ex. rate:0.7553/29.1360	International sea transportation, operations, agencies for transport affairs
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	1980.11.18	2/F.,Singga Commercial Centre,148 Connaught Road,West, Hong Kong	75,640,000(HKD) ex. rate:7.7521/29.136	Cargo handling, warehousing and investment service
SHENZHEN ASIA WORLD LOGISTICS LTD.	2004.08.09	RM501-504.5FL. ZhongTie Logistics Bld,ShenYan Road ShenZhen,China	1,060,000(RMB) ex. rate:6.2318/29.136	warehousing
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	2002.06.14	25C-25D, Tianmian City Tower,Middle Shennan Blvd, Shenzhen, China.	77,409,268(RMB) ex. rate:6.2318/29.136	Agencies for handling cargos and related business
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	2004.12.30	22/F HAITONG SECURITIES TOWER, NO.689 GUANGDONG ROAD, SHANGHAI	1,000,000(RMB) ex. rate:6.2318/29.136	International sea transportation, operations,
TK LOGISTICS INTERNATIONAL CO., LTD.	2005.09.26	No.28 Zhong Shan 4th Road Keelung City, Taiwan	260,000,000(TWD)	On-dock container terminal, international logistics service, stevedoring service and warehouse.
BAO SHENG SHIPPING AGENCY 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	9/F,No.118, East Bao Xing Road, HongKou District, Shangha	7,824,000(RMB) ex. rate:6.337/30.29	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:3.6732/29.136	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:30.63/29.136	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) ex. rate:6.2318/29.136	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	100.00%	-	-
	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	2012.10.19	3 year	20,000	100.00%	-	-
	Director	WH-SG Representative Po-Ting Chen	2012.10.19	3 year			-	-
	Director	WH-SG Representative Huey-Jiuan Chen	2012.04.12	3 year			-	-
	Director	WH-SG Representative Chih-Heng Wan	2012.10.19	3 year			-	-
	Supervisor	WH-SG Representative Fur-Lung Hsieh	2012.03.09	3 year			-	-
WAN HAI LINES (M) SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	-	500,000	100.00%	-	-
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	-			-	-
	Director	WH-SG Representative Yann-Jang Doong	2012.03.01	-			-	-
	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	100.00%	-	-
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	-			-	-
	Director	WH-SG Representative Teck Leong Chua	1994.06.07	-			-	-
	Director	WH-SG Representative Doong, Yann-Jang	2012.03.01	-			-	-
WAN HAI LINES (SINGAPORE) PTE LTD.	Director	WH-TPE Representative Po-Ting Chen	1994.05.01	-	538,075,000	100.00%	-	-
	Director	WH-TPE Representative Chih-Yuan Chen	1994.05.01	-			-	-
	Director	WH-TPE Representative Randy Chen	2006.04.01	-			-	-
	Director	WH-TPE Representative Jen-Yee Huang	2012.12.15	-			-	-
WAN HAI LINES (AMERICA) LTD.	Director	WH-TPE Representative Chih-Chao Chen	2000.08.16	-	90,000	100.00%	-	-
	Director	WH-TPE Representative Po-Ting Chen	2000.08.16	-			-	-
	Director	WH-TPE Representative Huey-Jiuan Chen	2004.06.13	-			-	-
	Director	WH-TPE Representative Randy Chen	2008.04.01	-			-	-
WAN HAI INTERNATIONAL PTE. LTD.	Director	WH-SG Representative Po-Ting Chen	2012.09.05	1year	50,000	100.00%	-	-
	Director	WH-SG Representative Huang Jen Yee	2012.12.15	1year			-	-
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	Chairman	WH-HK Representative Kwan-Wah Chu	2010.01.25	not specified	-	100.00%	-	-
	Director	WH-HK Representative Lin, Chen Chu	2010.01.25	not specified			-	-
	Director	WH-HK Representative Chan, Yu-Wan	2010.01.25	not specified			-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
WAN HAI LINES (H K) LIMITED	Director	WH-SG Representative Chaw-Chuan Chen	2012.10.17	1 year	160,000,000	100.00%	-	-
	Director	WH-SG Representative Ching-Chih Chen	2012.10.17	1 year			-	-
	Director	WH-SG Representative Po-Ting Chen	2012.10.17	1 year			-	-
	Director	WH-SG Representative Chih-Chao Chen	2012.10.17	1 year			-	-
	Director	WH-SG Representative Wen-Chau Yeh	2012.10.17	1 year			-	-
	Director	WH-SG Representative Kwan-Wah Chu	2012.10.17	1 year			-	-
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	Director	WH-HK Representative Chaw-Chuan Chen	2012.11.18	1 year	75,640,000	100.00%	-	-
	Director	WH-HK Representative Ching-Chih Chen	2012.11.18	1 year			-	-
	Director	WH-HK Representative Po-Ting Chen	2012.11.18	1 year			-	-
	Director	WH-HK Representative Chih-Chao Chen	2012.11.18	1 year			-	-
	Director	WH-HK Representative Wen-Chau Yeh	2012.11.18	1 year			-	-
	Director	WH-HK Representative Kwan-Wah Chu	2012.11.18	1 year			-	-
SHENZHEN ASIA WORLD LOGISTICS LTD.	Chairman	DAWIN Representative Chi-Yin Yeung	2011.07.19	3 year	-	100.00%	-	-
	Director	DAWIN Representative Yu-Hung Li	2011.07.19	3 year			-	-
	Director	DAWIN Representative Chia-Ming Chang	2012.07.10	3 year			-	-
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	Board chairman	DAWIN Representative Kwan-Wah Chu	2010.03.26	3 year	-	100.00%	-	-
	Director	DAWIN Representative Li-Kuang Huang	2012.12.15	3 year			-	-
	Director	DAWIN Representative Lin Chen Chu	2010.03.26	3 year			-	-
	Supervisor	DAWIN Representative Chia-Ming Chang	2012.12.15	3 year			-	-
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	Chairman	UNIWIN Representative Yeh,Wen-Chau	2011.12.01	3 year	-	49.00%	-	-
	Director	UNIWIN Representative Lin,Jeong-Shin	2010.11.29	3 year			-	-
	Director	UNIWIN Representative Ju,Kuen-Hua	2010.11.29	3 year			-	-
	Director	UNIWIN Representative Chan,Yu-Wan	2010.11.29	3 year			-	-
	Supervisor	UNIWIN Representative Jang,Jia-Ming	2010.11.29	3 year			-	-
	Director	ShenZhen TaiErXin Representative Chan,Yuan	2010.11.29	3 year		51.00%	-	-
WAN HAI LINES (INDIA) PRIVATE LIMITED	Director	Wan Hai International Pte. Ltd. Representative Po-Ting Chen	2002.05.30	-	10,000	100.00%	-	-
	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	-			-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse,unmatured Children holding shares	
					shares	%	shares	%
K.K. WH Corporation	Representative Director	WH-TPE Representative Ching-Chih Chen	2005.02.18	10 year	500	100.00%	-	-
	Representative Director	WH-TPE Representative Mu-Jung Hsieh	2012.07.23	10 year			-	-
	Director	WH-TPE Representative Chao-Hon Chen	2005.02.18	10 year			-	-
	Director	WH-TPE Representative Po-Ting Chen	2005.02.18	10 year			-	-
	Supervisor	WH-TPE Representative Rex Huang	2003.06.30	10 year			-	-
Wan Hai Lines (Germany) GmbH	President	Kwang-Meng,Quek	2010.09.01	-	-	100.00%	-	-
TK LOGISTICS INTERNATIONAL CO., LTD.	Chairman	LUCKY OCEAN SHIPPING CO., LTD C.C.CHUANG	2011.06.16	3 year	2,600,000	10.00%	-	-
	Director	NEW SPEED TRANSPORTATION & TERMINAL CORP Jeffery Chen	2011.06.16	3 year	2,600,000	10.00%	-	-
	Director	ZANG CHUN ASSETS MANAGEMENT CO., LTD Billy Chen	2011.06.16	3 year	2,600,000	10.00%	-	-
	Director	WH-TPE Representative Huey-Juan Chen	2011.06.16	3 year	14,300,000	55.00%	-	-
	Director	WH-TPE Representative Fa-Wei Chang	2012.03.15	3 year			-	-
	Vice-Chairman	WH-TPE Representative Kuo-Chi Tang	2011.06.16	3 year			-	-
	Director	WH-TPE Representative I-Feng Lin	2012.10.08	3 year			-	-
	Supervisor	WH-TPE Representative Fu-Lung Hsieh	2011.06.16	3 year			-	-
	Supervisor	WH-TPE Representative Wei-Chien Chuang	2011.06.16	3 year	-	-		
BAO SHENG SHIPPING AGENCY CO., LTD.	Chairman	WH-TPE Representative Chih-Chao Chen	2010.07.06	3 year	3,000,000	70.01%	-	-
	Director	WH-TPE Representative Tai-Chih Liu	2010.07.06	3 year			-	-
	Director	WH-TPE Representative Li-Mei Su	2010.07.06	3 year			-	-
	Director	WH-TPE Representative Chih-Heng Wan	2010.07.06	3 year			-	-
	Supervisor	WH-TPE Representative Fu-Lung Hsieh	2010.07.06	3 year			-	-
	Vice-Chairman	C.C.CHUANG	2010.07.06	3 year	1,285,000	29.99%	-	-
BLUE OCEAN LOGISTICS CO. LTD.	Chairman	DAWIN Representative Huang, Jen-Yee	2011.10.28	3 year	-	100.00%	-	-
	Director	DAWIN Representative Cheng, Chia-Yuan	2011.10.28	3 year			-	-
	Director	DAWIN Representative Yeh, Wen-Chau	2010.09.06	3 year			-	-
	Director	DAWIN Representative Chiue, Chi-Wen	2012.02.10	3 year			-	-
WAN HAI LINES (U.A.E) L.L.C	Director	Wan Hai International Pte. Ltd. Representative Po-Ting Chen	2004.04.13	-	147	49.00%	-	-
	Director	Wan Hai International Pte. Ltd. Representative Chen Huei-Juan	2010.08.01	-			-	-
	Director	Sharaf Representative Ibrahim Sharaf	2004.04.13	-	153	51.00%	-	-
	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	49.00%	-	-
	Director	WH-SG Representative Fur-Lung Hsieh	2009.05.01	-			-	-
	Director	WH-SG Representative Fei-Fei Chuang	2012.03.15	-			-	-
	Director	Sumate Lopinich	2006.05.01	-	25,000	50.00%	-	-
	Director	Thanpol Thitipichetkul	2011.03.01	-	500	1.00%	-	-
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 year	-	10.00%	-	-
	Vice board chairman	Shenzhen Uniwin Representative Kwan-Wah Chu	2010.04.26	3 year	-	90.00%	-	-
	Director	Shenzhen Uniwin Representative Lin,Jeong-Shin	2010.09.19	3 year			-	-
	Director	Shenzhen Uniwin Representative Huey Jang, Chung	2011.11.24	3 year			-	-
	Director	Shenzhen Uniwin Representative Kae-Chang Wu	2011.11.24	3 year			-	-
	Supervisor	Shenzhen Uniwin Representative Yu-Man Chan	2010.04.26	3 year			-	-

8.1.6 Related Parties' Financial Position & Operation Results

Unit : TWD 1,000, Per Share / TWD
2012/12/31

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)	128,320 (PHP 180,945,168)	122,208 (PHP 172,326,494)	6,112 (PHP 8,618,674)	32,510 (PHP 45,285,364)	(2,407) (PHP -3,352,323)	(1,385) (PHP -1,929,094)	(1.54) (PHP -2.14)
WAN HAI LINES (H K) LIMITED	695,246 (HKD 160,000,000)	3,243,807 (HKD 863,058,937)	1,037,873 (HKD 276,140,341)	2,205,934 (HKD 586,918,596)	480,830 (HKD 126,106,004)	327,268 (HKD 85,831,872)	197,689 (HKD 51,847,511)	1.22 (HKD 0.32)
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	7,922 (RMB 2,125,000)	13,789 (RMB 2,953,860.48)	1,269 (RMB 271,830.78)	12,520 (RMB 2,682,029.7)	54,143 (RMB 11,565,262.49)	(743) (RMB -158,754.71)	(837) (RMB -178,735.68)	N/A
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	292,117 (HKD 75,640,000)	376,398 (HKD 100,145,799)	5,156 (HKD 1,371,822)	371,242 (HKD 98,773,977)	17,303 (HKD 4,538,023)	9,428 (HKD 2,472,531)	2,304 (HKD 604,177)	0.03 (HKD 0.008)
SHENZHEN ASIA WORLD LOGISTICS LTD.	4,941 (RMB 1,060,000)	15,288 (RMB 3,275,048.73)	131 (RMB 28,079.58)	15,157 (RMB 3,246,969.15)	2,373 (RMB 506,964.6)	1,674 (RMB 357,567.87)	1,458 (RMB 311,534.86)	N/A
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	366,857 (RMB 2,125,000)	570,399 (RMB 122,191,944.25)	125,442 (RMB 26,872,454.78)	444,957 (RMB 95,319,489.67)	276,726 (RMB 59,111,191.96)	25,1475 (RMB 4,714,785.77)	15,156 (RMB 3,237,446.41)	N/A
Shenzhen Yong Chun International Shipping Management Co., Ltd.	4,736 (RMB 1,000,000)	5,075 (RMB 1,087,256)	995 (RMB213,125.66)	4,080 (RMB 874,130.34)	18,284 (RMB 3,905,620.72)	(2,608) (RMB -557,061.55)	(2,608) (RMB -557,061.55)	N/A
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	4,070 (RMB 1,000,000)	1,607,399 (RMB 344,339,964.97)	1,594,526 (RMB 341,582,465.97)	12,872 (RMB 2,757,499)	296,473 (RMB 63,328,823.1)	371 (RMB 79,309.69)	(1,485) (RMB -317,224.61)	N/A
WAN HAI LINES (SINGAPORE) PTE LTD	11,950,235 (USD 394,190,795)	34,598,547 (USD 1,187,484,437)	20,827,080 (USD 714,822,893)	13,771,467 (USD 472,661,544)	9,838,055 (USD 332,666,806)	(315,934) (USD -10,683,067)	1,075,514 (USD 36,367,727)	(2.01) (USD -0.068)
WAN HAI INTERNATIONAL PTE. LTD.	1,062 (SGD 50,000)	572,160 (SGD 24,022,616)	182,358 (SGD 7,656,453)	389,802 (SGD 16,366,163)	236,311 (SGD 9,983,559)	89,580 (SGD 3,784,558)	84,076 (SGD 3,552,004)	1,681.52 (SGD 71.04)
WAN HAI LINES (M) SDN. BHD.	4,613 (MYR 500,000)	295,031 (MYR 31,015,890)	174,890 (MYR 18,385,739)	120,141 (MYR 12,630,151)	119,947 (MYR 13,051,344)	56,064 (MYR 6,100,321)	(5,585) (MYR -607,732.54)	(11.17) (MYR -1.22)

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income *	Porfit on Operating *	Profit Loss *	Earning per Share
YI CHUN SHIPPING AGENCIES SDN. BHD.	1,845 (MYR 200,000)	1,954 (MYR 205,430)	35 (MYR 3,701)	1,919 (MYR 201,729.15)	56 (MYR 6,116)	56 (MYR 6,116)	(7) (MYR -750.84)	(0.03) (MYR 0.003755)
Wan Hai Lines Korea Ltd.	3,500 (WON 100,000,000)	108,553 (WON 3,990,906,691)	103,843 (WON 3,817,744,226)	4,710 (WON 173,162,465)	83,106 (WON 3,147,973,062)	5,086 (WON 192,644,578)	5,449 (WON 206,396,549)	272.45 (WON 10.320)
WAN HAI LINES (INDIA) PRIVATE LIMITED	69 (INR 100,000)	361,096 (INR 679,782,325)	368,036 (INR 692,847,025)	(6,940) (INR -13,064,700)	130,480 (INR 245,634,465)	(31,123) (INR -58,590,721)	(27,500) (INR -51,769,930)	(2,749.99) (INR -5,176.99)
WAN HAI LINES (AMERICA) LTD.	132,000 (USD 4,000,000)	84,789 (USD 2,910,123)	10,988 (USD 377,123)	73,801 (USD 2,533,000)	255,981 (USD 8,655,799)	6,131 (USD 207,321)	6,653 (USD 224,978)	73.93 (USD 2.50)
Wan Hai Lines (Germany) GmbH	1,018 (EUR 25,000)	9,097 (EUR 235,830.31)	1,137 (EUR 29,471.99)	7,960 (EUR 206,358.32)	18,248 (EUR 480,000)	1,301 (EUR 34,200.23)	9347 (EUR 24,640.79)	N/A
K.K. WH Corporation	7,141 (JPY 25,000,000)	596,738 (JPY 1,766,498,699)	582,499 (JPY 1,724,344,352)	14,239 (JPY 42,154,347)	5,061,699 (JPY 13,639,716,949)	1,624 (JPY 4,376,214)	1,288 (JPY 3,470,580)	2.58 (JPY 6,941.16)
TK LOGISTICS INTERNATIONAL CO., LTD.	260,000	587,619	330,291	257,328	219,695	(3,536)	(10,598)	(0.41)
BAO SHENG SHIPPING AGENCY CO., LTD.	42,850	95,337	41,331	54,006	52,658	10,639	8,618	2.01
BLUE OCEAN LOGISTICS CO. LTD.	32,596 (RMB 7,824,000)	54,863 (RMB 11,752,895.8)	12,847 (RMB 2,752,113.85)	42,016 (RMB 9,000,781.95)	144,271 (RMB 30,817,403.15)	(4,134) (RMB -883,016.63)	(4,129) (RMB -881,896.63)	N/A
WAN HAI LINES (U.A.E) L.L.C	2,616 (AED 300,000)	137,678 (AED 17,357,124)	82,962 (AED 10,459,116)	54,716 (AED 6,898,008)	119,393 (AED 14,337,195)	51,754 (AED 6,428,171)	51,754 (AED 6,428,171)	172,512.85 (AED 21,427.24)
WAN HAI LINES (THAILAND) LTD.	4,594 (THB 5,000,000)	72,727 (THB 76,456,539)	27,108 (THB 28,497,856)	45,619 (THB 47,958,683)	83,847 (THB 87,687,362)	18,306 (THB 19,144,314)	13,710 (THB 14,338,327)	559.61 (THB 585.24)

(1) 2012/12/31 CLOSE RATE
 USD/NTD :29.136 USD/HKD : 7.7521 USD/SGD : 1.2233 USD/MYR : 3.0630 USD/WON(KRW) : 1070.3 USD/PHP : 41.085 USD/RMB : 6.2318
 USD/INR : 54.85 USD/YEN(JPY) : 86.25 USD/EUR : 0.7553 USD/AED : 3.6732 USD/THB : 30.63 CNY/HKD:1.242 VND/NTD:0.0014

(2) 2012 AVERAGE RATE
 NTD/USD : 29.5733 NTD/HKD : 3.8129 NTD/SGD : 23.6700 NTD/THB : 0.9562 NTD/EUR : 38.0167 NTD/PHP : 0.7179
 NTD/RMB : 4.6849 NTD/YEN(JPY) : 0.3711 CNY/HKD:1.2278 krw/ntd:0.0264 VND/NTD:0.0014 HKD/NTD:3.8129

(3) Expose information for affiliates of a single financial report

(4) The capital amount is the original exchange rates

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





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