



## Condition of the Business Operation

### 5.1 Business profile

#### 5.1.1 Scope of business

1. Marine transportation ( 94.69 %)
2. Shipping agency ( 0.72 %)
3. Purchase & sales of vessels and containers ( 0.42 %)
4. Container freight station business ( 1.00 %)
5. Leasing of vessels and containers ( 3.17 %)

Wan Hai Lines provides full-containerized shipping service covering ports in Japan, Korea, Taiwan, China, Hong Kong, Thailand, Indonesia, Philippines, Singapore, Malaysia, Vietnam, Myanmar, Cambodia, India, Pakistan, Sri Lanka, Bangladesh, the Middle East, the United States, Mexico, Guatemala, Columbia, Ecuador, Peru, Chile, the Netherlands, Belgium, Germany, Greece, 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. Additionally, the Company continues with its new service and studies of new markets to enhance its competitiveness overseas. The Company also supports the government's policy to develop the direct services across the Taiwan Strait.

#### 5.1.2 General state of the industry:

Lately, service freight has been up and down primarily due to an increase of global vessel capacities and the supply greater than the demand both of which were caused by the continuing trend of scale strategic alliance and services integration among the carriers.

In the mist of severe external challenges, the Company, in addition to improving operational efficiency to its own fleet, increases its collaboration with fellow carriers through alliance to expand service areas and reduce operational risk, thereby reducing operating costs. Meanwhile, the Company timely adjusts the proportion of its self-owned vessels and regulates charter portfolio to lower the costs, yet maintaining its high-quality customer service. Looking forward, we have the confidence to continue expanding market share and improving profitability in a challenging market.

#### 5.1.3 General state of technology and development:

As a member in maritime container transport industry, the Company upholds and fulfills its social responsibility by embracing today's trends for environmental protection and risk management. Furthermore, through implementation of customer-oriented goals and objectives in the management and shipping service planning, the Company is able to operate hand in hand with the real-time market trends while at the same time strictly controls and reduces costs so to maximize the projected profits, and as always to live up the expectations of its shareholders and the support of the public.

Our Planning Department is entrusted with service study and development with primary function of the following:

1. New service and new market.
2. Revamping and integration of current services
3. Mid to long-range operations planning.

Study and development spending in the last two years and major accomplishments(Unit: TWD):

Year	Total expense	Accomplishment
2013	TWD 33,951,000	1.The Southeastern Asia ((Rangoon, Cambodia, India and Pakistan, Indonesia and surrounding) 2.The Persian Gulf section 3.The Middle East Red Sea 4.West Coast of the South America 5.Ship speed and fuel saving 6.Promotion of E-commerce 7.Strengthening strategic alliance
2014	TWD 33,340,000	1.Suitable type of vessel for service study 2.The Central and Southern American services 3.The Eastern Mediterranean area 4.The Southeastern Asia (Southern Philippines, Borneo, Singapore and Malaysia) 5.Promotion of E-commerce 6.Strengthening strategic alliance

In addition, the company due to its industry function, to enhance the future economic benefits, cut costs, and prevent losses caused by natural disasters may suffer, dedicated to saving and measures against Typhoon and other R & D projects, we do as follows:

1. measures to avoid typhoon:

- (1) the marine developed typhoon notification rules and circular to fleet to implement
- (2) the marine division has strengthened on navigation safety, berthing safety during typhoon influence period.
- (3) provide guidelines to fleet for avoidance of typhoon
  - A. Countermeasure
    - a. Once the ship at berth or waiting for berth, due to influence of typhoon and order by the port authority to be sail, The master shall collect all weather information and take necessary avoidance typhoon measurement for safety of the ship accordingly
    - b. The master and all crewmembers to be taking good care of ship safety during typhoon infect period, the master to take all means to collect relevant weather information such as Navtex, Inmarsat-C. FAX and monitoring its development of the typhoon and take necessary action to avoid typhoon influence as early as possible.
    - c. If the typhoon is coming, The fleet master shall observe ISM PR-0705 to take proper action to avoid Typhoon, to make sure crew, cargo and ship in safety. Once the ship can not avoid to enter the typhoon circle the master shall prevent to enter its first quadrant, due to where are easy to cause hull and cargo damage, at this same time Marine PIC keep the ship monitoring by every six hourly interval. Once the ship is stay in port shall be requested to stand by her engine and seek instruction for departure for ship safety.
    - d. In case of evading typhoon at outer harbor, master should seek an appropriate shelter. For the sake of Fuel Saving Policy, a safe shelter nearby port is a first priority. Meanwhile, the master is kindly requested to keep in close touch with the OPD, Maritech, agent, port control or pilot station for returning port in time.
    - e. Make good use of the weather service's software to planning sailing route, simulation on it to fine out the optima route.
  - A. Evading typhoon plan:
    - a. Judging typhoon movement from weather information, plot the path of the center of typhoon on the nautical chart and beware of the change of squall radius.
    - b. Avoid anchoring as Typhoon approaching, since anchor for evading typhoon could involve dragging danger and collide with other vessels.
    - c. Select the waters with plenty room for shielding from land or island could be the good shelters from strong wind and swell.
    - d. Keep vessel out of squall radius of wind force over 30 knots or Beaufort wind force 8, and ensure the vessel to return port in time.
    - e. Send the plan of evading typhoon soonest to your port captain(PIC) of Maritech who can easily monitor the ship's movement.

The implement result is no typhoon damage to the fleet during recently 2 years

2. Carbon Reduction Measures

In accordance with the Ministry of Shipping directives:

- (1) Route benefits: analysis of the various sections of route to ensure that each ship is on a beneficial route. Analysis of route efficiency, to reach maximize benefits for the company.
- (2) Route plan monitoring: to develop the best sailing plan. Before departure, the best sailing route plan will be developed through consideration of a number of related factors, including water currents, monsoons, and weather changes. Appropriate changes to the route will be made based on the meteorological data available at the time.
- (3) Speed monitoring (punctual arrival at port of destination): while the ship is en route from the departure point to the next destination, reasonable control of boat speed must be maintained, which also increases energy savings. During the voyage, the captain will maintain close ties with the destination port OP and agent, and according to the port of destination port OP and agent's BP, will endeavor to reasonably develop the best permitted sailing speed. When there is ample sailing time, T/C cut off to slow steaming speed sailing will be selected in order to avoid premature arrival, and achieve fuel savings.
- (4) Bow Thruster Control: when the ship is leaving port, the bow thruster preparation time is controlled under the safety condition that the bow thruster time should try to be shortened, and avoid early ignition that keeps the generator idle and results in unnecessary fuel consumption. When two tugs boats are used in port (such as in Port Klang), this minimizes the bow thruster preparation and usage time, and achieves the best fuel economy targets.

- (5) Reduction and reasonable loading of ballast water: when the ship is conducting loading and unloading operations in port, the first mate will actively coordinate with the local OP. A rational loading plan will be developed, ensuring that dockworkers reasonably handle the loading and unloading operations: coordinating the crane operations so that quay cranes avoiding loading and unloading too much on one side of the ship which would cause tilting. This can reduce the frequently of using the ballast pump to adjust the amount of ballast water, saving motor fuel consumption. In ensuring the stability of the ship under maximum loading, the ship should be properly adjusted before preceding with the minimum ballast water status; reducing ballast water can also reduce the main load on the ship during voyage, achieving fuel economy targets.
- (6) Pitch adjustment: this depends on sea conditions and load conditions. As much as possible the trim is controlled to less than 0.5 meters, with the GM controlled as much as possible between 1.0-1.1.
- (7) Ship fuel inventory management: combining each leg of a ship's voyage to estimate fuel consumption, so that the on board ROB\_IFO fuel inventory can be controlled, while increasing cargo, beneficial routes, and taking advantage of differences in fuel while at berth in selected ports.
- (8) Benefit analysis of outer hull painting: as some ships are older, the outer hull paint has aged (multilevel peeling) which impacts the speed of the ship. It affects the speed of the ship's vertical side bottom and flat bottom by surface sand peeling, and the use of the high grade of paint effectively protects hull plates, which reduces friction on the hull to reduce fuel consumption (in the first year out of dock, there is a 1-2% saving in fuel efficiency).
- (9) Automated machinery acquisition and installation: installed equipment can automatically collect route data. Onboard analysis tools can directly find and present the optimum fuel efficiency results, and the ship's personnel can adjust the ship's route directly in accordance with the adjusted effective real-time monitoring and analysis.
- (10) Improve personal operations:
  - a. Turn off lights in public places, such as salons, restaurants, warehouses and other places of entertainment when there is no one present.
  - b. Try not to turn on lights during the day to save power generator fuel consumption.
  - c. Reduce the use of the lift.
  - d. Avoid high-power electrical use in individual's rooms, such as electric cookers or electric heaters.
  - e. During summer the air temperature of the air conditioner is set at 26 degrees.
  - f. Depending on the temperature conditions, reducing air conditioner usage.
  - g. Reduce heat exchange (such as closing windows, curtains etc.) in living areas to reduce the work load of the air conditioning system.
  - h. Onboard household appliances, such as computers, TVs, DVD players, stereos, and microwave ovens, should be turned off when not in use.
  - i. Conserve water, and turn off the tap.

In 2014 and up to the printing of the annual report, the company is developing the above fuel-saving measures and typhoon evasion measures. The company's collaboration success and future technology plans are as follows:

#### 1. Investment in research and development expenses in 2014 and up to printing of the annual report.

Fuel economy plan		Unit: TWD thousand
Project	2014	2015 ending March 31st
R&D expenses	4,500	4,550
Consolidated net revenues	66,974,244	17,160,678
R&D expenses as a percentage of total revenue	note	note

Note: Less than 0.01%

#### 2. R&D technology success in 2014 and up to the printing of the annual report.

Project	Estimated project completion date	Achievement
Land-based monitoring system	December 31, 2015	(1) Onboard automatic data collection machine (2) Land-based automatic analysis of ship data (3) Immediate feedback with best results provided to decision-makers (4) Land-based real-time monitoring of target ships

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

The short-term business development plans for the Company are: optimize fleet efficiency; decrease fuel consumption; decrease cost of operations; increase operating effectiveness; further integrate and expand our service network; enhance near sea niche markets; and timely expand to mid to far sea services. The long-term business development plans for the Company are: expand the capacity of our vessel fleet; increase market share; expand our strategic alliances; continue to develop far sea markets; and maintain sustainable development.

## 5.2 General Situation of Market and sales:

### 5.2.1 Operational Plan for 2015:

Fleet: by the end of year 2015, Wan Hai has a total fleet of 89 vessels among which, 70 are self-owned vessels and 19 are chartered vessels.

Service Profile: Wan Hai's service can be categorized in three different types: A. Independent Service 20 strings; B. Joint Venture Services 21 strings; and C. Slot Charter 11 strings.

#### A. Independent Services: 20 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 / Vietnam
3. Japan Kansai – Thailand service (JST) deployed with four vessels.  
Japan Kansai – Taiwan – Shekou – Thailand
4. Korea / Vietnam / S.E.A service (KVS) deployed with four vessels.  
Korea – Taiwan – Vietnam – Singapore / Malaysia
5. Japan Kansai to Vietnam (JSV) deployed with three vessels.  
Japan Kansai / Korea – 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 / Korea – Taiwan / Hong Kong / South China – Haiphong
8. Taiwan – Xiamen (XMN) deployed with one vessel  
Taiwan – Xiamen / Fuzhou
9. Taiwan to Fuzhou (FOC) deployed with one vessel  
Taiwan – Fuzhou / Jiangyin / Xiamen
10. Taiwan to Philippines (TPS) deployed with one vessel  
Taiwan – Philippines
11. Taiwan to Philippines II (TPF) deployed with two vessels  
South China – Taiwan – Philippines
12. Taiwan to Hong Kong I (HKG) deployed with one vessel  
Taiwan – Hong Kong
13. Taiwan to Hong Kong II (HKG II) deployed with one vessel  
Taiwan – Hong Kong
14. Taiwan to Hong Kong III (PRD) deployed with one vessel  
Taiwan – Hong Kong
15. Mindanao/Hong Kong / Taiwan (MHT) deployed with 2 vessels  
Taiwan – Cebu – Mindanao – Hong Kong
16. Taiwan / Hong Kong / Indonesia service (TPI) deployed with 3 vessels  
Taiwan – Hong Kong / South China – Indonesia
17. Malaysia to Belawan, Indonesia (MBS) deployed with one vessel  
Malaysia – Belawan
18. Korea to South East Asia (KSS), deployed with 4 vessels  
Korea – Taiwan – Hong Kong / Shekou – South East Asia
19. Persian Gulf / Pakistan (PSX) deployed with 2 vessels  
Pakistan – Persian Gulf
20. Japan Kanto to Thailand (NTE) deployed with 3 vessels  
Japan Kanto – Hong Kong / South China – Thailand

## B. Joint Service: 21 stings

1. China / Vietnam / Thailand (CVT), joint venture with OOCL. WHL deploys 3 vessels and OOCL deploys one vessel.  
China – Vietnam – Thailand
2. Japan to South East Asia III (NS3), joint venture with IAL, WHL deploys 3 vessels and IAL deploys one vessel.  
Japan – Taiwan / Hong Kong / South China – Singapore – Malaysia
3. Japan / Taiwan / South China (JTP), joint venture with EMC, WHL deploys one vessel and EMC deploys one vessel.  
Japan – Taiwan – Hong Kong / South China
4. Japan / China / Vietnam (JCV), joint venture with IAL. WHL deploys 2 vessels and IAL deploys one vessel.  
Japan – China – Hong Kong / South China – Vietnam
5. China to Middle East (CMS), joint venture with PIL. WHL deploys 4 vessels and PIL deploys 2 vessels.  
East China – Taiwan / Hong Kong / South China – Singapore / Malaysia – Middle East
6. Japan Kansai to Taiwan (JTH), joint venture with EMC. WHL deploys one vessel and EMC deploys one vessel.  
Japan Kansai – Taiwan – Hong Kong
7. Taiwan to Shanghai (SHA), joint venture with Shanghai Minsheng. WHL deploys one vessel and Shanghai Minsheng deploys one vessel.  
Taiwan – Shanghai
8. Taiwan to India (CIX), joint venture with EMC and Hapag-Lloyd. WHL deploys 2 vessels, and EMC and Hapag-Lloyd each deploys one vessel.  
Taiwan – South China – Singapore / Malaysia – India
9. Taiwan to North China (NCT), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
10. Taiwan to North China (NCT II), joint venture with Sinotrans. WHL and Sinotrans each deploy one vessel.
11. Far East Asia to Black Sea (ABX), joint venture with alliance. WHL deploys 3 vessels and the alliance deploys total of 6 vessels.  
East China – Singapore / Malaysia – Black Sea
12. Japan / Korea / China / Vietnam (KCV), joint venture with YML. WHL deploys 2 vessels; YML deploys one vessel.  
Japan / Korea – China – Vietnam
13. Thailand / Singapore / Indonesia (TJS), joint venture with KLI. WHL and KLINE each deploy one vessel.  
Thailand – Singapore – Indonesia
14. Singapore / Malaysia / Chennai (SC1). Joint venture with Bengal Tiger Line (BTL). WHL and BTL each deploy one vessel.  
Singapore / Malaysia – Chennai (Madras)
15. China / Singapore / Malaysia / India (IFX). Joint Venture with KLINE, PIL, Simatech, and SCI. WHL deploys 2 vessels and KLI, PIL, Simatech, and SCI each deploy one vessel.  
Central China – Hong Kong – Singapore / Malaysia – India
16. China / Singapore / Malaysia / India II (WIN). Joint Venture with Seacon, YML, Hapag-Lloyd, and NYK. WHL, Seacon, YML, and Hapag-Lloyd each deploy one vessel, and NYK deploys 2 vessels.  
Central China – Hong Kong – Singapore / Malaysia – India
17. Central China to South California (CCB). Joint venture with Kline. WHL and KLI each deploy 3 vessels.
18. Singapore / Malaysia to Yangon (SYM). Joint venture with IAL and YML. WHL, IAL, and YML each deploy one vessel.
19. Japan / Singapore / Malaysia / Vietnam (CH3). Joint venture with MOL. WHL deploys one and MOL deploys 3 vessels.  
Japan – Singapore / Malaysia – Vietnam – South China
20. Taiwan / South & Central China / West Coast of South America (ASA), joint venture with EMC, COSCON and PIL. WHL deploys 5, PIL deploys 3 and EMC and COSCON each deploy one vessel.  
Taiwan – South China – Central China – West Coast of South America
21. Central China / Singapore / Malaysia / India / Pakistan (PMX), joint venture with CSCL, COSCO, and PIL. WHL and COSCO each deploy 2 vessels and CSCL and PIL each deploy one vessel.  
Central China – Singapore / Malaysia – Pakistan – India

C. Fixed Slot Charter: 11 strings

1. Thailand to Vietnam (IA5)
2. Singapore to Cambodia (CSX)
3. Taiwan to South China (SCT I)
4. Singapore / Malaysia / Chittagong ( SBX)
5. South China to Taiwan (GTE)
6. China to Singapore / Malaysia (PA2)
7. Hochiming to Cambodia (PNS)
8. South China / Singapore / Malaysia / Northwestern Europe (NE7)
9. Taiwan / Central China / Northwestern Europe (NE8)
10. Japan / Hong Kong / Singapore & Malaysia (CHS)
11. India / Middle East / Dubai (FAS)

### 5.2.2 Future Plans for service

The Company's future research and development plans are to aggressively expand niche markets in the near sea region and the cross-strait trade zone while maintaining its close and convenient service network. For mid to far sea region, the focus would be a timely new market expansion. The Company also emphasizes service / port planning and fleet upgrade so to respond to demand from change of business development and scale, and to actively plan integration and strengthen the fleet lineup, in order to enhance competitiveness and create more excellent operational efficiency.

### 5.2.3 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, the Black Sea, Europe, and the Americas. They are further elaborated as follows:

(1) Northeast Asia:

Japan raised the consumption tax rate in April last year, resulting in a substantial decline in its domestic market. South Korea's economy was also affected by a weak domestic demand. With its main industry facing strong challenge from competitors, South Korea's economic growth has slow down. In the long term, negotiation amongst China, Japan, and South Korea under the FTA has kicked off. In East Asia, development of regional integration seems to heading in the direction of free trade collaboration. The Company has its deep rooted operation in Northeast Asia. In response to an accelerated integration and open up of markets, and to meet the demand of market trends and strengthen company competitiveness, Wan Hai keeps abreast of market movement in Northeast Asia region; adjusts its planning of service accordingly; and continues its collaboration with fellow carriers and slot swap. Wan Hai's flexible strategy applications make its customer-oriented business philosophy sustainable.

(2) Mainland China

China faces an overall weak domestic demand and the pressure of a slow-down economy this year. To stabilize its economic growth, the government responds with announcement of a "Five Main Tasks" policy. Wan Hai's development in China is sufficient to gain comparative advantage on the competition, but the Company still actively engages in research and development of strategic service in China. In terms of cross-strait direct flights, since the two sides officially opened to traffic, cargo volume continues to grow year after year. Wan Hai never stops in adjusting its operating strategies to meet the market demand and in providing more suitable, convenient and fast service.

(3) Southeast Asia

The ASEAN Economic Community is to be established by the end of 2015 which will unite countries in that region into a strong single market with full potential. The interregional trade tariff reduction will greatly benefit around six hundred million people, a size of market competitive enough to such of the United States and China. Although the economy in ASEAN slowed down a bit in 2014, it was still better than the global economy as a whole. According to the research report from the Asian Development Bank, the ASEAN countries had an economic growth rate of 4.4 percent in 2014. Wan Hai's development in the Southeast Asia starts way back and is secured. The Company continues its collaboration with fellow carriers including slot swap. By integration of service and resources, the Company is able to provide a more complete, safer, faster service to stay competitive and expand market share in Southeast Asia.

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

India enjoyed a good year in economic development in 2014 due to its gradual economic reform and open policy. IMF even predicts that India's economic growth rate will reach 6.5 percent in 2016, greater than China's projected 6.3 percent, and becomes the fastest growing economy in the world. As for those newly developed countries in Middle East, consumption power remains strong and the economy stable despite decrease of the oil price. In order to strengthen the service covering Asia to India, Pakistan, and the Middle East, and to tap into diversifications of these oceanic countries, the Company jointly operates the Middle East service with other carriers in pursuit of lower operating costs and improved efficiency. The joint collaboration which allows the Company to solidify the interregional service and form a complete service network has helped it expand its market share in that region.

(5) The America:

Since 2014, economy in the United States has benefitted from improvement of its labor market and a low inflation rate. Wan Hai's ability to gain market competitiveness and advantage through joint venture services has enabled the Company to stabilize and solidify its development and operations in the trans-Pacific region. Although development of the emerging markets in Latin America has been impacted by the slow recovery of the global economy, in the long term, economic growth for these countries remains optimistic. Wan Hai's operation remains strong in the markets of South and Latin America through joint venture with the world's major shipping companies. By timely adjustment of vessel capacity and stable operations, the Company will maintain its competitive advantage in this region.

(6) The Black Sea and Europe:

Economic recovery in the Eurozone continues its slow pace. In order to reduce operational costs, major carriers in the world begin to ally strategically by combining services and building super large new container ships for the Far East – European markets. This has led to continuing oversupply of vessel capacity and freight volatility. Under such market turmoil, the Company is able to maintain a relatively stable operation in the Black Sea through continuing joint venture with major shipping companies. Additionally, the Company keeps its purchase of slottage and tracks changes in the regional market in order to maintain market competitiveness.

2. Future supply and demand, and growth potential:

The global economies are still full of uncertainties which are evident in China's economic slowdown and unpredictable of the oil price. On top of it is the ever larger container ships built in regional economies which further intensify market competition and freight volatility. However, with projection of a continuing positive growth for the global economies, growth of cargos volume and demand are expected to continue as well. Wan Hai will take on the challenges with flexible operation strategies so to maintain a stable and sustainable growth.

3. Strength, challenges, and action plans

(1) Strength:

- A. Comprehensive and intensive service network, strong market share in principal territory
- B. Stable growth in the Asian and Indian shipping markets
- C. Flexibility in container and fleet adjustment
- D. Cost efficiency and risk diversification via strategic partnership with other carriers
- E. New and faster ships and equipment for higher efficiency and lower costs

(2) Challenges:

- A. Emergence of large scale strategic alliance
- B. New competitions
- C. Oil price volatility
- D. Foreign exchange volatility
- E. Trends of larger ships

(3) Action plans:

Prompt feedback to market demand; flexible operation and deployment of containers and fleet; research to improve the operational efficiency of ships; adjust to find the optimal ships' routing with suitable ships; strengthen business competitiveness; create versatile strategic alliance; reduce operational risks; strengthen the fleet sail control and operational safety; and improve service reliability and management efficiency.

#### **5.2.4 Key features of major products and production procedures**

Currently, the Company provides full container shipping services. A brief description of its procedures of operation is as follows:

1. Business representatives solicit business with importers and exporters based on the shipping charges and schedules offered by the 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 the 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 fees to the 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 arrive at the port, the Company sends a trailer to pick up container from container yard to the ship's side for loading onto the ship. For imports, the 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.

#### 5.2.5 Main materials supplier: 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 materials supplier.

#### 5.2.6 List of customers, sum of revenue and proportion for operating income account for more than 10% in the last two year :

The Company has various customers, incomes from any singular customer is not higher than 10% of operating income

#### 5.2.7 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.

#### 5.2.8 Sales volume of last 2 years:

	2014	2013
Sales Income (TWD)	66.97 billion	59.69 billion
Operating Capacity (TEU)	3,356 thousand	3,148 thousand
Vessels in Operation (owned & chartered)	90 (74 & 16)	84 (72 & 12)

### 5.3 Human Resources Statistics

Location		Year		
		2014	2013	2015 as of Apr. 22 <sup>nd</sup> .
No. of Employees	Offices	2659	2610	2681
	Terminals	393	415	430
	Total	3052	3025	3111
Average Age		35.8	36.0	37.2
Average Years of Service		8.4	7.7	8.4
Level of Education	Ph. D Degree	1	1	1
	Master's Degree	247	227	256
	College Degree	1770	1715	1819
	Associate Degree	591	605	592
	High School	346	366	347
	Below High School	97	111	96

## 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 alarms (15ppm alarm) and automatic shut-off mechanisms for the three-way valve. Its functions satisfy and act in accordance with MARPOL 73/78 rules (the convention of International Oil Pollution Prevention in 1973, as amended in 1978).
  - (3) To process sanitary waste water, sewage treatment plans have been installed in all engine rooms. These plans have passed all relevant examinations and received the International Sewage Pollution Prevention Certificate issued by the Classification Society based on the amendment edition as satisfied in MARPOL 73/78 Annex IV regulations.
  - (4) Each vessel of our company has satisfied the requirements of an subsequently received the International Air Pollution Prevention Certificate (IAPP). This certificate completely satisfies the 1997 resolution for the amended edition of MARPOL 73/78 Annex IV regulations.
  - (5) The main engine and auxiliary engine equipment for all new-built ships conform to the IMO limiting the discharge of nitrogen oxide (NOx) compounds. Manufacturer-provided technical files and parameters of diesel engines have passed the relevant examinations. The Engine International Air Pollution Prevention Certificate (EIAPP) has been issued by the Classification Society after passing examinations in accordance with the amendment edition article 13, as satisfied in MARPOL 73/78 Annex IV.
  - (6) Engine rooms are equipped with incinerators (according to Reg. VI/16 (2)) approved by the Classification Society, in accordance with Regulation 16 requirement (Shipboard Incineration) in amendment edition of MARPOL 73/78 Annex VI regulations.
  - (7) To assist in on-shore discharging of waste oil and sludge, the discharging piping system and connecting system are compatible with international standard flanges for waste oil and sludge on shore side receiving facilities. These facilities and standards are based on the amendment edition article 17 as outlined in MARPOL 73/78 Annex VI.
  - (8) Our company has received the International Pollution Prevention by Garbage Statement issued by the Classification Society. To comply with the amendment edition as satisfied in MARPOL 73/78 Annex V regulations, our company has enhanced the garbage disposal and trash treatment systems and records garbage incineration events in the garbage record book.
  - (9) The anti-fouling paint for the outside hull of the vessel has been certified by the material safety data sheet (MSDS), the statement of the AFS and the corresponding information by the paint maker in line with the convention of the IMO for International Convention on the Control of Harmful Anti-fouling Systems on Ship (referred to henceforth as the AFS pact) based on the resolution A.882 (21) as amended by article 19 of A.787 resolution revision. Our company passed the examination and received the international anti-fouling system (IAFS) certification issued by the Classification Society.
  - (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, 2004 at an earlier time, we have prepared all vessels' Ballast Water Management Plan, and some have been sent for Class approval. We also follow the local regulations for ballast water exchange with well-documented evidence in ballast water exchange as well as training records.

- (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 2,615 classes were run in 2014, with a total of 20,637 participants.

Class type	Content	Time (hr.)	Number of Trainees	Total Cost
Newcomers Orientation	Orientation program designed for new employees to participate in a series of training classes, helping them to better understand the Company's corporate culture, the organization and function of each department The program consists of: 1. Corporate culture: corporate culture and business ideals 2. Organization: A brief introduction of the company and each of its departments, attendance rules, labor and health insurance, Employee Benefits Committee, and our non-profit organization 3. Basic skills: Report-writing skills, business etiquette, Wan Hai Family site 4. Shipping industry knowledge: introduction to the shipping industry, the global shipping process, an overview of vessels and shipping containers 5. On-site visit: a visit to Taichung harbor and TK Logistics International, guided tour of each floor of the company 6. General awareness: professional integrity and legal responsibilities	342	374	\$373,309
Professional training for general staff	1. Professional training aimed at each area of expertise, separated into the following categories: vessel and terminal operation, knowledge of law, knowledge of cargo solicitation, knowledge of document processing, finance, on-shore crew training, English workshop, and enhancement of foreign language abilities 2. Apart from specific professional training, a yearly ISO awareness and fire safety training course is given 3. Seminars and other activities aimed at employees personal and professional development 4. Off-Job training: (1) Official documents writing (2) Communication skills cross generation (3) Accountability (4) Procurement Bargain and negotiation	1,400	18,261	\$3,123,605
Professional training for management associate	Series courses for management associate to build human capital: 1. Advanced shipping industry knowledge 2. The experience of overseas operation and cross-cultural management 3. The practice of international etiquette 4. Business conversation and meeting English 5. Interview English	61.5	792	\$165,971
Professional training for supervisors	Series courses for middle-level managers and executive level managers: <Middle-level> 1. Situational inspiration for leader 2. Innovation process learning from IDEO 3. Leading innovation  <Executive-level> 1. Implement innovation and create growth 2. Be a Multipliers	18	213	\$239,000
Courses sponsored by the Employee Benefits Committee	Every year the Employee Benefits Committee assists in the training of employees, the courses of this year included: 1. Arctic traveling- aurora 2. Feng Shui in 2014 3. Global Fund financial investment 4. Innovation and potential inspiring	8.5	293	\$64,000
External training courses	1. As required by law, internal auditing personnel must complete a minimum of twelve hours of training related to their profession 2. Labor safety courses : Labor safety and sanity, fire safety training 3. Finance classes: IFRS, taxes in Mainland China 4. Information technology courses. 5. For the first-time supervisor courses.	5,014	704	\$2,301,152
<b>TOTAL</b>		<b>6,844</b>	<b>20,637</b>	<b>\$6,267,037</b>

5. Guidelines for employee behavior and morality:

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

(1) General requirements of work attitude and morality:

- A. All employees should take pride in being a part of Wanhai, and faithfully observe the company requirements regarding working environment, workplace attitude, employee relationships, etc., as publicized in various regulations, notices, and official announcements.
  - 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 Wanhai, employees shall not accept nor solicit commission, kickbacks, special treatment, or any other form of gifts, all of which are considered improper. If violation of the above is discovered, the employee will be discharged immediately; in the event that the guilty employee's actions result in a loss for the Company, legal actions for damages shall be carried out.
  - 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 and caring employees' mental or physical health, 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, annual physical examination, hygienic training and consulting, and other human considerate assistance, providing employees with health and safety workplace.
2. Policies for occupational health and safety coordination  
With well policy making and enforcing for Safety and Health Management , Our good Company has been going on regular inspections and maintenance of automatic equipment as required by law, and has also heightened awareness of health and safety via regular events and Occupational Safety and Health Management System. 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:  
Targeted on the on-site pier working safety and vendor management, Our good Company has arranged a standard operating procedure for implementing health and safety management and examination of operations. Additionally, our good company has got the third-party endorsement for Occupational Safety and Health Management System put into practice and held regular conference calls on the Health and Safety concerned issues, with the focus on a constant demand for improvement, and the pursuit of the efficiency.

## 5.6 Significant Contracts

Partners	Model	Cooperation coverage	Cooperation Duration	
			From	To
PACIFIC INTERNATIONAL LINES (PTE) LTD CHINA SHIPPING CONTAINER LINES CO., LTD YANG MING MARINE TRANSPORT CORP.	Joint Venture	Far East to Black Sea	2009/01/15	- 2015/01/15
PACIFIC INTERNATIONAL LINES (PTE) LTD KAWASAKI KISEN KAISHA, LTD SHIPPING CORPORATON OF INDIA LTD SIMATECH SHIPPING AND FORWARDING L.L.C.	Joint Venture	Far East to India	2010/04/30	- 90 days pre-notice
PACIFIC INTERNATIONAL LINES (PTE) LTD	Joint Venture	Far East to Middle East	2008/11/02	- 90 days pre-notice
COSCO CONTAINER LINES CO., LTD PACIFIC INTERNATIONAL LINES (PTE) LTD CHINA SHIPPING CONTAINER LINES CO., LTD	Joint Venture	Far East to India & Pakistan	2014/06/25	- 90 days pre-notice
COSCO CONTAINER LINES CO., LTD.	Charter	Far East to Europe	2011/06/25	- 45 days pre-notice
	Swap	China to Japan	2009/07/24	- 2014/12/19
	Swap	South east Asia	2012/09/02	- 30 days pre-notice
	Swap	Asia to the West Coast of America	2013/05/03	- 90 days pre-notice
	Swap	Trans-Pacific Trade	2013/10/26	- 90 days pre-notice
EVERGREEN LINE PACIFIC INTERNATIONAL LINES (PTE) LTD COSCO CONTAINER LINES CO., LTD	Joint Venture	Asia to West Coast of South America	2013/05/03	- 90 days pre-notice
NIPPON YUSEN KAISHA HAPAG-LLOYD PTE. LTD X-PRESS FEEDERS YANG MING MARINE TRANSPORT CORP.	Joint Venture	Far East to India	2014/06/08	- 150 days pre-notice
EVERGREEN LINE HAPAG-LLOYD PTE. LTD	Joint Venture	Far East to India	2006/04/30	- 90 days pre-notice
APL CO. PTE LTD	Joint Venture	Asia to Southeast Asia	2014/12/28	- 90 days pre-notice
EVERGREEN LINE	Joint Venture	Japan to South China	2002/09/01	- 120 days prenotice
	Joint Venture	Japan to South China & Philippine	2008/09/12	- 60 days prenotice
	Joint Venture	Taiwan to Southeast Asia	2011/11/4	- 2014/5/3
	Swap	Intra Asia	2012/03/19	- 60 days pre-notice
	Swap	Asia to the West Coast of America	2013/05/03	- 90 days pre-notice
	Charter	Japan to Thailand	2014/09/06	- 60 days pre-notice
	Charter	Korea to South East Asia	2014/09/03	- 60 days pre-notice
SINOTRANS CONTAINER LINES CO., LTD.	Joint Venture	Taiwan Cross-Strait Service I	2005/05/12	- 90 days pre-notice
	Joint Venture	Taiwan Cross-Strait Service II	2012/01/04	- 90 days pre-notice
	Swap	China to Southeast Asia	2010/02/14	- 45 days prenotice
	Swap	Taiwan -Fuzhou Cross-Strait service	2009/11/13	- 21 days prenotice
MITSUI O.S.K LINES, LTD	Swap	Japan to Southeast Asia	2009/04/07	- 90 days prenotice
	Swap	South east Asia to India & Pakistan	2014/10/27	- 45 days prenotice
	Charter	Japan to Singapore & Malaysia	2012/09/06	- 45 days prenotice
MITSUI O.S.K LINES, LTD INTERASIA LINES, LTD	Joint Venture	Japan to Singapore & Malaysia	2014/03/05	- 90 days prenotice
OIRENT OVERSEAS CONTAINER LINE LTD.	Joint Venture	China to Southeast Asia	2011/04/03	- 90 days prenotice
X-PRESS FEEDERS	Charter	Southeast Asia to West Asia	2010/07/01	- 30 days pre-notice
	Charter	Taiwan to Southeast Asia	2011/05/01	- 2014/04/17
	Swap	Southeast Asia to India	2010/11/07	- 30 days pre-notice
	Swap	Southeast Asia	2014/05/23	- 30 days pre-notice
YANG MING MARINE TRANSPORT CORP.	Swap	Intra Asia	2014/05/09	- 30 days prenotice
	Joint Venture	Northeast Asia to Southeast Asia	2014/07/18	- 60 days prenotice
	Charter	Northeast Asia to Southeast Asia	2014/07/18	- 60 days prenotice
	Charter	Intra Asia	2014/05/28	- 60 days prenotice
YANG MING MARINE TRANSPORT CORP. INTERASIA LINES, LTD	Joint Venture	Southeast Asia	2014/06/17	- 60 days prenotice

Partners	Model	Cooperation coverage	Cooperation Duration	
			From	To
KAWASAKI KISEN KAISHA, LTD	Swap	Southeast Asia to India	2014/04/23	30 days pre-notice
	Swap	Trans-Pacific Trade	2014/05/11	90 days prenotice
	Joint Venture	Trans-Pacific Trade	2014/05/11	90 days prenotice
	Joint Venture	Southeast Asia	2009/02/16	60 days prenotice
MINSHENG SHIPPING Co., LTD	Swap	Taiwan Cross-Strait service	2005/04/28	60 days prenotice
CHINA UNITED LINE LTD	Charter	China to Southeast Asia	2014/07/09	30 days pre-notice
	Charter	Taiwan Cross- Strait service	2009/02/10	30 days pre-notice
INTERASIA LINES, LTD	Swap	Intra Asia	2013/7/17	45 days prenotice
	Charter	Intra Asia	2008/08/18	2014/8/20
	Charter	Intra Asia	2013/09/04	45 days prenotice
	Charter	Southeast Asia to India	2013/09/22	45 days prenotice
	Charter	North east Asia to Southeast Asia	2013/12/13	45 days prenotice
	Charter	Southeast Asia	2014/10/14	45 days prenotice
	Swap	Intra Asia	2009/11/09	30 days pre-notice
	Joint Venture	Intra Asia	2010/05/06	90 days prenotice
	Joint Venture	Japan to Southeast Asia	2011/09/11	90 days prenotice
BENGAL TIGER LINE PTE LTD	Joint Venture	Southeast Asia to India	2009/05/20	60 days prenotice
	Swap	Southeast Asia to India	2009/05/20	60 days prenotice
	Charter	India to Middle East	2013/03/1	30 days pre-notice
MCC TRANSPORT SINGAPORE PTE LTD.	Charter	Southeast Asia	2011/12/04	30 days pre-notice
SOVEREIGN BASE LOGISTICS HOLDINGS CO. LTD	Charter	Southeast Asia	2011/05/08	30 days pre-notice
GEMADEPT CORPORATION	Swap	Southeast Asia	2013/07/20	30 days pre-notice
ATLANTIC CONTAINER LINE	Swap	Southeast Asia	2012/10/22	30 days pre-notice
CHENG LIE NAVIGATION CO. LTD.	Swap	North east Asia to Southeast Asia	2014/07/13	45 days pre-notice
	Swap	Northeast Asia to Thailand	2014/10/23	30 days pre-notice
HYUNDAI MERCHANT MARINE CO., LTD.	Charter	Asia to West Coast of South America	2013/07/19	90 day prenotice
HAMBURG SÜD	Charter	Japan to Thailand	2013/04/01	90 day prenotice

### 5.6.2. Long –Term Loan

Name of contract	Party	Contract Period	Primary content	Financial covenant
Bank Mortgage Loan	Chang Hwa Bank Chi-Lin Branch	Jun.26,2009~Jun.26,2014	The principal shall be repaid in 12 successive quarterly installments.	-
Bank Mortgage Loan	Bank SinoPac Banking Division	Jun.26,2009~Jun.26,2016	1.The principal shall be repaid in successive semiannual installments with 7% of the principal. 2.The rest principal shall be repaid on the final maturity date.	-
Bank Mortgage Loan	Bank SinoPac Banking Division	Mar.12,2010~Mar.12,2017	1.The principal shall be repaid in successive semiannual installments with 7% of the principal. 2.The rest principal shall be repaid on the final maturity date.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Feb.25,2011~Jun.12,2014	The principal shall be repaid semiannually.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Mar.14,2011~Jun.12,2015	The principal shall be repaid semiannually.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Mar.24,2011~Jun.12,2016	The principal shall be repaid semiannually.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.16,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-

Name of contract	Party	Contract Period	Primary content	Financial covenant
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.18,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	Aug.25,2011~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Chien Cheng Branch	May.16,2012~Aug.16,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jun.26,2009~ Jun.26,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jan.9,2009~ Jan.9,2014	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Sep.9,2010~Sep.9,2015	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jul.20,2012~Jul.20,2022	The principal shall be repaid in 20 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jul.9,2013~Jul.9,2018	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Jan.29,2014~Jul.9,2018	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Taiwan Cooperative Bank Cheng-Tung Branch	Nov.25,2014~Nov.25,2019	The principal shall be repaid in 5 successive semiannual installments.	-
Bank Mortgage Loan	Hua Nan Bank Cheng-Tung Branch	Sep.21, 2011~Sep.21,2016	The principal shall be repaid in 4 successive semiannual installments.	-
Bank Mortgage Loan	Mizuho Bank Taipei Branch	May.9, 2014~May.9,2018	The principal shall be repaid in 7 successive semiannual installments.	-
Bank Mortgage Loan	Syndication Loan	Sep.28,2006~Mar.31,2014	The principal shall be repaid in 16 successive semiannual installments.	Financial covenant
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	Sep.22,2009~Sep.22,2016	The principal shall be repaid in 21 successive quarterly installments.	-
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	Jan.31,2012~Jan.31,2019	The principal shall be repaid in 11 successive semiannual installments.	-
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	Apr.18,2012~ Apr.18,2019	The principal shall be repaid in 11 successive semiannual installments.	-
Bank Mortgage Loan	Mega International Commercial Bank Singapore Branch	May.23,2012~May.23,2019	The principal shall be repaid in 21 successive quarterly installments.	-
Bank Mortgage Loan	Chang Hwa Bank Singapore Branch	Feb.14,2012~Dec.5,2018	The principal shall be repaid in 11 successive semiannual installments.	-
Bank Mortgage Loan	Land Bank of Taiwan Changan Branch	Apr.12,2012~Apr.12,2022	The principal shall be repaid in 28 successive quarterly installments.	-
Bank Mortgage Loan	Land Bank of Taiwan Changan Branch	Aug.14,2013~Aug.14,2023	The principal shall be repaid in 28 successive quarterly installments.	-
Bank Mortgage Loan	First Bank Singapore Branch	Sep.30,2009~Sep.30,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Mortgage Loan	Hua Nan Bank Singapore Branch	Aug.27,2009~Aug.27,2016	The principal shall be repaid in 10 successive semiannual installments.	-
Bank Credit Loan	Mega International Commercial Bank Central Branch	Jul.24,2006~Jul.24,2016	The principal shall be repaid in 15 successive semiannual installments.	-
Bank Mortgage Loan	First Bank Sao Chuan Tou Branch	May.11,2009~May.19,2020	The principal shall be repaid in 14 successive semiannual installments.	-
Bank Credit Loan	First Bank Sao Chuan Tou Branch	May.11,2009~May.19,2020	The principal shall be repaid in 14 successive semiannual installments.	-



## Financial Highlights

### 6.1 Summarized financial statements for the past 5 years - IFRS

#### 6.1.1 Summarized consolidated balance sheets – IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years					2015 as of Mar. 31
		2014	2013	2012	2011	2010	
Current Assets		37,328,054	30,621,006	34,298,483			40,420,379
Property, Plant and Equipment		44,775,808	44,580,103	38,154,635			44,868,579
Intangible Assets		43,237	65,141	76,312			36,246
Other Assets		3,080,461	3,313,433	5,467,168			3,177,969
Total Assets		85,227,560	78,579,683	77,996,598			88,503,173
Current Liabilities	Before distribution	21,720,427	13,739,272	12,107,539			21,608,232
	After distribution	(Note 1)	15,513,909	13,882,178			(Note 1)
Non-current Liabilities		27,659,153	33,651,071	35,647,756			29,070,535
Total Liabilities	Before distribution	49,379,580	47,390,343	47,755,295			50,678,767
	After distribution	(Note 1)	49,164,980	49,529,934			(Note 1)
Equity attributable to parent company holding		35,607,478	31,014,750	30,079,795	N/A		37,583,696
Common Stock		22,182,975	22,182,975	22,182,975			22,182,975
Capital surplus		1,261,681	1,261,681	2,446,570			1,261,681
Retained Earnings	Before distribution	12,226,543	8,687,097	7,097,783			14,300,178
	After distribution	(Note 1)	6,912,460	5,323,144			(Note 1)
Other Equity		(63,721)	(1,117,003)	(1,647,533)			(161,138)
Treasury Stock		0	0	0			0
Non-Controlling Equity		240,502	174,590	161,508			240,710
Total stockholders' equity	Before distribution	35,847,980	31,189,340	30,241,303			37,824,406
	After distribution	(Note 1)	29,414,703	28,466,664			(Note 1)

Note 1 : Retained earnings in year 2014 have not yet proposed for distribution.

Note 2 : The summarized financial data for 2012~2014 and the first quarter of 2015 have been certified by CPA.

### 6.1.2 Summarized consolidated comprehensive income statements - IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years					2015 as of Mar. 31
		2014	2013	2012	2011	2010	
Operating revenue		66,974,244	59,688,505	62,935,731			17,160,678
Gross profit		9,143,653	5,484,197	5,914,270			3,431,321
Operating income		5,404,502	2,226,661	2,858,657			2,396,421
Non-operating income & expense		1,174,691	278,103	(616,919)			82,535
Net income before income tax		6,579,193	2,504,764	2,241,738			2,478,956
Profit after tax from continuing operations		5,317,594	2,144,182	1,852,010			2,075,830
Losses from discontinued segments		0	0	0			0
Profit (Loss) from this period		5,317,594	2,144,182	1,852,010			2,075,830
Other comprehensive profit and loss (Net value after tax)		1,118,185	578,012	(222,214)		N/A	(99,404)
Total Comprehensive profit and loss from this period		6,435,779	2,722,194	1,629,796			1,976,426
Net earnings attributable to parent company holding		5,254,074	2,129,108	1,848,228			2,073,635
Net earnings attributable to non-controlling interest		63,520	15,074	3,782			2,195
Total comprehensive profit and loss attributable to parent company holding		6,367,365	2,709,594	1,626,909			1,976,218
Total comprehensive profit and loss attributable to non-controlling Equity		68,414	12,600	2,887			208
Earnings per share (Note1)		2.37	0.96	0.83			0.93

Note 1 : Base on retroactive adjustment calculation.

Note 2 : The summarized financial data for 2012~2014 and the first quarter of 2015 have been certified by CPA.

## 6.1.3 Summarized balance sheets – IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years				2015 as of Mar. 31
		2014	2013	2012	2011	
Current Assets		36,714,935	30,573,198	28,591,844		
Property, Plant and Equipment		8,064,091	7,776,229	6,337,352		
Intangible Assets		41,488	64,933	75,199		
Other Assets		19,875,018	18,590,293	21,506,313		
Total Assets		64,695,532	57,004,653	56,510,708		
Current Liabilities	Before distribution	10,331,216	9,286,708	8,606,229		
	After distribution	(Note 1)	11,061,345	10,380,868		
Non-current Liabilities		18,756,838	16,703,195	17,824,684		
Total Liabilities	Before distribution	29,088,054	25,989,903	26,430,913		
	After distribution	(Note 1)	27,767,540	28,205,552		N/A
Common Stock		22,182,975	22,182,975	22,182,975		
Capital surplus		1,261,681	1,261,681	2,446,570		
Retained Earnings	Before distribution	12,226,543	8,687,097	7,097,783		
	After distribution	(Note 1)	6,912,460	5,323,144		
Other Equity		(63,721)	(1,117,003)	(1,647,533)		
Treasury Stock		0	0	0		
Total stockholders' equity	Before distribution	35,607,478	31,014,750	30,079,795		
	After distribution	(Note 1)	29,240,113	28,305,156		

Note 1 : Retained earnings in year 2014 have not yet proposed for distribution.

Note 2 : The summarized financial data for 2012~2014 have been certified by CPA.

### 6.1.4 Summarized comprehensive income statements – IFRS

Unit : TWD thousand

Item	Year	Financial data in the past five years				2015 as of Mar' 31
		2014	2013	2012	2011	
Operating revenue		57,438,243	52,491,030	56,929,558		
Gross profit		6,191,055	4,611,256	4,521,474		
Operating income		4,191,993	2,963,860	2,900,149		
Non-operating income & expense		2,254,337	(502,218)	(719,825)		
Net income before income tax		6,446,330	2,461,642	2,180,324		
Profit after tax from continuing operations		5,254,074	2,129,108	1,848,228		
Losses from discontinued segments		0	0	0		N/A
Profit (Loss) from this period		5,254,074	2,129,108	1,848,228		
Other comprehensive profit and loss (Net value after tax)		1,113,291	580,486	(221,319)		
Total Comprehensive profit and loss from this period		6,367,365	2,709,594	1,626,909		
Earnings per share (Note1)		2.37	0.96	0.83		

Note 1 : Base on retroactive adjustment calculation.

Note 2 : The summarized financial data for 2012~2014 have been certified by CPA.

## 6.2 Summarized financial statements for the past 5 years — ROC GAAP

### 6.2.1 Summarized consolidated balance sheets – ROC GAAP

Unit : TWD thousand

Item	Year	Financial data in the past five years				
		2014	2013	2012	2011	2010
Current Assets				34,414,998	33,819,124	30,659,404
Fund and Investment				2,252,722	2,301,438	2,422,232
Fix Assets				40,234,459	35,579,764	32,378,323
Intangible Assets				467,013	547,193	568,840
Other Assets				638,425	703,075	767,500
Total Assets				78,007,617	72,950,594	66,796,299
Current Liabilities	Before distribution			12,140,573	12,674,711	15,872,403
	After distribution			13,915,212	12,674,711	18,116,487
Long-term Liabilities				33,457,784	29,267,017	16,770,698
Other Liabilities				1,771,731	1,895,632	2,051,236
Total Liabilities	Before distribution			47,370,088	43,837,360	34,694,337
	After distribution			49,144,727	43,837,360	36,938,421
Common stock	Before distribution		N/A	22,182,975	22,182,975	21,126,643
	After distribution			22,182,975	22,182,975	22,182,975
Capital surplus				2,446,570	2,446,570	2,446,570
Retained Earnings	Before distribution			7,758,014	5,929,659	9,209,769
	After distribution			5,983,375	5,929,659	5,909,353
Unrealized gain (loss) on financial instruments				(539,526)	(592,164)	373,299
Accumulated currency adjustments				(1,108,007)	(750,066)	(936,857)
Unrecognized pension cost				(265,532)	(268,062)	(275,462)
Revaluation increments				1,527	1,527	1,527
Minority interest				161,508	162,795	156,473
Total stockholders' equity	Before distribution			30,637,529	29,113,234	32,101,962
	After distribution			28,862,890	29,113,234	29,857,878

Note 1 : It's not applied since IFRS is adopted from 2013.

Note 2 : The summarized financial data for 2010~2012 have been certified by CPA.

## 6.2.2 Summarized consolidated income statements – ROC GAAP

Unit : TWD thousand

Item \ Year	Financial data in the past five years				
	2014	2013	2012	2011	2010
Operating revenue			62,615,224	66,824,814	69,162,989
Gross profit			5,889,521	2,460,488	14,154,215
Operating income(loss)			2,787,490	(325,272)	9,987,188
Non-operating income & gain			1,508,007	2,541,584	2,069,499
Non-operating expense & loss			2,081,642	1,784,014	4,813,807
Net income before income tax			2,213,855	432,298	7,242,880
Net income after income tax		N/A	1,832,137	32,308	5,461,461
Income (loss) from operations of discontinued segments			0	0	0
Extraordinary gain or loss			0	0	0
Cumulative effect of changes in accounting principles			0	0	0
Net income			1,832,137	32,308	5,461,461
Earnings per share (Note1)			0.82	0.01	2.45

Note 1 : Base on retroactive adjustment calculation.

Note 2 : It's not applied since IFRS is adopted from 2013.

Note 3 : The summarized financial data for 2010~2012 have been certified by CPA.

## 6.2.3 Summarized balance sheets – ROC GAAP

Unit : TWD thousand

Item	Year	Financial data in the past five years				
		2014	2013	2012	2011	2010
Current Assets				28,551,675	29,822,523	28,393,576
Fund and Investment				18,563,385	13,636,647	12,091,555
Fix Assets				8,416,604	12,037,781	9,662,230
Intangible Assets				307,816	323,954	313,810
Other Assets				586,126	661,200	703,582
Total Assets				56,425,606	56,482,105	51,164,753
Current Liabilities	Before distribution			8,638,610	8,900,837	12,666,298
	After distribution			10,413,249	8,900,837	14,910,382
Long-term Liabilities				15,983,159	17,264,300	5,069,860
Other Liabilities				1,327,816	1,366,529	1,483,106
Total Liabilities	Before distribution			25,949,585	27,531,666	19,219,264
	After distribution			27,724,424	27,531,666	21,463,348
Common stock	Before distribution		N/A	22,182,975	22,182,975	21,126,643
	After distribution			22,182,975	22,182,975	22,182,975
Capital surplus				2,446,570	2,446,570	2,446,570
Retained Earnings	Before distribution			7,758,014	5,929,659	9,209,769
	After distribution			5,983,375	5,929,659	5,909,353
Unrealized gain (loss) on financial instruments				(539,526)	(592,164)	373,299
Accumulated currency adjustments				(1,108,007)	(750,066)	(936,857)
Unrecognized pension cost				(265,532)	(268,062)	(275,462)
Revaluation increments				1,527	1,527	1,527
Total stockholders' equity	Before distribution			30,476,021	28,950,439	31,945,489
	After distribution			28,701,382	28,950,439	29,701,405

Note 1 : It's not applied since IFRS is adopted from 2013.

Note 2 : The summarized financial data for 2010~2012 have been certified by CPA.

## 6.2.4 Summarized income statements – ROC GAAP

Unit : TWD thousand

Item	Year	Financial data in the past five years			
	2014	2013	2012	2011	2010
Operating revenue	N/A		56,591,314	62,697,925	64,712,063
Gross profit			4,401,472	(329,732)	10,162,175
Operating income			2,753,471	(1,966,612)	8,427,901
Non-operating income & gain			1,328,887	3,310,412	1,900,419
Non-operating expense & loss			1,929,917	963,825	3,154,477
Net income before income tax			2,152,441	379,975	7,173,843
Net income after income tax			1,828,355	20,306	5,447,654
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
Earnings per share (Note 1)			0.82	0.01	2.46

Note 1 : Base on retroactive adjustment calculation.

Note 2 : It's not applied since IFRS is adopted from 2013.

Note 3 : The summarized financial data for 2010~2012 have been certified by CPA.

## 6.2.5 CPA and Audit results for the past 5 years

Year	CPA name	Audit results
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.
2013	Lily-Lu Fu-Wei Chen	Unqualified opinion.
2014	Chen Yi Chun Chiang Chung Yi	Unqualified opinion.

## 6.3 Summarized financial analysis for the past 5 years – IFRS

### 6.3.1 Consolidated financial analysis - IFRS

Item		Year	Financial analysis in the past five years					2015 as of Mar. 31
		2014	2013	2012	2011	2010		
Financial structure (%)	Ratio of liabilities to assets	57.94	60.31	61.23			57.26	
	Ratio of long-term capital to Property, Plant and Equipment	141.83	145.45	172.69			149.09	
Solvency (%)	Current ratio	171.86 (Note 1)	222.87	283.28			187.06	
	Quick ratio	165.95 (Note 1)	211.48	271.59			181.12	
	Times interest earned ratio	9.02 (Note 2)	4.10	3.83			13.02	
Operating Performance	Accounts receivable turnover (turns)	20.41	21.95	24.27			5.42	
	Average collection period	17.88	16.62	15.03			67.30	
	Inventory turnover (turns)	-	-	-		N/A	-	
	Accounts payable turnover (turns)	9.42	8.89	9.12			2.13	
	Average days in sales	-	-	-			-	
	Fixed assets turnover (turns)	1.50	1.44	1.79			0.38	
	Total assets turnover (turns)	0.82	0.76	0.83			0.20	
Profitability	Return on total assets (%)	7.32(Note 3)	3.60	3.33			2.59	
	Return on equity (%)	15.86(Note 3)	6.98	6.29			5.64	
	Ratio to issued capital of pre-tax income (%)	29.66(Note 2)	11.29	10.11			11.18	
	Profit ratio (%)	7.94(Note 3)	3.59	2.94			12.10	
	Earnings per share (\$)	2.37(Note 3)	0.96	0.83			0.93	
Cash flow	Cash flow ratio (%)	56.86	51.62	57.43			15.94	
	Cash flow adequacy ratio (%)	102.82(Note 4)	77.46	72.13			86.97	
	Cash reinvestment ratio (%)	9.46(Note 4)	4.93	6.66			2.98	
Leverage	Operating leverage	3.09(Note 5)	5.71	4.69			2.28	
	Financial leverage	1.18(Note 5)	1.57	1.38			1.09	

The reasons for all financial ratio of 2014 increase/decrease more than 20% comparing to 2013 are as follows.

Note 1 : The current ratio & quick ratio decreased since in 2014 current liabilities increased.

Note 2 : The times interest earned ratio & ratio to issued capital of pre-tax income increased since in 2014 income before tax increased.

Note 3 : The return on total assets, return on equity, profit ratio & earnings per share increased since net profit after tax in 2014 increased.

Note 4 : The cash flow adequacy ratio & cash reinvestment ratio increased since net cash provided by operating activities in 2014 increased.

Note 5 : The operating leverage & financial leverage decreased since the profit in 2014 increased.

1. Financial structure
  - (1) Liabilities to total asset = total liabilities / total assets
  - (2) Long-term capital to Property ,Plant and Equipment = (total equity + non-current liabilities) / net Property ,Plant and Equipment
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 / average net Property ,Plant and Equipment
  - (7) Turnover of total assets (times) = net operating revenue / average 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 equity = net income after tax / average total 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) / (Property ,Plant and Equipment + long-term investment + other non-current assets + working capital)
6. Leverage
  - (1) Operating leverage = (net operating revenue-variable operating cost and expense) / operating profit
  - (2) Financial leverage = operating profit / (operating profit-interest expenses)

## 6.3.2 Financial analysis - IFRS

Item		Year	Financial analysis in the past five years				2015 as of Mar. 31
		2014	2013	2012	2011	2010	
Financial structure (%)	Ratio of liabilities to assets	44.96	45.59	46.77	N/A		
	Ratio of long-term capital to fixed assets	674.15	613.64	755.91			
Solvency (%)	Current ratio	355.38	329.21	332.22			
	Quick ratio	346.38	317.13	319.41			
	Times interest earned ratio	22.66 (Note 1)	9.76	9.34			
Operating Performance	Accounts receivable turnover (turns)	26.74	26.54	27.86			
	Average collection period	13.64	13.75	13.10			
	Inventory turnover (turns)	-	-	-			
	Accounts payable turnover (turns)	9.85	9.26	9.91			
	Average days in sales	-	-	-			
	Fixed assets turnover (turns)	7.25	7.44	7.71			
	Total assets turnover (turns)	0.94	0.92	1.01			
Profitability	Return on total assets (%)	9.04 (Note 2)	4.16	3.66			
	Return on tockholders' equity (%)	15.77 (Note 2)	6.97	6.32			
	Ratio to issued capital of pre-tax income (%)	29.06 (Note 1)	11.10	9.83			
	Profit ratio (%)	9.15 (Note 2)	4.06	3.25			
	Earnings per share (\$)	2.37 (Note 2)	0.96	0.83			
Cash flow	Cash flow ratio (%)	70.73 (Note 3)	10.39	62.49			
	Cash flow adequacy ratio (%)	57.61 (Note 3)	47.45	52.08			
	Cash reinvestment ratio (%)	7.69 (Note 3)	(1.25)	8.37			
Leverage	Operating leverage	3.21	3.70	4.12			
	Financial leverage	1.08	1.10	1.10			

The reasons for all financial ratio of 2014 increase/decrease more than 20% comparing to 2013 are as follows.

Note 1 : The times interest earned ratio & ratio to issued capital of pre-tax income increased since in 2014 income before tax increased.

Note 2 : The return on total assets, return on equity, profit ratio & earnings per share increased since net profit after tax in 2014 increased.

Note 3 : The cash flow ratio, cash flow adequacy ratio & cash reinvestment ratio increased since net cash provided by operating activities in 2014 increased.

1. Financial structure

(1) Liabilities to total asset = total liabilities / total assets

(2) Long-term capital to Property ,Plant and Equipment = (total equity + non-current liabilities) / net Property ,Plant and Equipment

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 / average net Property ,Plant and Equipment

(7) Turnover of total assets (times) = net operating revenue / average 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 equity = net income after tax / average total 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) / (Property ,Plant and Equipment + long-term investment + other non-current 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 - ROC GAAP

### 6.4.1 Consolidated financial analysis – ROC GAAP

Item		Year	Financial analysis in the past five years				
			2014	2013	2012	2011	2010
Financial Structure (%)	Ratio of liabilities to assets				60.72	60.09	51.94
	Ratio of long-term capital to fixed assets				159.3	164.08	150.94
Solvency (%)	Current ratio				283.47	266.82	193.16
	Quick ratio				271.81	252.64	183.00
	Times interest earned ratio				3.80	1.67	12.70
Operating Performance	Accounts receivable turnover (turns)				22.54	21.29	26.44
	Average collection period				16.19	17.14	13.80
	Inventory turnover (turns)				-	-	-
	Accounts payable turnover (turns)				8.77	10.36	10.21
	Average days in sales				-	-	-
	Fixed assets turnover (turns)				1.65	1.97	1.99
	Total assets turnover (turns)			N/A	0.83	0.96	1.06
Profitability	Return on total assets (%)				3.30	0.82	9.14
	Return on stockholders' equity (%)				6.13	0.11	18.66
	Ratio to issued capital of pre-tax income (%)				9.98	1.95	34.28
	Profit ratio (%)				2.93	0.05	7.90
	Earnings per share (\$)				0.83	0.01	2.59
Cash flow	Cash flow ratio (%)				53.76	32.19	64.92
	Cash flow adequacy ratio (%)				71.05	67.42	76.55
	Cash reinvestment ratio (%)				6.31	1.95	12.83
Leverage	Operating leverage				4.19	(29.73)	1.87
	Financial leverage				1.40	0.33	1.07

Note : It's not applied since IFRS is adopted from 2013.

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)

### 6.4.2 Financial analysis – ROC GAAP

Item		Year	Financial analysis in the past five years				
		2014	2013	2012	2011	2010	
Financial structure (%)	Ratio of liabilities to assets	N/A			45.99	48.74	37.56
	Ratio of long-term capital to fixed assets				551.99	383.91	383.09
Solvency (%)	Current ratio				330.51	335.05	224.17
	Quick ratio				317.75	319.45	206.00
	Times interest earned ratio				9.24	3.10	64.30
Operating Performance	Accounts receivable turnover (turns)				27.10	32.21	50.21
	Average collection period				13.46	11.33	7.26
	Inventory turnover (turns)				-	-	-
	Accounts payable turnover (turns)				9.48	11.15	11.16
	Average days in sales				-	-	-
	Fixed assets turnover (turns)				5.53	5.78	6.70
	Total assets turnover (turns)				1.00	1.16	1.34
Profitability	Return on total assets (%)				3.62	0.32	11.43
	Return on stockholder s 'equity (%)				6.15	0.07	18.71
	Ratio to issued capital of pre-tax income (%)				9.70	1.71	33.96
	Profit ratio (%)			3.23	0.03	8.42	
	Earnings per share (\$)			0.82	0.01	2.46	
Cash flow	Cash flow ratio (%)			62.97	9.87	45.49	
	Cash flow adeqiacu ratio (%)			65.52	65.72	118.45	
	Cash reinvestment ratio (%)			8.59	(2.22)	11.27	
Leverage	Operating leverage			4.29	(6.05)	2.34	
	Financial leverage			1.10	0.92	1.01	

Note : It's not applied since IFRS is adopted from 2013.

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)

## 6.5 Supervisors' Report for Fiscal Year 2014

### 6.5.1 Supervisors' Report for Fiscal Year 2014

In accordance with Article 219 of the Company Act, the board of Directors has submitted year 2014 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 2014 financial statements herewith to be approved.

To the general shareholders' meeting of 2015

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



Apr. 22, 2015

### 6.5.2 Supervisors' Report for Fiscal Year 2014 (Consolidated)

In accordance with Article 219 of the Company Act, the board of Directors has submitted year 2014 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 2014 consolidated financial statements herewith to be approved.

To the general shareholders' meeting of 2015

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



Mar. 10, 2015

## 6.6 Financial Statement for Fiscal Year 2014

### 6.6.1 Independent Auditor's Report

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

We have audited the accompanying balance sheets of Wan Hai Lines Ltd. as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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 conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wan Hai Lines Ltd. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

March 9, 2015

**WAN HAI LINES LTD.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2014.12.31		2013.12.31	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents (note (6)(a))	\$ 22,789,896	35	16,820,288	30
Available-for-sale financial assets—current (notes (6)(b) and (q))	3,414,700	5	3,064,557	5
Notes receivable (notes (6)(c) and (q))	31,935	-	38,212	-
Accounts receivable, net (notes (6)(c) and (q) and (7))	2,251,541	4	1,973,812	4
Other receivables (notes (6)(g) and (7))	4,663,111	7	4,962,265	9
Inventories, net (note (6)(d))	767,657	1	957,993	2
Receivables from agents (notes (6)(q) and (7))	1,909,745	3	1,812,692	3
Other current assets	886,350	1	943,379	2
	<u>36,714,935</u>	<u>56</u>	<u>30,573,198</u>	<u>55</u>
<b>Non-Current Assets:</b>				
Available-for-sale financial assets—non-current (notes (6)(b) and (q))	208,906	-	247,652	-
Financial assets measured at cost—non-current (note (6)(b))	735,967	1	800,967	1
Bond portfolios with inactive market—non-current (note (6)(b))	1,268,720	2	1,198,000	2
Long-term equity investments under equity method (note (6)(e) and (g))	17,328,015	27	15,563,380	27
Property, plant, and equipment (notes (6)(f) and (8) and (9))	8,064,091	13	7,776,229	14
Intangible assets (note (6)(g))	41,488	-	64,933	-
Other non-current assets (notes (6)(l) and (q), (8) and (9))	333,410	1	780,294	1
	<u>27,980,597</u>	<u>44</u>	<u>26,431,455</u>	<u>45</u>
<b>TOTAL ASSETS</b>	<u>\$ 64,695,532</u>	<u>100</u>	<u>57,004,653</u>	<u>100</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities:</b>				
Accounts payable (note (7))	5,393,590	8	5,017,051	9
Other payable (note (6)(k) and (7))	669,930	1	1,544,034	3
Current tax liabilities	646,936	1	167,528	-
Current portion of long-term loans (note (6)(b))	2,525,313	4	1,580,067	3
Payables to agents (note (6)(q) and (7))	474,448	1	576,525	1
Other current liabilities	620,999	1	401,503	1
	<u>10,331,216</u>	<u>16</u>	<u>9,286,708</u>	<u>17</u>
<b>Non-current Liabilities:</b>				
Bonds payable (note (6)(i))	12,200,000	19	10,400,000	18
Long-term loans (note (6)(h))	4,791,743	8	4,701,400	8
Deferred income tax liabilities (note (6)(l))	956,988	1	705,219	1
Accrued pension liabilities (note (6)(k))	748,440	1	840,672	1
Guarantee deposits received	59,667	-	55,904	-
	<u>18,756,838</u>	<u>29</u>	<u>16,703,195</u>	<u>28</u>
	<u>29,088,054</u>	<u>45</u>	<u>25,989,903</u>	<u>45</u>
<b>TOTAL LIABILITIES</b>				
	<u>22,182,975</u>	<u>34</u>	<u>22,182,975</u>	<u>39</u>
<b>Equity (notes (6)(l) and (m)):</b>				
<b>Common stock</b>	1,261,681	2	1,261,681	2
<b>Capital surplus</b>				
<b>Retained Earnings:</b>				
Legal reserve	5,469,637	8	5,256,726	9
Special reserve	1,117,003	2	1,911,538	3
Retained earnings—unappropriated	5,659,903	10	1,518,833	4
	<u>12,226,543</u>	<u>20</u>	<u>8,687,097</u>	<u>16</u>
<b>Other Equity:</b>				
Foreign currency translation differences arising from foreign operations <sup>1</sup> , net of tax	237,138	-	(683,820)	(1)
Unrealized loss on available-for-sale financial instruments	(300,859)	(1)	(433,183)	(1)
	<u>(63,721)</u>	<u>(1)</u>	<u>(1,117,003)</u>	<u>(2)</u>
	<u>35,607,478</u>	<u>55</u>	<u>31,014,750</u>	<u>55</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 64,695,532</u>	<u>100</u>	<u>57,004,653</u>	<u>100</u>

**WAN HAI LINES LTD.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	For the Year Ended December 31,			
	2014		2013	
	Amount	%	Amount	%
<b>Operating revenues (note (6)(o) and (7))</b>	\$ 57,438,243	100	52,491,030	100
<b>Operating costs (notes (6)(d), (g) and (k) and (7))</b>	51,247,188	89	47,879,774	91
<b>Gross profit</b>	6,191,055	11	4,611,256	9
<b>Operating expenses (notes (6)(g), (k) and (m) and (7))</b>	1,999,062	3	1,647,396	3
<b>Income from operations</b>	4,191,993	8	2,963,860	6
<b>Non-operating income and expenses (note (6)(p)):</b>				
Other revenue	390,920	1	272,243	1
Other gains and losses	1,370,724	2	651,467	1
Finance costs	(297,562)	(1)	(280,921)	(1)
Share of profit (loss) of associated and joint ventures accounted for using equity method	790,255	1	(1,145,007)	(2)
<b>Total non-operating income and expenses</b>	2,254,337	3	(502,218)	(1)
<b>Profit before income tax from continuing operations</b>	6,446,330	11	2,461,642	5
<b>Less: Income tax expense (note (6)(l))</b>	1,192,256	2	332,534	1
<b>Net profit</b>	<b>5,254,074</b>	<b>9</b>	<b>2,129,108</b>	<b>4</b>
<b>Other comprehensive income:</b>				
Foreign currency translation differences	923,385	2	424,187	1
Gain (loss) on valuation of available-for-sale financial assets	132,364	-	106,625	-
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	30,537	-	15,513	-
Share of other comprehensive income (loss) of associated and joint ventures accounted for using equity method	27,029	-	44,392	-
Less: Income tax relating to components of other comprehensive income (loss)	24	-	10,231	-
<b>Other comprehensive income (net of tax)</b>	1,113,291	2	580,486	1
<b>Total comprehensive income</b>	<b>\$ 6,367,365</b>	<b>11</b>	<b>2,709,594</b>	<b>5</b>
<b>Earnings per share (note (6)(n))</b>				
<b>Basic earnings per share (New Taiwan Dollars)</b>	<b>\$ 2.37</b>		<b>0.96</b>	
<b>Diluted earnings per share (New Taiwan Dollars)</b>	<b>\$ 2.37</b>		<b>0.96</b>	

**WAN HAILINES LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
 (Expressed in Thousands of New Taiwan Dollars)

	Stock		Retained Earnings				Other Equity		Total
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings - Unappropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets		
<b>Balance as of January 1, 2013</b>	\$ 22,182,975	2,446,570	5,073,891	855,768	1,168,124	(1,108,007)	(539,526)	30,079,795	
Net Profit	-	-	-	-	2,129,108	-	-	2,129,108	
Other comprehensive income	-	-	-	-	49,956	424,187	106,343	580,486	
Total comprehensive income	-	-	-	-	2,179,064	424,187	106,343	2,709,594	
Appropriation of retained earnings:									
Legal reserve	-	-	182,835	-	(182,835)	-	-	-	
Special reserve	-	-	-	1,055,770	(1,055,770)	-	-	-	
Cash dividends	-	-	-	-	(589,750)	-	-	(589,750)	
Cash dividends from capital surplus	-	(1,184,889)	-	-	-	-	-	(1,184,889)	
<b>Balance as of December 31, 2013</b>	22,182,975	1,261,681	5,256,726	1,911,538	1,518,833	(683,820)	(433,183)	31,014,750	
Net Profit	-	-	-	-	5,254,074	-	-	5,254,074	
Other comprehensive income	-	-	-	-	60,009	920,958	132,324	1,113,291	
Total comprehensive income	-	-	-	-	5,314,083	920,958	132,324	6,367,365	
Appropriation of retained earnings:									
Legal reserve	-	-	212,911	-	(212,911)	-	-	-	
Cash dividends	-	-	-	-	(1,774,637)	-	-	(1,774,637)	
Reversal of special reserve	-	-	-	(794,535)	794,535	-	-	-	
<b>Balance as of December 31, 2014</b>	\$ 22,182,975	1,261,681	5,469,637	1,117,003	5,639,903	237,138	(300,859)	35,607,478	

**WAN HAI LINES LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31,	
	2014	2013
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 6,446,330	2,461,642
<b>Adjustments:</b>		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,327,127	1,453,246
Amortization	34,831	44,585
Interest expense	297,562	280,921
Interest revenue	(279,971)	(178,322)
Dividend revenue	(110,949)	(93,921)
Investment loss (income) under the equity method	(790,255)	1,145,007
(Loss) Gain on disposal of property, plant and equipment, net	(314,342)	(185,444)
Prepayment for equipment re-classified into expense	476	485
(Gain) Loss on disposal of available-for-sale assets-current	(61,242)	(47,346)
Loss on impairment of financial assets	65,000	-
Unrealized foreign exchange (gain) loss	282,716	163,620
Total adjustments to reconcile net income to net cash provided by operating activities	<u>450,953</u>	<u>2,582,831</u>
<b>Changes in operating assets and liabilities:</b>		
Changes in operating assets, net:		
(Increase) Decrease in notes receivable	6,277	(17,559)
(Increase) Decrease in accounts receivable	(277,729)	(51,304)
(Increase) Decrease in other receivables	280,326	(4,140,149)
(Increase) Decrease in inventories	190,336	16,993
(Increase) Decrease in receivables from agents	(97,053)	(204,442)
(Increase) Decrease in other current assets	78,699	(188,599)
Total changes in operating assets, net	<u>180,856</u>	<u>(4,585,060)</u>
Changes in operating liabilities, net:		
Increase (Decrease) in current financial liabilities at fair value through profit or loss	-	(41,983)
Increase (Decrease) in accounts payable (including related parties)	376,539	(312,115)
Increase (Decrease) in other payables	228,284	1,243,656
Increase (Decrease) in payables to agents	(102,077)	(160,107)
Increase (Decrease) in other current liabilities	219,496	(53,465)
Increase (Decrease) in accrued pension liabilities	(61,695)	(69,903)
Total changes in operating liabilities, net	<u>660,547</u>	<u>606,083</u>
Total changes in operating assets and liabilities, net	<u>841,403</u>	<u>(3,978,977)</u>
Total Adjustments	<u>1,292,356</u>	<u>(1,396,146)</u>
Cash inflow generated from operations	7,738,686	1,065,496
Income tax (paid) returned	(431,497)	(100,998)
<b>Net cash provided by (used in) operating activities</b>	<u>7,307,189</u>	<u>964,498</u>

**WAN HAI LINES LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(477,972)	(345,949)
Proceeds from sale of available-for-sale financial assets	360,181	186,312
Acquisition of financial assets at cost	-	(152,529)
Acquisition of property, plant and equipment	(2,365,932)	(7,461,323)
Disposal of property, plant and equipment	295,815	6,846,105
Acquisition of intangible assets	(10,354)	(32,841)
Decrease (Increase) in other non-current assets	40,737	11,959
Interest received	274,484	166,768
Dividends received	116,459	99,352
<b>Net cash provided by (used in) investing activities</b>	<b>(1,766,582)</b>	<b>(682,146)</b>
<b>Cash flows from financing activities:</b>		
Issuance of corporate bond	1,800,000	-
Increase in long-term loans	2,322,380	600,600
Repayment of long-term loans	(1,640,227)	(1,812,313)
Increase in guarantee deposits	3,763	53,909
Dividends paid	(1,774,637)	(1,774,639)
Interest paid	(282,278)	(284,878)
<b>Net cash provided by (used in) financing activities</b>	<b>429,001</b>	<b>(3,217,321)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,969,608</b>	<b>(2,934,969)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>16,820,288</b>	<b>19,755,257</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 22,789,896</b>	<b>16,820,288</b>

**WAN HAI LINES LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)**

**1 Organization and Business**

Wan Hai Lines Ltd. (the Company) was incorporated as a company limited by shares on February 24, 1965, under the approval of the Ministry of Economic Affairs, ROC. The address of the Company's registered office is 10F, No. 136 Songjiang Rd., Taipei City. The Company is primarily involved in the business of international sea transportation, shipping agencies, container storage service, and the sale and rental of vessels and containers.

**2 Approval Date and Procedures of the Financial Statements**

The Board of Directors approved and issued the financial statements on March 9, 2015.

**3 New Standards and Interpretations Not Yet Adopted**

- (1) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not effective. According to the decree No.1030010325 issued by the FSC on April 3, 2014, commencing 2015, companies with share listed on the Taiwan Stock Exchange or GreTai Securities Market shall adopt the 2013 version of IFRS endorsed by FSC (excluding IFRS 9 *Financial Instruments*) in preparing the financial statements. A summary of the new announcements, revisions, and amendments of standards and interpretations is as follows:

New Standards and amendments	Effective date per IASB
Amended IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amended IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amended IFRS 1 "Government Loans"	January 1, 2013
Amended IFRS 7 "Disclosure—Transfers of Financial Assets"	July 1, 2011
Amended IFRS 7 "Disclosure—Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS10 "Consolidated Financial Statements"	January 1, 2013
	(Investment Entities amendments, effective 1 January 2014.)
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amended IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amended IFRS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Amended IFRS 19 "Employee Benefits"	January 1, 2013
Amended IFRS 27 "Separate Financial Statements"	January 1, 2013
Amended IFRS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

The Group had assessed that the 2013 version of the IFRS may not have any significant impact on the consolidated financial statements except for the following:

1. IAS 1 Presentation of Financial Statements

The amendment requires entities to separate the items (presented in OCI classified by nature) into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

2. IFRS 12 Disclosure of Interests in Other Entities

The standard primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities, and presents those requirements in a single IFRS. The Group expects the application of IFRS 12 will result in more extensive disclosures of its interests in other entities in the financial statements.

3. IFRS 13 Fair value measurement

The standard defines the fair value, provides a framework for measuring fair value, and requires the disclosures on fair value measurement. Based on its assessment, the Group is not expecting the standard to have any significant impact on the financial position and the results of its operations, instead, it is expecting to increase the disclosures related to fair value measurement in accordance with the standard.

(2) Impact of IFRSs issued by the IASB but not yet endorsed by the FSC

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows :

New Standards and amendments	Effective date per IASB
IFRS 9 “Financial Instruments”	January 1, 2018
Amended IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016
Amended IFRS 10, IFRS 12 and IAS 28 “Investment Entities : Applying the Consolidation Exception”	January 1, 2016
Amended IFRS 11 “Accounting for acquisition of Interest in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amended IAS 1 “Disclosure Initiative”	January 1, 2016
Amended IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortization”	January 1, 2016
Amended IAS 16 and IAS 41 “Bearer Plants”	January 1, 2016
Amended IAS 19 “Define Benefit Plans: Employee Contributions”	July 1, 2014
Amended IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amended IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amended IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on the financial position and results of its operations. Related impact will be disclosed following the completion of its assessments.

#### 4 Significant Accounting Policies

The significant accounting policies adopted in the financial statements are as follows. The significant accounting policies have been applied consistently to all periods presented in these financial statements, except for those described individually.

(1) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations).

(2) Basis of preparation

A. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (a) Financial instruments measured at fair value through profits or losses (including derivative financial instruments);
- (b) Available-for-sale financial assets are measured at fair value; and
- (c) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment. The financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. Assets and liabilities of foreign operations are translated into the functional currency at the exchange rates on the reporting date. Income statement accounts are translated at the weighted-average rate of the current period. Exchange gains or losses resulting from the translation process should be recorded as “other comprehensive income”. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

## (3) Foreign currency

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

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

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

- A. Available-for-sale equity investment;
- B. A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- C. Qualifying cash flow hedges to the extent the hedge is effective.

## (4) Assets and liabilities classified as current and non-current

An entity shall classify an asset as current when:

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

An entity shall classify a liability as current when:

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

## (5) Cash and cash equivalents

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

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

## (6) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

## A. Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, available-for-sale financial assets, financial assets measured at cost, and bond portfolios with inactive market. The Company purchases or sales financial assets are recognized using trade-date accounting.

## (a) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, financial assets classified under this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

## (b) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus as any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss

accumulated in equity is reclassified to profit or loss under “other income”.

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

(c) Financial assets measured at cost

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost. A financial asset is impaired if, and only if, there is objective evidence of impairment. Such impairment loss is not reversible in subsequent periods.

(d) Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables.

Interest income is recognized into profit or loss under “non-operating income and expenses”.

(e) Impairment of financial assets

A financial asset not classified as at fair value through profit and loss is assessed at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’), and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset’s original effective interest rate. If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss was recognized at the reversal date.

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

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

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

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed against profit or loss. Impairment losses and recoveries are recognized in profit or loss under “other gains and losses, net”.

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as “other gains and losses” under non-operating income and expenses.

(f) Derecognition of financial assets

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

B. Financial liabilities and equity instruments

## (a) Classification of debt or equity

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

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

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

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss under “non-operating income and expenses”.

## (c) Derecognition of financial liabilities

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

## (d) Offsetting of financial assets and liabilities

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

## C. Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss under “non-operating income and expenses”. When the result of the valuation at fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

## (7) Inventories

Fuels purchased by the Company are recorded under inventory account. Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated by using the first-in first-out principle.

## (8) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting right of its investment. Investments in affiliates are accounted for by using the equity method and are recognized initially at cost, which includes attributable cost of acquisition. The carrying amount of investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

## (9) Subsidiaries

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

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

## (10) Property, plant, and equipment

## A. Recognition and measurement

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

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

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

## B. Depreciation

Except for land, the depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a

systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

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

	The company
Buildings	43~57 years
Vessels	15~25 years
Containers	3~10 years
Privileged wharf equipment	3~10 years
Other equipment	2~16 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(11) Intangible assets

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Software	3~5 years
Trademarks	10 years

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

(12) Impairment – non-financial assets

Except for inventories and deferred tax assets, the Company assesses the non-financial assets for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

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

The Company should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

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

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

(13) Revenue

A. Freight Revenue

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

B. Rental Revenue

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

C. Terminal operating revenue

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

D. Other service revenue

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

(14) Employee benefits

A. Defined contribution plans

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

**B. Defined benefit plans**

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising subsequently from defined benefit plans in "other comprehensive income".

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

**C. Termination benefits**

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**D. Short-term employee benefits**

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

**(15) Income taxes**

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

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

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

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

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

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

(16) Earnings per share

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

The diluted earnings per share are calculated as the profit attributable to common stock shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as estimated employee bonus.

(17) Operating segments

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

## 5 Major Sources of Accounting Assumptions, Judgements and Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continuously monitors its accounting estimates and assumptions. Changes in accounting estimates are recognized in the period of the change in accounting estimates and the future periods affected by the change. There is no information showing that the accounting policies adopted by the Company require making critical judgements that have significant effect on the amounts recognized in the financial statement.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months is included in the Note 6(l), Measurement of defined benefit obligations.

## 6 Summary of Major Accounts

(1) Cash and cash equivalents

	<u>2014.12.31</u>	<u>2013.12.31</u>
Cash on hand	\$ 55,387	55,729
Savings accounts	268,100	335,569
Time deposits	22,466,409	16,428,990
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 22,789,896</u>	<u>16,820,288</u>

Please refer to Note 6(q) for the interests analysis of financial assets and liabilities.

(2) Financial assets

A. Details of financial assets:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Available-for-sale financial assets	3,623,606	3,312,209
Financial assets measured at cost	735,967	800,967
Bond portfolios with inactive market	1,268,720	1,198,000
Total	<u>\$ 5,628,293</u>	<u>5,311,176</u>
Current	\$ 3,414,700	3,064,557
Non-current	2,213,593	2,246,619
Total	<u>\$ 5,628,293</u>	<u>5,311,176</u>

Part of the above mentioned investments in common stock which do not have any quoted market prices in an active market and whose fair value cannot be reliably measured were reflected as non-current financial assets carried at cost on initial recognition and subsequently at cost, less, accumulated impairment losses. There were objective evidences indicating that some financial assets were impaired, and the Group recognized impairment loss for the asset whose carrying value is higher than the recoverable amount. For the year ended December 31, 2014, the impairment loss was \$65,000 thousand.

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

As of December 31, 2014 and 2013, the Company's financial assets were not pledged as collateral.

B. Sensitivity analysis-equity price risk:

If the equity price changes, the sensitivity analysis was based on the same variables except for the price index for both period, the impact to other comprehensive income will be as follows:

Equity price at reporting date	2014		2013	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase 1%	\$ 36,236	-	33,122	-
Decrease 1%	\$ (36,236)	-	(33,122)	-

(3) Notes receivable, accounts receivable, and other receivable

	2014.12.31	2013.12.31
Notes receivable	\$ 31,935	38,212
Accounts receivable	2,251,914	1,974,185
Other receivables	4,663,111	4,962,265
Less: Allowance for impairment loss	(373)	(373)
	<u>\$ 6,946,587</u>	<u>6,974,289</u>

The Company's aging analysis of past due but not impaired notes receivables, accounts receivables and other receivables:

	2014.12.31	2013.12.31
Past due 0-30 days	\$ 70,379	151,782
Past due 31-120 days	79,500	50,259
Past due 121-365 days	29,974	141
Past due more than 365 days	3,779	3,625
	<u>\$ 183,632</u>	<u>205,807</u>

Movements of allowance for doubtful receivables for the years ended December 31, 2014 and 2013 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2014	\$ 373	-	373
Balance as of December 31, 2014	\$ 373	-	373
Balance as of January 1, 2013	\$ 373	-	373
Balance as of December 31, 2013	\$ 373	-	373

(4) Inventories

	2014.12.31	2013.12.31
Marine diesel oil	\$ 136,712	144,017
Marine residual fuel oil	629,666	807,761
Fresh lubricating oil	6,988	6,215
Sub total	773,366	957,993
Less: Allowance for inventory valuation and obsolescence losses	(5,709)	-
Total	<u>\$ 767,657</u>	<u>957,993</u>

During the year ended 2014 and 2013, raw material, consumables and changes in the finished goods and work in progress recognized as cost of sales amounted to \$12,337,989 thousand and \$12,158,473 thousand respectively. In 2014 and 2013,

the write-down of inventories to net realizable value amounted to \$5,709 thousand and \$(3,528) thousand respectively. The write-downs are included in cost of sales.

As of December 31, 2014 and 2013, the Company's inventories were not pledged as collateral.

(5) Investments accounted for using equity method

A summary of equity-accounted investees is as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Subsidiaries	\$ 17,113,823	15,401,157
Associate	214,192	162,223
	<u>\$ 17,328,015</u>	<u>15,563,380</u>

A. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2014 and 2013.

B. Associate

In 2014 and 2013, the net income of an associate was as follows:

	<u>2014</u>	<u>2013</u>
The company's share of profit(loss) of associates	\$ <u>37,690</u>	<u>9,478</u>

Summary financial information for an investment in an associate is as follows (before being adjusted to The Company proportionate share):

	<u>2014.12.31</u>	<u>2013.12.31</u>
Total assets	\$ <u>2,435,032</u>	<u>2,165,105</u>
Total liabilities	\$ <u>1,430,850</u>	<u>1,404,569</u>

	<u>2014</u>	<u>2013</u>
Revenue	\$ <u>1,507,525</u>	<u>1,029,199</u>
Net income(loss)	\$ <u>176,699</u>	<u>44,434</u>

As of December 31, 2014 and 2013, the Company's investments accounted for using the equity method were not pledged as collateral.

(6) Property, plant and equipment

The movements of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Vessels</u>	<u>Containers</u>	<u>Other equipment</u>	<u>Privileged wharf equipment</u>	<u>Total</u>
Cost:							
Balance at January 1, 2014	\$ 620,477	123,736	3,528,694	18,574,874	1,191,799	676,921	24,716,501
Additions	-	-	31,109	1,054,917	23,218	115,293	1,224,537
Reclassification	-	-	-	-	7,500	389,636	397,136
Disposals	-	-	-	(548,511)	(137,741)	-	(686,252)
Balance at December 31, 2014	<u>\$ 620,477</u>	<u>123,736</u>	<u>3,559,803</u>	<u>19,081,280</u>	<u>1,084,776</u>	<u>1,181,850</u>	<u>25,651,922</u>
Balance at January 1, 2013	\$ 620,477	123,736	4,143,127	15,979,869	1,203,542	672,011	22,742,762
Additions	-	-	4,180,626	2,848,558	19,900	4,910	7,053,994
Reclassification	-	-	2,471,748	-	(14,025)	-	2,457,723
Disposals	-	-	(7,266,807)	(253,553)	(17,618)	-	(7,537,978)
Balance at December 31, 2013	<u>\$ 620,477</u>	<u>123,736</u>	<u>3,528,694</u>	<u>18,574,874</u>	<u>1,191,799</u>	<u>676,921</u>	<u>24,716,501</u>
Depreciation and impairment loss:							
Balance at January 1, 2014	\$ -	55,710	2,886,179	12,756,574	712,908	528,901	16,940,272
Depreciation for the year	-	2,726	153,263	1,009,065	126,164	35,909	1,327,127
Reclassification	-	-	-	-	-	-	-
Disposals	-	-	-	(541,827)	(137,741)	-	(679,568)
Balance at December 31, 2014	<u>\$ -</u>	<u>58,436</u>	<u>3,039,442</u>	<u>13,223,812</u>	<u>701,331</u>	<u>564,810</u>	<u>17,587,831</u>

	<u>Land</u>	<u>Buildings</u>	<u>Vessels</u>	<u>Containers</u>	<u>Other equipment</u>	<u>Privileged wharf equipment</u>	<u>Total</u>
Balance at January 1, 2013	\$ -	52,945	3,365,910	11,876,092	619,888	490,575	16,405,410
Depreciation for the year	-	2,765	156,693	1,130,369	125,093	38,326	1,453,246
Reclassification	-	-	-	-	(14,455)	-	(14,455)
Disposals	-	-	(636,424)	(249,887)	(17,618)	-	(903,929)
Balance at December 31, 2013	<u>\$ -</u>	<u>55,710</u>	<u>2,886,179</u>	<u>12,756,574</u>	<u>712,908</u>	<u>528,901</u>	<u>16,940,272</u>
Carrying amounts:							
Balance at December 31, 2014	<u>\$ 620,477</u>	<u>65,300</u>	<u>520,361</u>	<u>5,857,468</u>	<u>383,445</u>	<u>617,040</u>	<u>8,064,091</u>
Balance at December 31, 2013	<u>\$ 620,477</u>	<u>68,026</u>	<u>642,515</u>	<u>5,818,300</u>	<u>478,891</u>	<u>148,020</u>	<u>7,776,229</u>
Balance at January 1, 2013	<u>\$ 620,477</u>	<u>70,791</u>	<u>777,217</u>	<u>4,103,777</u>	<u>583,654</u>	<u>181,436</u>	<u>6,337,352</u>

Please refer to note 8 for details of the property, plant and equipment pledged as collateral.

(7) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Company in 2014 and 2013 are as follows:

	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Costs:			
Balance at January 1, 2014	\$ 139,397	1,913	141,310
Additions	10,354	-	10,354
Reclassification	1,032	-	1,032
Disposals	(68,428)	-	(68,428)
Balance at December 31, 2014	<u>\$ 82,355</u>	<u>1,913</u>	<u>84,268</u>
Balance at January 1, 2013	\$ 131,306	1,913	133,219
Additions	32,841	-	32,841
Reclassification	1,478	-	1,478
Disposals	(26,228)	-	(26,228)
Balance at December 31, 2013	<u>\$ 139,397</u>	<u>1,913</u>	<u>141,310</u>
Amortization and impairment loss:			
Balance at January 1, 2014	\$ 76,020	357	76,377
Amortization for the year	34,640	191	34,831
Disposals	(68,428)	-	(68,428)
Balance at December 31, 2014	<u>\$ 42,232</u>	<u>548</u>	<u>42,780</u>
Balance at January 1, 2013	\$ 57,854	166	58,020
Amortization for the year	44,394	191	44,585
Disposals	(26,228)	-	(26,228)
Balance at December 31, 2013	<u>\$ 76,020</u>	<u>357</u>	<u>76,377</u>
Carrying amounts:			
Balance at December 31, 2014	<u>\$ 40,123</u>	<u>1,365</u>	<u>41,488</u>
Balance at December 31, 2013	<u>\$ 63,377</u>	<u>1,556</u>	<u>64,933</u>
Balance at January 1, 2013	<u>\$ 73,452</u>	<u>1,747</u>	<u>75,199</u>

1. Recognition of amortization and impairment

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

	<u>2014</u>	<u>2013</u>
Operating costs	<u>\$ 15,809</u>	<u>21,257</u>
Operating expense	<u>\$ 19,022</u>	<u>23,328</u>

(8) Term loans

Details of borrowings are as follows:

<u>2014.12.31</u>				
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	1.47%-2.831%	104-106	\$ 1,227,200
Secured bank loans	USD	0.9158%-1.8526%	104-107	6,089,856
Totals				<u>\$ 7,317,056</u>
Current				\$ 2,525,313
Non-current				<u>4,791,743</u>
Totals				<u>\$ 7,317,056</u>

<u>2013.12.31</u>				
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	1.47%-2.831%	103-106	\$ 2,028,567
Secured bank loans	USD	0.9584%-1.3684%	103-107	4,252,900
Totals				<u>\$ 6,281,467</u>
Current				\$ 1,580,067
Non-current				<u>4,701,400</u>
Totals				<u>\$ 6,281,467</u>

For information on the Company's interest risk, currency risk, and liquidity risk, see note 6(q) and note 6(r).

For details of fixed assets provide as collateral please see note 8.

(9) Bonds payable

<u>2014.12.31</u>				
	<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Unsecured bank-2011 first domestic bond issue	TWD	1.65%~1.85%	105-107	\$ 7,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	106	2,900,000
Unsecured bank-2014 first domestic bond issue	TWD	1.65%~1.95%	108-110	1,800,000
Bond payable-non-current				<u>\$ 12,200,000</u>

<b>2013.12.31</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank-2011 first domestic bond issue	TWD	1.65%~1.85%	105-107	\$ 7,500,000
Unsecured bank-2011 second domestic bond issue	TWD	1.75%	106	2,900,000
Bond payable-non-current				<b><u>\$ 10,400,000</u></b>

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:

A. Issue amount

TWD 7,500,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD 3,000,000 thousand and series B amounting to TWD 4,500,000 thousand.

B. Nominal amount

Par value TWD 1,000 thousand per unit.

C. Issuance period

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

D. Issued price: at par value

E. Nominal interest rate

(a) Series A: 1.65%

(b) Series B: 1.85%

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

G. Redemption on the maturity date

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

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

I. 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.

J. 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.

K. Underwriter: None

L. 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:

A. Issue amount

TWD 2,900,000 thousand.

B. Nominal amount

Par value TWD 1,000 thousand per unit.

C. Issuance period

The issuance date is July 28, 2011; the maturity period is six years.

D. Issued price: at par value

E. Nominal interest rate: 1.75%.

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

G. Redemption on the maturity date

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

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

I. 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.

- J. 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.
- K. Underwriter: None
- L. Announcement  
The related information can be acquired from the Market Observation Post System. The Company issued an unsecured corporate bond in August 2014. It was the Company's first domestic bond issue in 2014 and was effective upon submission to the regulatory authority on June 17, 2014. The issuance terms were as follows:
- A. Issue amount  
TWD 1,800,000 thousand. There are two series of bonds categorized by the terms, with series A amounting to TWD 1,000,000 thousand and series B amounting to TWD 8,000,000 thousand.
- B. Nominal amount  
Par value TWD \$1,000 thousand per unit.
- C. Issuance period  
The issuance dates are August 14, 2014; the maturity periods for series A and B are five and seven years, respectively.
- D. Issued price: at par value
- E. Nominal interest rate  
1) Series A: 1.65%  
2) Series B: 1.95%
- F. Payment of interest: The interest is paid once a year by simple interest and is rounded to the closest digit. Interest payment is postponed to the following business day if the repayment date is on a non-business day, excluding additional interest. There is no additional interest for the period after the maturity date if the bondholders apply for repayment after that date.
- G. Redemption on the maturity date  
The ordinary bonds will be redeemed at par on the maturity date.
- H. Bond form: No physical bonds were released; the bonds were registered with Taiwan Depository & Clearing Corp. (TDCC).
- I. 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.
- J. 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.
- K. Underwriter: None
- L. Announcement  
The related information can be acquired from the Market Observation Post System.

(10) Operating leases

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

	<u>2014.12.31</u>	<u>2013.12.31</u>
Less than one year	\$ 8,294,864	7,413,663
Between one and five years	<u>30,537,639</u>	<u>27,449,464</u>
	<u><b>\$ 38,832,503</b></u>	<u><b>34,863,127</b></u>

The Company entered into operating leases agreement for offices and vessels with a period from 1 to 3 years.

(11) Employee benefits

A. Defined benefit plans

The Company determined the movement in the present value of the defined benefit obligations and fair value of plan assets as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Present value of defined benefit obligation	\$ 1,105,772	1,136,940
Fair value of plan assets	<u>(357,332)</u>	<u>(296,268)</u>
Recognized liabilities for defined benefit obligations	<u><b>\$ 748,440</b></u>	<u><b>840,672</b></u>

(a) Composition of plan assets

The Company sets aside pension funds in accordance with the regulations of the Council of Labor Affairs, and the pension funds are managed by the Bureau of Labor funds, Ministry of Labor. In accordance with the Management and Utilization of Labor Pension Funds regulations, the annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit.

The Company's pension reserve account balance amounted to \$352,097 thousand at the end of the reporting period. The information used to calculate pension fund assets includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Bureau of Labor funds, Ministry of Labor.

## (b) Movements in present value of the defined benefit obligations

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

	<u>2014</u>	<u>2013</u>
Defined benefit obligation at January 1	\$ 1,136,940	1,213,640
Benefits paid by the plan	(38,345)	(96,639)
Current service costs and interest	35,821	36,085
Actuarial (losses) gains	(28,644)	(16,146)
Defined benefit obligation at December 31	<u>\$ 1,105,772</u>	<u>1,136,940</u>

## (c) Movements of defined benefit plan assets

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

	<u>2014</u>	<u>2013</u>
Fair value of plan assets at January 1	\$ 296,268	287,551
Contributions made	61,845	61,462
Benefits paid by the plan	(7,925)	(56,380)
Expected return on plan assets	5,251	4,268
Actuarial gains (losses)	1,893	(633)
Fair value of plan assets at December 31	<u>\$ 357,332</u>	<u>296,268</u>

## (d) Expenses recognized in profit or loss

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

	<u>2014</u>	<u>2013</u>
Current service costs	\$ 17,527	19,822
Interest on obligation	18,294	16,263
Expected return on plan assets	(5,251)	(4,268)
	<u>\$ 30,570</u>	<u>31,817</u>
Operating costs	\$ 11,556	11,710
Selling expenses	19,014	20,107
	<u>\$ 30,570</u>	<u>31,817</u>
Actual return on assets	<u>\$ 7,144</u>	<u>3,635</u>

## (e) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income were as follows:

	<u>2014</u>	<u>2013</u>
Cumulative amount at January 1	\$ 51,906	36,393
Recognized during the period	30,537	15,513
Cumulative amount at December 31	<u>\$ 82,443</u>	<u>51,906</u>

(f) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>2014</u>	<u>2013</u>
Discount rate	1.72%	1.61%
Expected return on plan assets	1.72%	1.61%
Future salary increases	3.00%	3.00%

The expected rate of return of plan assets is based on the portfolio as a whole and not on the sum of the returns on individual assets categories. The return is based exclusively on historical returns, without adjustment.

(g) Experience adjustments on historical information

	<u>2014.12.31</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of defined benefit plans	\$ 1,105,772	1,136,940	1,213,640	1,290,002
Fair value of plan assets	(357,332)	(296,268)	(287,551)	(251,124)
Net liabilities (assets) of defined benefit obligations	<u>\$ 748,440</u>	<u>840,672</u>	<u>926,089</u>	<u>1,038,878</u>
Experience adjustments arising on the present value of defined benefit plans	<u>\$ 28,644</u>	<u>16,146</u>	-	-
Experience adjustments arising on the fair value of the plan assets	<u>\$ 1,893</u>	<u>(633)</u>	-	-

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is \$63,138 thousand.

- (h) When calculating the present value of the defined benefit obligations, the Company uses judgements and estimations to determine the actuarial assumptions, including discount rate and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2014, the Company's accrued pension liabilities amounted to \$748,440 thousand. If the discount rate had increased or decreased by 0.5%, the Company's accrued pension liabilities would have decreased by \$71,473 thousand or increased by \$77,561 thousand, respectively.

B. Defined contribution plans

The Company set aside 6% of the employees' monthly wages to the Labor Pension personal accounts at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

For the years ended December 31, 2014 and 2013, the Company set aside \$37,744 thousand and \$37,490 thousand, respectively, under the pension plan to the Bureau of the Labor Insurance.

C. Other employee benefits

The Company's employee benefit liabilities were as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Vacation liability	<u>\$ 28,203</u>	<u>25,384</u>

## (12) Income taxes

## A. Income tax expense (benefit)

The amount of income tax was as follows:

	<u>2014</u>	<u>2013</u>
Current income tax expense:		
Current period	\$ 898,149	252,151
Adjustment for prior periods	32,805	3,692
	<u>930,954</u>	<u>255,843</u>
Deferred tax expense:		
Origination and reversal of temporary differences	261,302	76,691
Income tax expense from continuing operations	<u>\$ 1,192,256</u>	<u>332,534</u>

No income tax recognized directly in equity for 2014 and 2013.

The amount of income tax recognized in other comprehensive income for 2014 and 2013 were \$24 thousand and \$10,231 thousand, respectively.

The reconciliation of income tax and profit before tax was as follows:

	<u>2014</u>	<u>2013</u>
Profit excluding income tax	<u>\$ 6,446,330</u>	<u>2,461,642</u>
Income tax using the Company's domestic tax rate	\$ 1,095,876	418,479
Non-deductible expense	58,402	25,175
Tax-exempt income	(27,409)	(56,381)
Tax incentive	-	(28,125)
(Over) Under provision in prior periods	32,805	(26,614)
10% surtax on unappropriated earnings	32,582	-
Total	<u>\$ 1,192,256</u>	<u>332,534</u>

## B. Deferred tax assets and liabilities

## (a) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2014 and 2013 were as follows:

	<u>Investment (loss) gain under the equity method</u>	<u>Deferred depreciation expense</u>	<u>Others</u>	<u>Total</u>
<b>Deferred Tax Liabilities:</b>				
Balance at January 1, 2014	\$ 656,866	18,691	29,662	705,219
Debit (Credited) Income statement	136,207	50,234	65,328	251,769
Balance at December 31, 2014	<u>\$ 793,073</u>	<u>68,925</u>	<u>94,990</u>	<u>956,988</u>
Balance at January 1, 2013	\$ 881,643	31,798	-	913,441
Debit (Credited) Income statement	(224,777)	(13,107)	29,662	(208,222)
Balance at December 31, 2013	<u>\$ 656,866</u>	<u>18,691</u>	<u>29,662</u>	<u>705,219</u>

	<b>Defined Benefit Plans</b>	<b>Loss Carry forward</b>	<b>Others</b>	<b>Total</b>
<b>Deferred Tax Assets:</b>				
Balance at January 1, 2014	\$ 153,236	-	40,126	193,362
(Debit) Credited Income statement	(5,891)	-	(3,642)	(9,533)
(Debit) Credited Other Comprehensive Income	2,403	-	(2,427)	(24)
Balance at December 31, 2014	<b>\$ 149,748</b>	<b>-</b>	<b>34,057</b>	<b>183,805</b>
Balance at January 1, 2013	\$ 169,112	188,885	130,509	488,506
(Debit) Credited Income statement	(5,645)	(188,885)	(90,383)	(284,913)
(Debit) Credited Other Comprehensive Income	(10,231)	-	-	(10,231)
Balance at December 31, 2013	<b>\$ 153,236</b>	<b>-</b>	<b>40,126</b>	<b>193,362</b>

C. The Company's tax returns for the years through 2012 were examined and approved by the tax authority except for the year of 2010.

D. The Company's information related to the unappropriated earnings and tax deduction ratio is summarized below:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Unappropriated earnings of 1998 and after	<b>\$ 5,639,903</b>	<b>1,518,833</b>
Balance of imputation credit account (ICA)	<b>\$ 62,722</b>	<b>20,627</b>
	<b>2014 (estimated)</b>	<b>2013 (actual)</b>
Tax deduction ratio for earnings distribution to ROC residents	<b>12.58%</b>	<b>13.04%</b>

The above-mentioned information of the unappropriated earnings and tax deduction ratio have been prepared in accordance with the permit No.10204562810 issued by the Ministry of Finance on October 17, 2013.

(13) Capital and other equity

As of December 31, 2014 and 2013, the Company's authorized capital consisted of 2,500,000 thousand shares, amounting to \$25,000,000 thousand, with par value of \$10 (NT dollars) per share. All of the issued shares were ordinary shares consisted of 2,218,297 thousand shares and the funds had been received.

A. Capital surplus

The balance of capital surplus was as follows:

	<b>2014.12.31</b>	<b>2013.12.31</b>
Premium on ordinary shares	\$ 22,839	22,839
Paid-in capital in excess of par value through conversion of corporate bond	1,222,787	1,222,787
Change in equity of subsidiaries accounted for under equity method	16,055	16,055
	<b>\$ 1,261,681</b>	<b>1,261,681</b>

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be reclassified as share capital or distributed as cash dividends after offsetting deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be classified under share capital shall not exceed 10 percent of the actual share capital amount.

B. Retained 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 taxes is to be set aside as a legal reserve, and special reserves are to be provided according to the regulations. At least 50% of the remaining undistributed earnings shall be distributed in the following manner and order; they are subject to the discretion of the board of directors and upon approval by the shareholder:

(a) Not be less than 1% as bonus to the employees,

- (b) 1% as remuneration to the directors and supervisors, and  
 (c) The balance after deducting (1) and (2) is for dividends.  
 (d) Independent directors do not participate in earnings distribution, and their remuneration is determined by the board of directors.

In consideration of future financing demands and the long-term finance plan, the Company's shareholders' meeting could adjust the retained earnings distribution percentages. The cash dividend is not less than 10% of the dividends to the shareholders.

(a) Legal reserve

According to the amendment of the ROC Company Act 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. When the Company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

(b) Special reserve

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

(c) Earnings distribution

For the year 2014 and 2013, the company accrued its of employee benefits remuneration of \$64,195 thousand and \$21,862 thousand, and rewards of directors and supervisors amounted to \$61,678 thousand and \$21,004 thousand respectively. These amounts are calculated using the Company's net profit for each period and are determined according to the earnings allocation method, priority, and distribution ratios for employee benefits and remuneration of directors and supervisors as stated under the articles of incorporation. These benefits are expensed under operating expenses for each period.

The Company estimated and accrued its employee benefits and remuneration to directors and supervisors of \$21,862 thousand and \$21,004 thousand, respectively, which have the difference of \$3,391 thousand and \$3,258 thousand, respectively, from the actual appropriations of the 2013 earnings. The change is accounted for as a change in accounting estimate and has been accounted for under profit or loss in 2014.

The number of shares to be distributed for employee benefits for 2014 is yet to be decided by the meeting of shareholders. Related information would be available on the Market Observation Post System after proposing by the Board of Directors and convening of the meeting of shareholders. For subsequent adjustments to the actual distributed amount as determined by a future meeting of shareholders, the difference shall be accounted for under profit or loss in 2015.

The earnings distribution for 2013 and 2012 was decided by the general meeting of shareholders held on June 18, 2014 and June 14, 2013, respectively.

The relevant dividend distribution to shareholders were as follows:

	2013		2012	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Dividends distributed to common shareholders				
Cash	\$ 0.80	<u>1,774,637</u> \$	0.2659	<u>589,750</u>

The general meeting of shareholders decided to distribute additional paid-in capital as cash dividend of \$0.5341 per share, amounting to \$1,184,889 thousand, on June 14, 2013.

C. Other equity (net of tax)

	<b>Foreign currency translation differences for foreign operations</b>	<b>Available for-sale investments</b>	<b>Total</b>
Balance at January 1, 2014	\$ (683,820)	(433,183)	(1,117,003)
Foreign currency translation differences	920,958	-	920,958
Unrealized gains and losses from available-for-sale investment	-	132,324	132,324
Balance at December 31, 2014	<b>\$ 237,138</b>	<b>(300,859)</b>	<b>(63,721)</b>
	<b>Foreign currency translation differences for foreign operations</b>	<b>Available for-sale investments</b>	<b>Total</b>
Balance at January 1, 2013	\$ (1,108,007)	(539,526)	(1,647,533)
Foreign currency translation differences	424,187	-	424,187
Unrealized gains and losses from available-for-sale investment	-	106,343	106,343
Balance at December 31, 2013	<b>\$ (683,820)</b>	<b>(433,183)</b>	<b>(1,117,003)</b>

(14) Earnings per share

	<b>2014</b>	<b>2013</b>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders	<b>\$ 5,254,074</b>	<b>2,129,108</b>
Weighted-average number of ordinary shares	<b>2,218,297</b>	<b>2,218,297</b>
Basic earnings per share (In Dollars of New Taiwan Dollars)	<b>\$ 2.37</b>	<b>0.96</b>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders (adjusted with potential effect of diluted ordinary shares)	<b>\$ 5,254,074</b>	<b>2,129,108</b>
Weighted-average number of ordinary shares (basic)	2,218,297	2,218,297
Effect of dilutive potential common shares	2,895	1,594
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	<b>2,221,192</b>	<b>2,219,891</b>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	<b>\$ 2.37</b>	<b>0.96</b>

(15) revenue

The details of revenue were as follows:

	<b>Continuing Operations</b>	
	<b>2014</b>	<b>2013</b>
Freight	\$ 53,887,794	49,407,052
Rentals	2,928,364	2,488,884
WHL terminal	607,506	581,477
Others	14,579	13,617
	<b>\$ 57,438,243</b>	<b>52,491,030</b>

## **6.7 The 2014 Consolidated Financial Statements of WAN HAI LINES LTD.**

### **6.7.1 Independent Auditor's Report**

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

We have audited the accompanying consolidated balance sheets of Wan Hai Lines Ltd. and its subsidiaries as of December 31, 2014, and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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 conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wan Hai Lines Ltd. and its subsidiaries as of December 31, 2014, and 2013, and the consolidated results of their operations and their cash flows for the years ended December 31, 2014 and 2013, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC.

We have also audited the financial statements of Wan Hai Lines Ltd. as of December 31, 2014, and 2013, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013, on which we have issued an unqualified audit report.

March 9, 2015

WAN HAI LINES LTD.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(Expressed in Thousands of New Taiwan Dollars)

	2014.12.31		2013.12.31		2014.12.31		2013.12.31	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>								
<b>Current Assets:</b>								
Cash and cash equivalents (note (6)(a))	\$ 26,784,275	31	20,251,496	26	7,252,690	9	-	-
Available-for-sale financial assets – current (notes (6)(b))	3,414,700	4	3,064,557	4	6,558,225	8	5,720,681	7
Notes receivable (notes (6)(c))	34,504	-	40,017	-	1,172,264	1	2,163,002	3
Accounts receivable, net (notes (6)(c) and (7))	3,570,124	4	2,917,806	4	719,070	1	201,475	-
Other receivables (notes (6)(c) and (7))	1,116,571	1	1,601,872	2	4,344,123	5	4,060,381	5
Inventories, net (note (6)(d))	1,076,146	1	1,340,675	2	4,089	-	831	-
Receivables from agents (notes (7))	886,462	1	804,267	1	1,669,966	2	1,592,902	2
Other current assets (note (8))	445,272	1	600,316	1	21,720,427	26	13,739,272	17
	<u>37,228,054</u>	<u>43</u>	<u>30,621,006</u>	<u>40</u>				
<b>Non-Current Assets:</b>								
Available-for-sale financial assets – non-current (notes (6)(b))	208,906	-	247,652	-	-	-	6,877,805	9
Financial assets measured at cost – non-current (note (6)(b))	735,967	1	800,967	1	12,200,000	14	10,400,000	13
Bond portfolios with inactive market – non-current (note (6)(b))	1,268,720	2	1,198,000	2	13,245,224	16	14,413,505	18
Long-term equity investments under equity method (note (6)(c))	238,554	-	194,586	-	964,126	1	711,467	1
Property, plant, and equipment (notes (6)(f) and (8) and (9))	44,775,808	53	44,580,103	56	996,931	1	1,101,157	2
Intangible assets (note (6)(g))	43,237	-	65,141	-	252,872	-	147,137	-
Other non-current assets (notes (6)(m) and (8) and (9))	628,314	1	872,228	1	27,659,153	32	33,651,071	43
	<u>47,899,506</u>	<u>57</u>	<u>47,958,677</u>	<u>60</u>	<u>49,379,580</u>	<u>58</u>	<u>47,390,343</u>	<u>60</u>
<b>Equity Attributable to Owner of the Parent (notes (6)(m) and (n)):</b>								
<b>Common stock</b>	22,182,975	26	22,182,975	28	1,261,681	2	1,261,681	2
<b>Capital Surplus</b>								
<b>Retained Earnings:</b>								
Legal reserve	5,469,637	6	5,256,726	7				
Special reserve	1,117,003	1	1,911,538	2				
Retained earnings	5,639,903	7	1,518,833	2				
	<u>12,226,543</u>	<u>14</u>	<u>8,687,097</u>	<u>11</u>				
<b>Other Equity:</b>								
Foreign currency translation differences arising from foreign operations, net of tax	237,138	-	(683,820)	(1)				
Unrealized loss on available-for-sale financial instruments	(300,859)	-	(433,183)	-				
	<u>(63,721)</u>	<u>-</u>	<u>(1,117,003)</u>	<u>(1)</u>				
Total equity attributable to owners of parent	35,607,478	42	31,014,750	40				
Non-controlling interest	240,502	-	174,590	-				
	<u>35,847,980</u>	<u>42</u>	<u>31,189,340</u>	<u>40</u>				
<b>TOTAL STOCKHOLDERS' EQUITY</b>								
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 85,227,560</u>	<u>100</u>	<u>78,579,683</u>	<u>100</u>				

**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	For the years ended December 31,			
	2014		2013	
	Amount	%	Amount	%
<b>Operating revenue (note (6)(p) and (7))</b>	\$ 66,974,244	100	59,688,505	100
<b>Operating cost (notes (6)(d), (g), and (l) and (7))</b>	57,830,591	86	54,204,308	91
<b>Gross profit</b>	9,143,653	14	5,484,197	9
<b>Operating expenses (notes (6)(d), (g), and (n) and (7))</b>	3,739,151	6	3,257,536	5
<b>Income from operations</b>	5,404,502	8	2,226,661	4
<b>Non-operating income and expenses (note (6)(e) and (q)) :</b>				
Other income	359,752	1	254,567	-
Other gains and losses	1,576,236	2	792,319	1
Finance costs	(820,373)	(1)	(808,481)	(1)
Share of profit associated and joint ventures accounted for using equity method	59,076	-	39,698	-
<b>Total non-operating income and expenses</b>	1,174,691	2	278,103	-
<b>Profit before tax from continuing operations</b>	6,579,193	10	2,504,764	4
<b>Less: Income tax expense (note (6)(m))</b>	1,261,599	2	360,582	-
<b>Net profit</b>	<b>5,317,594</b>	<b>8</b>	<b>2,144,182</b>	<b>4</b>
<b>Other comprehensive income:</b>				
Foreign currency translation differences	928,279	1	421,713	1
Gain (loss) on valuation of available-for-sale financial assets	132,324	-	106,343	-
Actuarial gains (losses) on defined benefit plans	57,606	-	60,187	-
Less: Income tax relating to components of other comprehensive income (loss)	24	-	10,231	-
<b>Other comprehensive income (net of tax)</b>	1,118,185	1	578,012	1
<b>Total comprehensive income</b>	<b>\$ 6,435,779</b>	<b>9</b>	<b>2,722,194</b>	<b>5</b>
<b>Profit attributable to:</b>				
Owners of the parent company	\$ 5,254,074	8	2,129,108	4
Non-controlling interest	63,520	-	15,074	-
	<b>\$ 5,317,594</b>	<b>8</b>	<b>2,144,182</b>	<b>4</b>
<b>Comprehensive income attributable to:</b>				
Owners of the parent company	\$ 6,367,365	9	2,709,594	5
Non-controlling interest	68,414	-	12,600	-
	<b>\$ 6,435,779</b>	<b>9</b>	<b>2,722,194</b>	<b>5</b>
<b>Earnings per share (note (6)(o))</b>				
<b>Basic earnings per share (New Taiwan Dollars)</b>	<b>\$ 2.37</b>		<b>0.96</b>	
<b>Diluted earnings per share (New Taiwan Dollars)</b>	<b>\$ 2.37</b>		<b>0.96</b>	

**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Stock	Owners' Equity Attributable to Equity Holders of the Parent Company										Total
		Retained Earnings			Other Equity			Owner of the Company				
		Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings - Unappropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets	Total Equity Attributable to Parent Company	Non-controlling Interest			
<b>Balance as of January 1, 2013</b>		22,182,975	2,446,570	5,073,891	855,768	(1,108,007)	(539,526)	30,079,795	161,508		30,241,303	
Net Profit		-	-	-	2,129,108	-	-	2,129,108	15,074		2,144,182	
Other comprehensive income		-	-	-	49,956	424,187	106,343	580,486	(2,474)		578,012	
Total comprehensive income		-	-	-	2,179,064	424,187	106,343	2,709,594	12,600		2,722,194	
Appropriation of retained earnings:												
Legal reserve		-	-	182,835	(182,835)	-	-	-	-		-	
Special reserve		-	-	1,055,770	(1,055,770)	-	-	-	-		-	
Cash dividends		-	-	-	(589,750)	-	-	(589,750)	-		(589,750)	
Cash dividends from capital surplus		-	(1,184,889)	-	-	-	-	(1,184,889)	-		(1,184,889)	
Change in non-controlling interest		-	-	-	-	-	-	-	482		482	
<b>Balance as of December 31, 2013</b>		22,182,975	1,261,681	5,256,726	1,911,538	(683,820)	(433,183)	31,014,750	174,590		31,189,340	
Net Profit		-	-	-	5,254,074	-	-	5,254,074	63,520		5,317,594	
Other comprehensive income		-	-	-	60,009	920,958	132,324	1,113,291	4,894		1,118,185	
Total comprehensive income		-	-	-	5,314,083	920,958	132,324	6,367,365	68,414		6,435,779	
Appropriation of retained earnings:												
Legal reserve		-	-	212,911	(212,911)	-	-	-	-		-	
Cash dividends		-	-	-	(1,774,637)	-	-	(1,774,637)	-		(1,774,637)	
Reversal of special reserve		-	-	(794,535)	794,535	-	-	-	-		-	
Change in non-controlling interest		-	-	-	-	-	-	-	(2,502)		(2,502)	
<b>Balance as of December 31, 2014</b>		22,182,975	1,261,681	5,469,637	1,117,003	237,138	(300,859)	35,607,478	240,502		35,847,980	

**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31,	
	2014	2013
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 6,579,193	2,504,764
<b>Adjustments:</b>		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	4,253,614	4,343,385
Amortization	35,363	45,569
Interest expense	820,373	808,481
Interest revenue	(248,803)	(160,646)
Dividend income	(110,949)	(93,921)
Investment loss (income) under the equity method	(59,076)	(39,698)
Loss (Gain) on disposal of property, plant and equipment, net	(284,904)	(173,257)
Prepayment for equipment re-classified into expense	476	485
Gain (Loss) on disposal of available-for-sale assets-current	(61,242)	(47,346)
Gain (Loss) on disposal of intangible assets	-	(179,367)
Loss on impairment of financial assets	65,000	-
Unrealized foreign (gain) loss	282,716	163,620
Total adjustments to reconcile net income to net cash provided by operating activities	<u>4,692,568</u>	<u>4,667,305</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
(Increase) Decrease in notes receivable	5,513	(17,232)
(Increase) Decrease in accounts receivable	(652,318)	(459,912)
(Increase) Decrease in other receivables	465,813	(636,441)
(Increase) Decrease in inventories	264,529	(92,094)
(Increase) Decrease in receivables from agents	(82,195)	(60,186)
(Increase) Decrease in other current assets	182,509	(122,061)
Total changes in operating assets, net	<u>183,851</u>	<u>(1,387,926)</u>
Changes in operating liabilities, net:		
Increase (Decrease) in current financial liabilities at fair value through profit or loss	374,885	(143,585)
Increase (Decrease) in accounts payable (including related parties)	837,544	(747,690)
Increase (Decrease) in other payables	115,883	1,474,123
Increase (Decrease) in payables to agents	3,258	(30,190)
Increase (Decrease) in non-current financial liabilities at fair value through profit or loss	-	269,338
Increase (Decrease) in other current liabilities	77,064	680,854
Increase (Decrease) in accrued pension liabilities	(46,620)	(56,195)
Total changes in operating liabilities, net	<u>1,362,014</u>	<u>1,446,655</u>
Total changes in operating assets and liabilities, net	<u>1,545,865</u>	<u>58,729</u>
Total Adjustments	<u>6,238,433</u>	<u>4,726,034</u>
Cash inflow generated from operations	12,817,626	7,230,798
Income tax (paid) returned	(467,059)	(139,124)
<b>Net cash provided by (used in) operating activities</b>	<u>12,350,567</u>	<u>7,091,674</u>

**WAN HAI LINES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31,	
	2014	2013
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(477,972)	(345,949)
Proceeds from sale of available-for-sale financial assets	360,181	186,312
Acquisition of financial assets at cost	-	(152,529)
Disposal of financial assets at cost	-	179,367
Acquisition of property, plant and equipment	(3,358,298)	(7,830,958)
Disposal of property, plant and equipment	295,181	204,113
(Increase) Decrease in refundable deposits	-	10,474
Acquisition of intangible assets	(12,432)	(32,988)
(Increase) Decrease in other non-current assets	37,702	(42,532)
Interest received	243,467	150,411
Dividends received	140,942	120,536
<b>Net cash provided by (used in) investing activities</b>	<u>(2,771,229)</u>	<u>(7,553,743)</u>
<b>Cash flows from financing activities:</b>		
Issuance of corporate bond	1,800,000	-
Increase in long-term loans	2,322,380	1,995,974
Repayment of long-term loans	(4,149,373)	(4,297,969)
Increase in guarantee deposits	105,735	94,107
Dividends paid	(1,774,637)	(1,774,639)
Change in non-controlling interest	(2,502)	482
Interest paid	(809,493)	(818,174)
<b>Net cash provided by (used in) financing activities</b>	<u>(2,507,890)</u>	<u>(4,800,219)</u>
<b>Foreign exchange rate effects</b>	(538,669)	(129,347)
<b>Net increase (decrease) in cash and cash equivalents</b>	6,532,779	(5,391,635)
<b>Cash and cash equivalents, beginning of period</b>	<u>20,251,496</u>	<u>25,643,131</u>
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 26,784,275</b></u>	<u><b>20,251,496</b></u>

**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

(Expressed in Thousands of New Taiwan Dollars, unless otherwise specified)

**1 Organization and Business**

Wan Hai Lines Ltd. (the Company) was incorporated on February 24, 1965, under the approval of the Ministry of Economic Affairs, ROC. The address of the Company's registered office is 10F, No. 136 Songjiang Rd., Taipei City. The Company and its subsidiaries (the Group) are primarily involved in the business of international sea transportation, shipping agencies, container storage service, and the sale and rental of vessels and containers.

**2 Approval Date and Procedures of the Consolidated Financial Statements**

The Board of Directors approved and issued the consolidated financial statements on March 9, 2015.

**3 New Standards and Interpretations Not Yet Adopted**

- (1) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not effective.

According to the decree No.1030010325 issued by the FSC on April 3, 2014, commencing 2015, companies with share listed on the Taiwan Stock Exchange or GreTai Securities Market shall adopt the 2013 version of IFRS endorsed by FSC (excluding IFRS 9 *Financial Instruments*) in preparing the financial statements. A summary of the new announcements, revisions, and amendments of standards and interpretations is as follows:

New Standards and amendments	Effective date per IASB
Amended IFRS 1 " <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> "	July 1, 2010
Amended IFRS 1 " <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> "	July 1, 2011
Amended IFRS 1 " <i>Government Loans</i> "	January 1, 2013
Amended IFRS 7 " <i>Disclosure – Transfers of Financial Assets</i> "	July 1, 2011
Amended IFRS 7 " <i>Disclosure – Offsetting Financial Assets and Financial Liabilities</i> "	January 1, 2013
IFRS10 " <i>Consolidated Financial Statements</i> "	January 1, 2013 (Investment Entities amendments, effective 1 January 2014.)
IFRS 11 " <i>Joint Arrangements</i> "	January 1, 2013
IFRS 12 " <i>Disclosure of Interests in Other Entities</i> "	January 1, 2013
IFRS 13 " <i>Fair Value Measurement</i> "	January 1, 2013
Amended IAS 1 " <i>Presentation of Items of Other Comprehensive Income</i> "	July 1, 2012
Amended IFRS 12 " <i>Deferred Tax: Recovery of Underlying Assets</i> "	January 1, 2012
Amended IFRS 19 " <i>Employee Benefits</i> "	January 1, 2013
Amended IFRS 27 " <i>Separate Financial Statements</i> "	January 1, 2013
Amended IFRS 32 " <i>Offsetting Financial Assets and Financial Liabilities</i> "	January 1, 2014
IFRIC20 " <i>Stripping Costs in the Production Phase of a Surface Mine</i> "	January 1, 2013

The Group had assessed that the 2013 version of the IFRS may not have any significant impact on the consolidated financial statements except for the following:

**A. IAS 1 Presentation of Financial Statements**

The amendment requires entities to separate the items (presented in OCI classified by nature) into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

**B. IFRS 12 Disclosure of Interests in Other Entities**

The standard primarily integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities, and presents those requirements in a single IFRS. The Group expects the application of IFRS 12 will result in more extensive disclosures of its interests in other entities in the financial statements.

**C. IFRS 13 Fair value measurement**

The standard defines the fair value, provides a framework for measuring fair value, and requires the disclosures on fair value measurement. Based on its assessment, the Group is not expecting the standard to have any significant impact on the financial position and the results of its operations, instead, it is expecting to increase the disclosures related to fair value measurement in accordance with the standard.

- (2) Impact of IFRSs issued by the IASB but not yet endorsed by the FSC

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows :

New Standards and amendments	Effective date per IASB
IFRS 9 “Financial Instruments”	January 1, 2018
Amended IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016
Amended IFRS 10, IFRS 12 and IAS 28 “Investment Entities : Applying the Consolidation Exception”	January 1, 2016
Amended IFRS 11 “Accounting for acquisition of Interest in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amended IAS 1 “Disclosure Initiative”	January 1, 2016
Amended IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortization”	January 1, 2016
Amended IAS 16 and IAS 41 “Bearer Plants”	January 1, 2016
Amended IAS 19 “Define Benefit Plans: Employee Contributions”	July 1, 2014
Amended IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amended IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amended IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on the financial position and results of its operations. Related impact will be disclosed following the completion of its assessments.

#### 4 Significant Accounting Policies

The significant accounting policies adopted in the consolidated financial statements are as follows. The significant accounting policies have been applied consistently to all periods presented in these financial statements.

- (1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC)

- (2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the balance sheet:

- (a) Financial instruments measured at fair value through profits or losses (including derivative financial instruments);
- (b) Available-for-sale financial assets are measured at fair value; and
- (c) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates, and the functional currency of Wan Hai Lines (Singapore) Pte Ltd., the Company’s major subsidiary, is the US dollars. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. Assets and liabilities of foreign operations are translated into the functional currency at the exchange rates on the reporting date. Income statement accounts are translated at the weighted-average rate of the current period. Exchange gains or losses resulting from the translation process should be recorded as “other comprehensive income”. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

- (3) Business combination

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Profits and losses attributed to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

## B. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2014.12.31	2013.12.31	
The Company	Wan Hai Lines (Singapore) Pte Ltd. (WHL-Singapore)	International freight transportation, agency services for transport affairs, vessel leasing, and container chartering	100.00%	100.00%	
The Company	Wan Hai Lines (America) Ltd. (WHL-America)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
The Company	T.K. Logistics International Co., Ltd. (TK)	Managing container terminals and storage facilities	55.00%	55.00%	
The Company	k.k. WH Corporation (WH Corporation)	Operating and managing container yard and vessel leasing	100.00%	100.00%	
The Company	Wan Hai Lines (Germany) GmbH (WHL-Germany)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
The Company	Bao Sheng Shipping Agency Co., Ltd. (BS)	Agency services for transportation affair and contracting ocean shipping and related services.	70.01%	70.01%	
WHL-Singapore	Wan Hai Line (M) Sdn. Bhd. (WHL-Malaysia)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (HK) Limited (WHL-Hongkong)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Phils.), Inc. (WHL-Phils.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Korea) Ltd. (WHL-Korea)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai International Pte Ltd. (WHL-INTL.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai (Vietnam) Ltd. (WHL Vietnam)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Thailand) Limited (WHL-Thailand)	International freight transportation and agency services for transport affairs	49.00%	49.00%	The 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 the five seats on the board of WHL-Thailand. As a result, WHL Singapore has a direct control over WHL-Thailand.
WHL-INTL.	Wan Hai Lines (India) PVT Ltd. (WHL-India)	International freight transportation and agency services for transport affairs	100.00%	100.00%	
WHL-INTL.	Bravely International Pte Ltd.	Investment	100.00%	- %	
WHL-Hongkong	Guangzhou Wan Hai Information Technology Ltd. (GWHIT)	Information software service	100.00%	100.00%	
WHL-Hongkong	Dawin Logistics (International) Ltd. (DL)	Transportation, storage and investment services	100.00%	100.00%	

Name of investor	Name of subsidiary	Principal activity	Shareholding %		Note
			2014.12.31	2013.12.31	
Dawin	Shenzhen Uniwin International Logistics (SUIL)	Freight transportation and agency services for transport affairs	100.00%	100.00%	
Dawin	Shenzhen Asia World Logistics Ltd. (SAWL)	Containers, storage and transportation services	100.00%	100.00%	
Dawin	Blue Ocean Logistics (Shanghai) Ltd. (BOL)	Containers, storage and international transportation services	100.00%	100.00%	
Shenzhen Uniwin	Shanghai Clipper International Shipping Agency Ltd (CISA)	International shipping agency services	49.00%	49.00%	The Company did not directly or indirectly hold over one half of the voting rights of CISA; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of CISA. As a result, the Company has a direct control over CISA.
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	90.00%	90.00%	

C. List of subsidiaries which are not included in the consolidated interim financial statements: None.

(4) Foreign currency

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

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

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

- A. Available-for-sale equity investment;
- B. A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- C. Qualifying cash flow hedges to the extent the hedge is effective.

(5) Assets and liabilities classified as current and non-current

An entity shall classify an asset as current when:

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

An entity shall classify a liability as current when:

- A. It expects to settle the liability in its normal operating cycle;
- B. It holds the liability primarily for the purpose of trading;
- C. The liability is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(6) Cash and cash equivalents

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

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

(7) Financial instruments

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

A. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, available-for-sale financial assets, financial assets measured at cost, and bond portfolios with inactive market. The Group purchases or sales financial assets are recognized using trade-date accounting.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, financial assets classified under this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through

profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss.

(b) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus as any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss under "other income".

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in "other income" of profit or loss.

(c) Financial assets measured at cost

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost. A financial asset is impaired if, and only if, there is objective evidence of impairment. Such impairment loss is not reversible in subsequent periods.

(d) Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables.

Interest income is recognized into profit or loss under "non-operating income and expenses".

(e) Impairment of financial assets

A financial asset not classified as at fair value through profit and loss is assessed at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss was recognized at the reversal date.

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

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

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

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed against profit or loss. Impairment losses and recoveries are recognized in profit or loss under "other gains and losses, net".

Provision for doubtful accounts is recorded as general and administrative expenses. The impairment loss on financial assets other than accounts receivable is recorded as "other gains and losses" under non-operating income and expenses.

(f) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

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

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss under “non-operating income and expenses”.

(c) Derecognition of financial liabilities

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

(d) Offsetting of financial assets and liabilities

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

C. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss under “non-operating income and expenses”. When the result of the valuation at fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

(8) Inventories

Fuels purchased by the Group are recorded under inventory account. Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing the inventories to a salable and useable location and condition. Inventory cost is calculated by using the first-in first-out principle.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting right of its investment. Investments in affiliates are accounted for by using the equity method and are recognized initially at cost, which includes attributable cost of acquisition. The carrying amount of investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

(10) Property, plant, and equipment

A. Recognition and measurement

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

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

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

B. Depreciation

Except for land, the depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

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

	Group
Buildings	30~57 years
Vessels	2~25 years
Containers	2~16 years
Privileged wharf equipment	3~15 years
Other equipment	2~30 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change(s) is accounted for as a change in an accounting estimate.

(11) Intangible assets

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Software	3~5 years
Trademarks	10 years

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

(12) Impairment – non-financial assets

Except for inventories and deferred tax assets, the Group assesses the non-financial assets for impairment and estimates the recoverable amounts for any impaired assets at the end of each reporting period. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

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

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

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

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

(13) Revenue

1. Freight Revenue

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

2. Rental Revenue

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

3. Terminal operating revenue

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

4. Other service revenue

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

(14) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes all actuarial gains and losses arising subsequently from defined benefit plans in "other comprehensive income".

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

C. Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

D. Short-term employee benefits

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

(15) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

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

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

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

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

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

(16) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to common stock shareholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding.

The diluted earnings per share are calculated as the profit attributable to common stock shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as estimated employee bonus.

(17) Operating segments

An operating segment is a component of the Group 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 Group) and has its own financial information. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

## **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 (Consolidated)

Unit : TWD thousand; %

Item	Year		Difference	
	2014	2013	Amounts	%
Current assets	37,328,054	30,621,006	6,707,048	21.90
Property, Plant and Equipment	44,775,808	44,580,103	195,705	0.44
Intangible Assets	43,237	65,141	(21,904)	(33.63)
Other Assets	3,080,461	3,313,433	(232,972)	(7.03)
Total Assets	85,227,560	78,579,683	6,647,877	8.46
Current Liabilities	21,720,427	13,739,272	7,981,155	58.09
Non-current Liabilities	27,659,153	33,651,071	(5,991,918)	(17.81)
Total Liabilities	49,379,580	47,390,343	1,989,237	4.20
Equity attributable to parent company holding	35,607,478	31,014,750	4,592,728	14.81
Common Stock	22,182,975	22,182,975	0	0.00
Capital surplus	1,261,681	1,261,681	0	0.00
Retained Earnings	12,226,543	8,687,097	3,539,446	40.74
Other Equity	(63,721)	(1,117,003)	1,053,282	94.30
Treasury Stock	0	0	0	0.00
Non-Controlling Equity	240,502	174,590	65,912	37.75
Total stockholders' equity	35,847,980	31,189,340	4,658,640	14.94

Note : Illustration for significant variance

1. The increase in current liabilities of 2014 is mainly due to the Dollar corporate bonds issued by consolidated subsidiary WHL-Singapore will be mature in 2015 and is reclassified as current liabilities in 2014.
2. The increase of retained earnings of 2014 is mainly due to the increase of net income after income tax.
3. The increase of other equity of 2014 is mainly due to the increase of foreign currency translation differences arising from foreign operations.

## 7.2 Analysis of operation results (Consolidated)

Unit: TWD thousand; %

Item	Year		Difference	
	2014	2013	Amounts	%
Operating revenue	66,974,244	59,688,505	7,285,739	12.21
Operating cost	57,830,591	54,204,308	3,626,283	6.69
Gross profit	9,143,653	5,484,197	3,659,456	66.73
Operating expense	3,739,151	3,257,536	481,615	14.78
Operating income	5,404,502	2,226,661	3,177,841	142.72
Non-operating income and expenses	1,174,691	278,103	896,588	322.39
Net income before income tax	6,579,193	2,504,764	4,074,429	162.67
Income tax	1,261,599	360,582	901,017	249.88
Net income after income tax	5,317,594	2,144,182	3,173,412	148.00
Other comprehensive profit and loss (Net value after tax)	1,118,185	578,012	540,173	93.45
Total Comprehensive profit and loss from this period	6,435,779	2,722,194	3,713,585	136.42
Net earnings attributable to parent company holding	5,254,074	2,129,108	3,124,966	146.77
Net earnings attributable to noncontrolling interest	63,520	15,074	48,446	321.39
Total comprehensive profit and loss attributable to parent company holding	6,367,365	2,709,594	3,658,771	134.99
Total comprehensive profit and loss attributable to non-controlling Equity	68,414	12,600	55,814	442.97

Note : Illustration for significant variance

1. The increase of gross profit, operating income, net income before income tax, income tax & net income after income tax of 2014 is mainly due to increasing cargo volumes and decreasing bunker price.
2. The increase of non-operating income and expenses is mainly due to the increase of foreign currency exchange gains.
3. The increase of other comprehensive profit and loss (net value after tax) is mainly due to the increase of foreign currency translation differences arising from foreign operations.

## 7.3 Analysis of cash flow

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

Items	Year		Increase(Decrease)(%)
	2014	2013	
Cash flow ratio	56.86	51.62	+10.16
Cash flow adequacy ratio	102.82	77.46	+32.74
Cash re-investment ratio	9.46	4.93	+92.00
Analysis of increase/decrease ratios: Net cash provided by operating activities increase resulted in the increase 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
26,784,275	8,568,478	(18,128,647)	17,224,106	-	-

1. Analysis of cash flow for this year:

(1)Operating activities: Expected demand and the average ocean freight rate will have a minor upward correction in the next coming year, so the Company estimated that the cash inflow from operating activities is TWD 8,568,478,000.

(2)Investing activities: Planning to purchase the fixed assets in the next coming year, the Company estimated that the cash inflow from investment activities is TWD 2,805,559,000.

(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 15,323,088,000.

2.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)						
				2011	2012	2013	2014	2015	2016	2017
Purchasing vessels Purchasing containers Investing terminal	Loans Internal funds	New Vessel : 2 full-container vessels in year 2011 9 full-container vessels in year 2012 3 full-container vessels in year 2013 2 full-container vessels in year 2014 Investing terminal Purchasing containers	26,694,007	6,658,287	9,913,745	6,290,592	2,715,648	1,115,735	-	-

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 containers: Expected container rental expense will be saved by TWD 9,000~11,000 per teu 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 59,076,000, mainly comprised of documentary fee increase 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, contained the risk exposure to exchange rate variations. In recent years, there has been no significant domestic inflation.

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

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

### **7.6.3 The estimated expenses for future research and development plans:**

Projected spending for future development plans and studies

The Company's development plans cover research and development of new markets and new services as follows:

For new markets, new services, and studies for improvement of market competitiveness, the estimated total amount of investment of manpower and cost would be approximately TWD 35,636,000. Studies conducted will cover the following subjects:

- 1 Optimal ships' routing with matched ship type
- 2 Service from India to Middle-East and Europe
- 3 Red Sea area
- 4 Black Sea area
- 5 Promotion of e-commerce business
- 6 Strategic alliance to expand and develop service

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

1. The Council Regulation (EU) 961/2010 on restrictive measure against Iran was published on 25th Oct, 2010 and came into force on 27th Oct in the same year. Wan Hai Lines had established and announced the corresponding measures.

2. As the trade between Taiwan and Mainland China grows continually, the company will pay attention to the changes of policy and research to enlarge the shipping service.

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

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

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.

### **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: None.**

### **7.6.8 Anticipated benefit and possible risk from expanding factories: None.**

### **7.6.9 Risks from centralization of stocking or sales: None.**

### **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: None.**

### **7.6.11 The influence and risk from the change of company management: None**

### **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: None.**

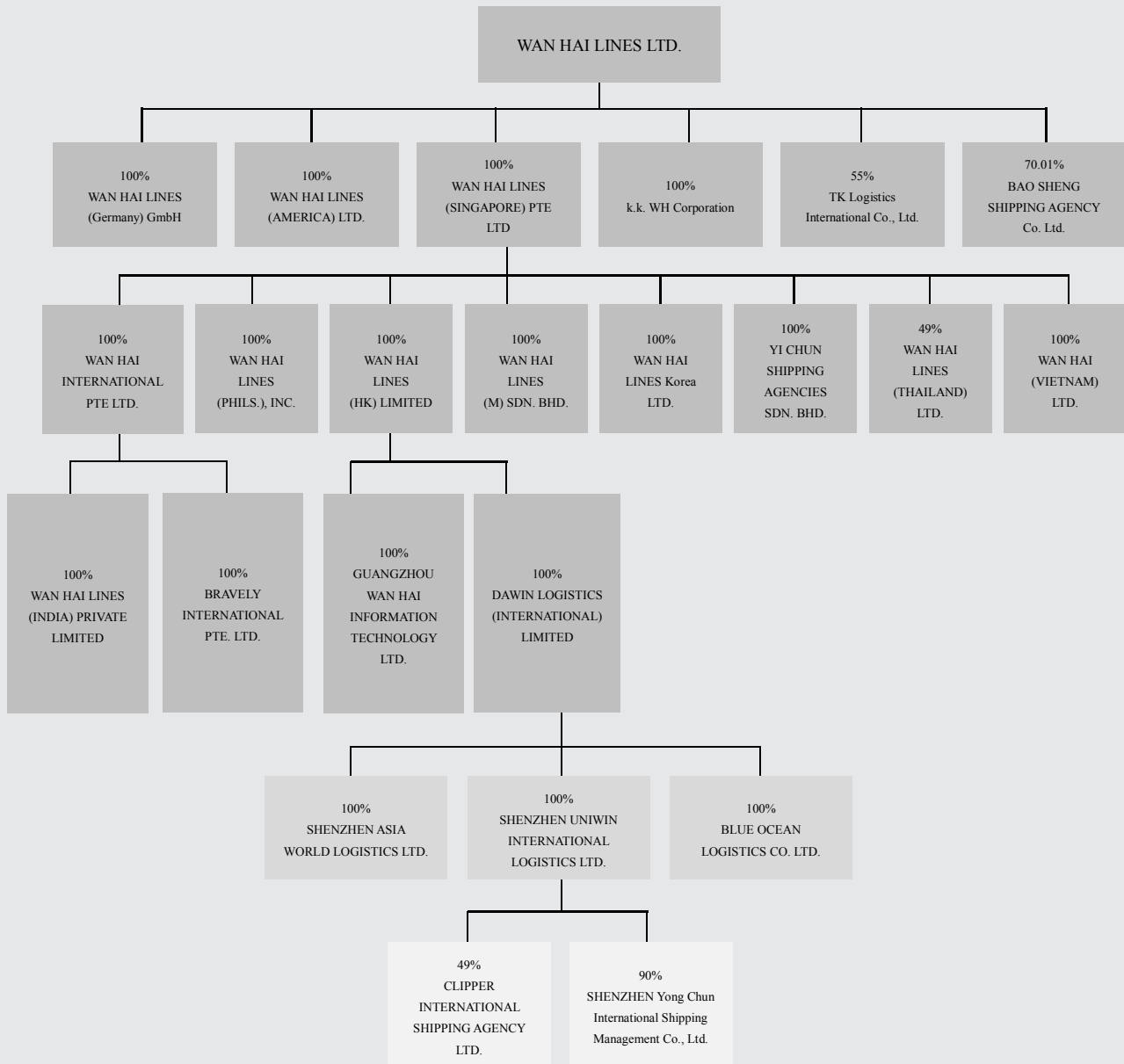
## **7.7. Other significant information: None.**



## Special Disclosure

### 8.1 Related Parties information

#### 8.1.1 Consolidated operation 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:44.87/31.718	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:7.7555/31.718	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (SINGAPORE) PTE LTD	1991.05.09	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	394,190,795(USD) ex rate:31.718	International sea transportation, operations, agencies for transport affairs, and leasing of vessels.
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:3.4977/31.718	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: 3.4977/31.718	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:1091.44/31.718	International sea transportation, operations, agencies for transport affairs
WAN HAI LINES (AMERICA) LTD.	2000.8.16	2510W. Dunlap Ave. Suite 425 Phoenix, AZ 85021	4,000,000(USD) ex rate:31.718	International sea transportation, operations, agencies for transport affairs
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	2000.07.13	RM 2601 - 2602, 26FL. No.418 DONGFENGZHONG RD., HUA YI TAI INTERNATIONAL GUANGZHOU, CHINA	2,125,450(RMB) ex rate:6.0542/31.718	Design Computer Software
WAN HAI INTERNATIONAL PTE. LTD.	1992.09.01	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	50,000(SGD) ex rate:0.7561*31.718	International sea transportation, operations, agencies for transport affairs
BRAVELY INTERNATIONAL PTE. LTD.	2014.05.26	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	3,828,301 (SGD) ex rate:0.7561*31.718	Investment
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:63.29/31.718	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:119.7/31.718	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:0.8228/31.718	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: 7.7555/31.718	Cargo handling, warehousing and investment service
SHENZHEN ASIA WORLD LOGISTICS LTD.	2004.08.09	RM505, 5FL. ZhongTie Logistics Bld, ShenYan Road ShenZhen, China	1,060,000(RMB) ex rate:6.0542/31.718	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:6.0542/31.718	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:6.0542/31.718	International sea transportation, operations, agencies for transport affairs
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:6.0542/31.718	Cargo handling, warehousing and international haulage service.
WAN HAI LINES (THAILAND) LTD.	2006.05.01	21st floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand	6,000,000(THB) ex rate:0.0304*31.718	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.	6,000,000(RMB) ex rate:6.0542/31.718	International shipping management
Wan Hai (Vietnam) Ltd.	2012.07.02	27 Nguyen Trung Truc street, Ben Thanh Ward, District 1, Ho Chi minh City	6,300,000,000(VND) ex rate:21,440/31.718	International sea transportation, operations, agencies for transport affairs

**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 Po-Ting Chen	2009.04.02	-	901,540	100.00%	-	-
	Director	WH-SG Representative Randy Chen	2000.10.17	-			-	-
	Director	WH-SG Representative Wei-Cheng Lin	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%	-	-
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	-			-	-
	Director	WH-SG Representative Nien-Ger Weng	2014.11.17	-			-	-
	Director	WH-SG Representative Teck Leong Chua	1994.07.29	-			-	-
YI CHUN SHIPPING AGENCIES SDN. BHD.	Director	WH-SG Representative Po-Ting Chen	1994.06.10	-	200,000	100%	-	-
	Director	WH-SG Representative Charles C.Y. Chen	1994.06.10	-			-	-
	Director	WH-SG Representative Teck Leong Chua	1994.06.07	-			-	-
	Director	WH-SG Representative Nien-Ger Weng	2014.11.17	-			-	-
WAN HAI LINES (SINGAPORE) PTE LTD	Director	WH-TPE Representative Po-Ting Chen	1994.05.01	-	538,075,000	100%	-	-
	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%	-	-
	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	2014.09.05	1year	50,000	100%	-	-
	Director	WH-SG Representative Huang Jen Yee	2014.12.15	1year			-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse, unmatured Children holding shares	
					shares	%	shares	%
BRAVELY INTERNATIONAL PTE.	Director	WHI Representative Po-Ting Chen	2014.05.26	-	3,828,301	100%	-	-
	Director	WHI Representative Huang Jen Yee	2014.05.26	-			-	-
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY NETWORK LTD.	Chairman	WH-HK Representative Kwan-Wah Chu	2010.01.25	not specified	-	100%	-	-
	Director	WH-HK Representative Lin, Chen Chu	2010.01.25	not specified			-	-
	Director	WH-HK Representative Chan, Yu-Wan	2010.01.25	not specified			-	-
WAN HAI LINES (H K) LIMITED	Director	WH-SG Representative Ching-Chih Chen	2014.10.17	1 year	160,000,000	100%	-	-
	Director	WH-SG Representative Po-Ting Chen	2014.10.17	1 year			-	-
	Director	WH-SG Representative Chih-Chao Chen	2014.10.17	1 year			-	-
	Director	WH-SG Representative Huai-Lung Chen	2014.11.12	1 year			-	-
	Director	WH-SG Representative Wen-Chau Yeh	2014.10.17	1 year			-	-
	Director	WH-SG Representative Kwan-Wah Chu	2014.10.17	1 year			-	-
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	Director	WH-HK Representative Ching-Chih Chen	2014.11.18	1 year	75,640,000	100%	-	-
	Director	WH-HK Representative Po-Ting Chen	2014.11.18	1 year			-	-
	Director	WH-HK Representative Chih-Chao Chen	2014.11.18	1 year			-	-
	Director	WH-HK Representative Huai-Lung Chen	2014.11.18	1 year			-	-
	Director	WH-HK Representative Wen-Chau Yeh	2014.11.18	1 year			-	-
	Director	WH-HK Representative Kwan-Wah Chu	2014.11.18	1 year			-	-
SHENZHEN ASIA WORLD LOGISTICS LTD.	Chairman	DAWIN Representative Chi-Yin Yeung	2013.05.10	-	-	100%	-	-
	Director	DAWIN Representative Yu-Hung Li	2011.07.19	-			-	-
	Director	DAWIN Representative Chia-Ming Chang	2013.05.10	-			-	-
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	Board chairman	DAWIN Representative Kwan-Wah Chu	2010.03.26	-	-	100%	-	-
	Director	DAWIN Representative Li-Kuang Huang	2012.12.15	-			-	-
	Director	DAWIN Representative Chi- Yuan Hsiao	2013.5.14	-			-	-
	Supervisor	DAWIN Representative Chan-Yu Man Raymond	2013.5.14	-			-	-
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	Chairman	UNIWIN Representative Wu, Kae-Chang	2014.11.25	3 year		49%	-	-
	Director	UNIWIN Representative Lin, Jeong-Shin	2013.04.01	3 year			-	-
	Director	UNIWIN Representative Ju, Kuen-Hua	2013.04.01	3 year			-	-
	Director	UNIWIN Representative Chang, Tian-Hai	2013.04.01	3 year			-	-
	Supervisor	UNIWIN Representative Chan, Yu-Wan	2013.04.01	3 year			-	-
	Director	ShenZhen TaiErXin Representative Chan, Yuan	2013.04.01	3 year		51%	-	-

Company Name	Title	Name	Tenure Date	Effectual period	Holding shares on current date		spouse, unmatured Children holding shares	
					shares	%	shares	%
WAN HAI LINES (INDIA) PRIVATE LIMITED	Director	Wan Hai International Pte.Ltd. Representative Po-Ting Chen	2002.05.30	-	10,000	100%	-	-
	Director	Wan Hai International Pte.Ltd. Representative Wen-Yuan Chiang	2013.01.12	-			-	-
	Director	Wan Hai International Pte.Ltd. Representative Ching Jiang Liu	2014.07.01	-				
k.k. WH Corporation	Representative Director	WH-TPE Representative Ching-Chih Chen	2005.2.18	10 year	500	100%	-	-
	Representative Director	WH-TPE Representative Mu-Jung Hsieh	2012.07.23	10 year			-	-
	Director	WH-TPE Representative Chao-Hon Chen	2005.2.18	10 year			-	-
	Director	WH-TPE Representative Po-Ting Chen	2005.2.18	10 year				
	Supervisor	WH-TPE Representative Rex Huang	2013.6.30	10 year			-	-
Wan Hai Lines (Germany) GmbH	President	Yu-Yen, Chiu	2014.11.17	-	-	100%	-	-
TK LOGISTICS INTERNATIONAL CO., LTD.	Chairman	LUCKY OCEAN SHIPPING CO.,LTD C.C.CHUANG	2014.06.04	3 year	2,600,000	10.00%	-	-
	Director	NEW SPEED TRANSPORTATION & TERMINAL CORP Jeffery Chen	2014.06.04	3 year	2,600,000	10.00%	-	-
	Director	ZANG CHUN ASSETS MANAGEMENT CO., LTD Billy Chen	2014.06.04	3 year	2,600,000	10.00%	-	-
	Director	WH-TPE Representative Huey-Juan Chen	2014.06.04	3 year	14,300,000	55.00%	-	-
	Director	WH-TPE Representative Wen-Der Tseng	2014.06.04	3 year			-	-
	Director	WH-TPE Representative Kuo-Loong Kao	2014.06.04	3 year			-	-
	Director	WH-TPE Representative I-Feng Lin	2014.06.04	3 year			-	-
	Supervisor	WH-TPE Representative Bryan Ma	2014.07.01	3 year			-	-
Supervisor	WH-TPE Representative Wei-Chien Chuang	2014.07.01	3 year	-	-			
BAO SHENG SHIPPING AGENCY CO., LTD.	Chairman	WH-TPE Representative Chih-Chao Chen	2014.06.30	3 year	3,000,000	70.01%	-	-
	Director	WH-TPE Representative Chuang-Chih Chuang	2014.06.30	3 year			-	-
	Director	WH-TPE Representative Li-Mei Su	2014.06.30	3 year			-	-
	Director	WH-TPE Representative I-Feng Lin	2014.06.30	3 year			-	-
	Supervisor	WH-TPE Representative Bryan Ma	2014.06.30	3 year			-	-
	Vice-Chairman	C.C.CHUANG	2014.06.30	3 year	1,285,000	29.99%	-	-
BLUE OCEAN LOGISTICS CO. LTD.	Chairman	DAWIN Representative Wei-Chien Chuang	2013.04.01	3 year		100%	-	-
	Director	DAWIN Representative Wen-Chau Yeh	2013.04.01	3 year				
	Director	DAWIN Representative Ming-Shan Huang	2013.04.01	3 year				
	Director	DAWIN Representative Chi-Wen Chiue	2012.02.10	3 year				

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	-	29,400	49%	-	-
	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	-	30,000	50%	-	-
	Director	Thanpol Thitipichetkul	2011.03.01	-	600	1%	-	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	Board chairman	Shenzhen United International Shipping Agency Co., Ltd. Representative Hong-Hui Chen	2010.04.26	-	-	90%	-	-
	Vice board chairman	Shenzhen Uniwin Representative Kwan-Wah Chu	2010.04.26	-			-	-
	Director	Shenzhen Uniwin Representative Lin, Jeong-Shin	2010.09.19	-			-	-
	Director	Shenzhen Uniwin Representative Huey Jang, Chung	2011.11.24	-			-	-
	Director	Shenzhen Uniwin Representative Huang, Cheng-Hsien	2014.10.15	-			-	-
	Supervisor	Shenzhen Uniwin Representative Yu-Man Chan	2010.04.26	-			-	-
Wan Hai (Vietnam) Ltd.	Chairman	WH-SG Representative Hsieh, Fur-Lung	2012.01.18	5 year	-	100.00%	-	-
	Director	WH-SG Representative Hsiao, Chien-Cheng	2012.01.18	5 year			-	-
	Director	WH-SG Representative Yang, Yu-Nong	2014.04.01	5 year			-	-
	Supervisor	WH-SG Representative Chen, Chih-Hsien	2012.01.18	5 year			-	-

### 8.1.6 Related Parties' Financial Position & Operation Results

Unit : TWD 1,000 Per Share / TWD

2014.12.31

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income	Profit on Operating	Profit Loss	Earnings per Share
WAN HAI LINES (PHILS.), INC.	5,991 (PHP 9,015,400)	215,850 (PHP 305,353,192)	211,612 (PHP 299,357,511)	4,238 (PHP 5,995,681)	38,837 (PHP 55,465,344)	(153) (PHP -218,419)	848 (PHP 1,210,957)	0.94 (PHP 1.34)
WAN HAI LINES (H K) LIMITED	695,246 (HKD 160,000,000)	3,676,257 (HKD 899,181,057)	418,869 (HKD 102,451,860)	3,257,388 (HKD 796,729,197)	670,839 (HKD 171,727,997)	180,848 (HKD 46,295,233)	294,769 (HKD 75,457,887)	1.84 (HKD 0.47)
GUANGZHOU WAN HAI INFORMATION TECHNOLOGY LTD.	7,922 (RMB 2,125,000)	21,528 (RMB 4,151,496.86)	2,325 (RMB 6,247,891.02)	19,203 (RMB 3,703,077.84)	62,776 (RMB 12,742,370.1)	3,400 (RMB 690,159.65)	2,399 (RMB 486,896.36)	N/A
DAWIN LOGISTICS (INTERNATIONAL) LIMITED	308,983 (HKD 79,626,115)	651,718 (HKD 159,404,565)	5,538 (HKD 1,354,520)	646,180 (HKD 158,050,045)	14,603 (HKD 3,738,287)	562 (HKD 143,900)	71,899 (HKD 18,405,532)	0.94 (HKD 0.24)
SHENZHEN ASIA WORLD LOGISTICS LTD.	4,941 (RMB 1,060,000)	17,668 (RMB 3,407,045.87)	0 (RMB 0)	17,668 (RMB 3,407,045.87)	0 (RMB 0)	(131) (RMB -26,519.92)	(140) (RMB -28,408.6)	N/A
SHENZHEN UNIWIN INTERNATIONAL LOGISTICS LTD.	366,857 (RMB 77,409,268)	608,100 (RMB 117,263,850.46)	32,400 (RMB 6,247,891.83)	575,700 (RMB 111,015,958.63)	272,699 (RMB 55,352,717.05)	72,781 (RMB 14,773,166.59)	65,883 (RMB 13,372,981.42)	N/A
Shenzhen Yong Chun International Shipping Management Co., Ltd.	29,068 (RMB 6,000,000)	26,188 (RMB 5,050,065.68)	1,373 (RMB 264,800.59)	24,815 (RMB 4,785,265.09)	27,036 (RMB 5,487,692.16)	(1,631) (RMB -331,122.37)	(1,631) (RMB -331,122.37)	N/A
CLIPPER INTERNATIONAL SHIPPING AGENCY LTD.	4,070 (RMB 1,000,000)	1,751,524 (RMB 337,757,877.03)	1,637,869 (RMB 315,841,085.36)	113,655 (RMB 21,916,791.67)	438,573 (RMB 89,021,796.24)	14,951 (RMB 3,034,779.66)	87,716 (RMB 17,804,598.41)	N/A
WAN HAI LINES (SINGAPORE) PTE LTD	11,950,235 (USD 394,190,795)	42,949,218 (USD 1,354,096,029)	25,897,238 (USD 816,483,968)	17,051,980 (USD 537,612,061)	16,908,637 (USD 557,935,876)	1,150,695 (USD 37,969,604)	731,785 (USD 24,146,791)	1.36 (USD 0.04)
WAN HAI INTERNATIONAL PTE. LTD.	1,062 (SGD 50,000)	642,131 (SGD 26,775,553.48)	184,512 (SGD 7,693,781.23)	457,619 (SGD 19,081,772.25)	205,292 (SGD 8,581,258.54)	37,057 (SGD 1,549,010.99)	110,309 (SGD 4,610,946.29)	2,206.21 (SGD 92.22)

Company Name	Capital Amount	Total Assets	Total Liabilities	Net Worth	Operating Income	Profit on Operating	Profit Loss	Earnings per Share
BRAVELY INTERNATIONAL PTE. LTD.	90,998 (SGD 3,828,301)	93,246 (SGD 3,888,154.45)	51 (SGD 2,120.5)	93,195 (SGD 3,886,033.95)	0 (SGD 0.00)	(114) (SGD -4,772.35)	1,381 (SGD 57,732.95)	0.36 (SGD 0.01508)
WAN HAI LINES (M) SDN. BHD.	4,613 (MYR 500,000)	342,304 (MYR37,750,681)	233,819 (MYR 25,786,495)	108,485 (MYR 11,964,186)	125,277 (MYR 14,080,370)	(7,485) (MYR -841,300)	(2,044) (MYR -229,728)	(4.09) (MYR-0.46)
YI CHUN SHIPPING AGENCIES SDN. BHD.	1,845 (MYR 200,000)	1,858 (MYR 204,962)	26 (MYR 2,918)	1,832 (MYR 202,044)	55 (MYR6,234)	(40) (MYR-4,523)	2 (MYR230)	0.00 (MYR 0.00115)
Wan Hai Lines Korea Ltd.	3,500 (WON 100,000,000)	109,317 (WON 3,756,615,213)	103,295 (WON 3,549,657,684)	6,022 (WON 206,957,529)	95,103 (WON 3,279,397,729)	(661) (WON -22,789,121)	(196) (WON -6,761,337)	(9.80) (WON -338)
WAN HAI LINES (INDIA) PRIVATE LIMITED	69 (INR 100,000)	449,965 (INR 897,292,237)	435,755 (INR 868,955,550)	14,210 (INR 28,336,687)	180,622 (INR 359,035,445)	29,399 (INR 58,439,439)	29,001 (INR 57,647,027)	2,900.08 (INR 5,764.70)
WAN HAI LINES (AMERICA) LTD.	132,000 (USD4,000,000)	105,277 (USD 3,319,159)	11,389 (USD 359,067)	93,888 (USD 2,960,092)	90,909 (USD 2,999,728)	7,625 (USD 251,587)	7,086 (USD 233,823)	78.79 (USD 2.60)
Wan Hai Lines (Germany) GmbH	1,018 (EUR 25,000)	9,412 (EUR244,163.38)	713 (EUR 18,509.98)	8,699 (EUR 225,653.40)	16,378 (EUR 406,588.14)	718 (EUR 17,822.42)	354 (EUR 8,776.02)	N/A
k.k. WH Corporation	7,141 (JPY25,000,000)	750,287 (JPY2,831,493,629)	739,848 (JPY2,792,102,406)	10,439 (JPY39,391,223)	6,064,839 (JPY21,131,843,419)	1,729 (JPY 6,025,345)	1,001 (JPY 3,487,545)	2,001.85 (JPY 6,975.09)
TK LOGISTICS INTERNATIONAL CO., LTD.	260,000	516,215	245,555	270,660	243,528	15,670	10,244	0.39
BAO SHENG SHIPPING AGENCY CO., LTD.	42,850	71,553	14,852	56,701	55,932	11,940	9,577	2.24
BLUE OCEAN LOGISTICS CO. LTD.	32,596 (RMB 7,824,000)	76,347 (RMB 14,722,488.41)	18,307 (RMB 3,530,339.35)	58,040 (RMB 11,192,149.06)	186,066 (RMB 37,767,791.91)	7,502 (RMB 1,522,699.98)	5,597 (RMB 1,136,076.42)	N/A
WAN HAI LINES (THAILAND) LTD.	5,725 (THB 6,000,000)	206,980 (THB 214,758,649.71)	126,087 (THB130,825,559.85)	80,893 (THB 83,933,089.86)	94,932 (THB 101,048,011.65)	33,117 (THB 35,250,621.80)	22,506 (THB 23,955,661.65)	765.50 (THB 814.82)
WAN HAI LINES (VIETNAM) LTD	8,691 (USD 300,000)	187,601 (VND 126,810,182,565)	178,340 (VND 120,550,269,198)	9,261 (VND 6,259,913,367)	69,206 (VND 50,058,636,614)	22,534 (VND 16,299,575,694)	8,252 (VND 5,968,879,059)	N/A

(1)20141231 CLOSE RATE

USD/NTD:31.718 USD/HKD:7.7580 USD/SGD:1.3226 USD/MYR:3.4977 USD/WON(KRW):1111.11 USD/PHP:44.843  
 USD/RMB:6.0542 USD/INR:63.29 YEN(JPY)/TWD:0.265 EUR/TWD:38.5489 USD/THB:32.8947 CNY/HKD:1.268  
 USD/VND:21440

(2) 2014 AVERAGE RATE

USD/NTD:30.3057 USD/HKD:7.7580 USD/SGD:1.2668 USD/MYR:3.406 USD/WON(KRW):1000 USD/PHP:43.29  
 USD/RMB:6.1183 USD/INR:60.24 YEN(JPY)/TWD:0.287 EUR/TWD:40.2817 USD/THB:32.2551 CNY/HKD:1.2608  
 USD/VND:21921

(1)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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