

Stock Code: 2615

**WAN HAI LINES LTD.
FINANCIAL STATEMENTS
December 31, 2013 and 2012
(With Independent Accountants' Report Thereon)**

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, 2013, and December 31 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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 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, 2013, and December 31 and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

March 19, 2014

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards approved by the ROC Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

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

WAN HAI LINES LTD.
BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012, AND JANUARY 1, 2012
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	2013.12.31		2012.12.31		2012.1.1		LIABILITIES AND STOCKHOLDERS' EQUITY	2013.12.31		2012.12.31		2012.1.1	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current Assets:							Current Liabilities:						
Cash and cash equivalents (note (6)(a))	\$ 16,820,288	30	19,755,257	35	19,892,529	35	Financial liabilities at fair value through profit or loss—current (notes (6)(b) and (q))	-	-	41,983	-	658,192	1
Financial assets at fair value through profit or loss—current (notes (6)(b) and (q))	-	-	-	-	101,021	-	Accounts payable	4,596,970	8	5,164,376	9	4,971,433	9
Available-for-sale financial assets—current (notes (6)(b) and (q))	3,064,557	5	2,740,381	5	2,651,019	5	Accounts payable—related parties (note (7))	420,081	1	164,790	-	277,116	-
Notes receivable (notes (6)(c) and (q))	38,212	-	20,653	-	28,414	-	Other payable (note (6)(k) and (7))	1,544,034	3	304,335	1	310,409	1
Accounts receivable, net (notes (6)(c) and (q))	1,924,178	4	1,744,563	3	2,001,455	4	Current tax liabilities	167,528	-	25,304	-	-	-
Accounts receivable—related parties (notes (6)(c) and (q) and (7))	49,634	-	177,945	-	114,346	-	Current portion of long-term loans (note (6)(h))	1,580,067	3	1,713,841	3	1,757,057	3
Other receivables (notes (6)(q) and (7))	4,962,265	9	815,029	1	755,362	1	Payables to agents (note (6)(q) and (7))	576,525	1	736,632	1	209,087	-
Inventories, net (note (6)(d))	957,993	2	974,986	2	1,169,870	2	Other current liabilities	401,503	1	454,968	1	459,262	-
Receivables from agents (notes (6)(q) and (7))	1,812,692	3	1,608,250	3	2,134,129	4		9,286,708	17	8,606,229	15	8,642,556	14
Other current assets (note (8))	943,379	2	754,780	1	605,748	1	Non-current Liabilities:						
	30,573,198	55	28,591,844	50	29,453,893	52	Bonds payable (note (6)(i))	-	-	-	-	-	-
Non-Current Assets:							Long-term loans (note (6)(h))	10,400,000	18	10,400,000	18	10,400,000	18
Available-for-sale financial assets—non-current (notes (6)(b) and (q))	247,652	-	258,219	-	224,892	-	Deferred income tax liabilities (note (6)(l))	4,701,400	8	5,583,159	10	6,864,300	12
Financial assets measured at cost—non-current (note (6)(b))	800,967	1	648,438	1	648,438	1	Accrued pension liabilities (note (6)(k))	705,219	1	913,441	2	997,922	2
Bond portfolios with inactive market—non-current (note (6)(b))	1,198,000	2	1,165,440	2	1,211,600	2	Guarantee deposits received	840,672	1	926,089	2	1,038,878	2
Long-term equity investments under equity method (note (6)(e) and (g))	15,563,380	27	16,280,006	29	11,364,963	21		55,904	-	1,995	-	49,712	-
Property, plant, and equipment (notes (6)(f) and (8) and (9))	7,776,229	14	6,337,352	12	8,435,162	15		16,703,195	28	17,824,684	32	19,350,812	34
Intangible assets (note (6)(g))	64,933	-	75,199	-	70,190	-	TOTAL LIABILITIES	25,989,903	45	26,430,913	47	27,993,368	48
Other non-current assets (notes (6)(l) and (8) and (9))	780,294	1	3,154,210	6	5,037,116	9	Owners' Equity Attributable to Equity Holders of the Parent Company (notes (6)(l) and (m)):						
	26,431,455	45	27,918,864	50	26,992,361	48	Common stock	22,182,975	39	22,182,975	39	22,182,975	40
							Capital surplus	1,261,681	2	2,446,570	4	2,446,570	5
							Retained Earnings:						
							Legal reserve	5,256,726	9	5,073,891	9	5,071,860	9
							Special reserve	1,911,538	3	855,768	2	837,493	1
							Retained earnings—unappropriated	1,518,833	4	1,168,124	2	(743,782)	(1)
								8,687,097	16	7,097,783	13	5,165,571	9
							Other Equity:						
							Foreign currency translation differences arising from foreign operations', net of tax	(683,820)	(1)	(1,108,007)	(2)	(750,066)	(1)
							Unrealized loss on available-for-sale financial instruments	(433,183)	(1)	(539,526)	(1)	(592,164)	(1)
								(1,117,003)	(2)	(1,647,533)	(3)	(1,342,230)	(2)
							Non-controlling interest	-	-	-	-	-	-
TOTAL ASSETS	\$ 57,004,653	100	56,510,708	100	56,446,254	100	TOTAL STOCKHOLDERS' EQUITY	31,014,750	55	30,079,795	53	28,452,886	52
							TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 57,004,653	100	56,510,708	100	56,446,254	100

Seeing accompanying notes to financial statements.

WAN HAI LINES LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the Year Ended December 31,			
	2013		2012	
	Amount	%	Amount	%
Operating revenues (note (6)(o) and (7))	52,491,030	100	56,929,558	100
Operating costs (notes (6)(d), (g) and (k) and (7))	<u>47,879,774</u>	<u>91</u>	<u>52,408,084</u>	<u>92</u>
Gross profit	4,611,256	9	4,521,474	8
Operating expenses (notes (6)(g), (k) and (m) and (7))	<u>1,647,396</u>	<u>3</u>	<u>1,621,325</u>	<u>3</u>
Income from operations	<u>2,963,860</u>	<u>6</u>	<u>2,900,149</u>	<u>5</u>
Non-operating income and expenses (note (6)(p)):				
Other revenue	272,243	1	272,691	1
Other gains and losses	651,467	1	181,104	-
Finance costs	(280,921)	(1)	(261,339)	-
Share of profit (loss) of associated and joint ventures accounted for using equity method	<u>(1,145,007)</u>	<u>(2)</u>	<u>(912,281)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>(502,218)</u>	<u>(1)</u>	<u>(719,825)</u>	<u>(1)</u>
Profit before income tax from continuing operations	2,461,642	5	2,180,324	4
Less: Income tax expense (note (6)(l))	<u>332,534</u>	<u>1</u>	<u>332,096</u>	<u>1</u>
Net profit	<u>2,129,108</u>	<u>4</u>	<u>1,848,228</u>	<u>3</u>
Other comprehensive income:				
Foreign currency translation differences	424,187	1	(357,941)	(1)
Gain (loss) on valuation of available-for-sale financial assets	106,625	-	52,695	-
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	15,513	-	36,393	-
Share of other comprehensive income (loss) of associated and joint ventures accounted for using equity method	44,392	-	64,735	-
Less: Income tax relating to components of other comprehensive income (loss)	<u>10,231</u>	<u>-</u>	<u>17,201</u>	<u>-</u>
Other comprehensive income (net of tax)	<u>580,486</u>	<u>1</u>	<u>(221,319)</u>	<u>(1)</u>
Total comprehensive income	<u>2,709,594</u>	<u>5</u>	<u>1,626,909</u>	<u>2</u>
Earnings per share (note (6)(n))				
Basic earnings per share (New Taiwan Dollars)		<u>0.96</u>		<u>0.83</u>
Diluted earnings per share (New Taiwan Dollars)		<u>0.96</u>		<u>0.83</u>

Seeing accompanying notes to financial statements.

WAN HAI LINES LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars)

	Stock		Retained Earnings			Other Equity Interest		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	
Balance as of January 1, 2012	\$ 22,182,975	2,446,570	5,071,860	837,493	(743,782)	(750,066)	(592,164)	28,452,886
Net Profit	-	-	-	-	1,848,228	-	-	1,848,228
Other comprehensive income	-	-	-	-	83,984	(357,941)	52,638	(221,319)
Total comprehensive income	-	-	-	-	1,932,212	(357,941)	52,638	1,626,909
Appropriation of retained earnings:								
Legal reserve	-	-	2,031	-	(2,031)	-	-	-
Special reverse	-	-	-	18,275	(18,275)	-	-	-
Balance as of December 31, 2012	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)
Balance as of December 31, 2013	\$ 22,182,975	1,261,681	5,256,726	1,911,538	1,518,833	(683,820)	(433,183)	31,014,750

Note : The directors' and supervisors' remuneration of \$6,018 and employees' bonuses of \$6,018 have been recognized as operating expense.

Seeing accompanying notes to financial statements.

WAN HAI LINES LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2013	2012
Cash flows from operating activities:		
Profit before tax	\$ 2,461,642	2,180,324
Adjustments:		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,453,246	2,128,419
Amortization	44,585	33,029
Interest expense	280,921	261,339
Interest revenue	(178,322)	(170,238)
Dividend revenue	(93,921)	(102,453)
Investment loss (income) under the equity method	1,145,007	912,281
Loss (Gain) on disposal of property, plant and equipment, net	(185,444)	(313,886)
Prepayment for equipment classified into expense	485	597
(Gain) Loss on disposal of available-for-sale assets-current	(47,346)	(41,835)
Unrealized foreign exchange (gain) loss	163,620	(38,565)
Total adjustments to reconcile net income to net cash provided by operating activities	<u>2,582,831</u>	<u>2,668,688</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
(Increase) Decrease in current financial assets at fair value through profit or loss	-	101,021
(Increase) Decrease in notes receivable	(17,559)	7,761
(Increase) Decrease in accounts receivable	(51,304)	193,293
(Increase) Decrease in other receivables	(4,140,149)	(113,781)
(Increase) Decrease in inventories	16,993	194,884
(Increase) Decrease in receivables from agents	(204,442)	525,879
(Increase) Decrease in other current assets	(188,599)	(149,031)
Total changes in operating assets, net	<u>(4,585,060)</u>	<u>760,026</u>
Changes in operating liabilities, net:		
Increase (Decrease) in current financial liabilities at fair value through profit or loss	(41,983)	(616,209)
Increase (Decrease) in accounts payable (including related parties)	(312,115)	80,617
Increase (Decrease) in other payables	1,243,656	(1,375)
Increase (Decrease) in payables to agents	(160,107)	527,545
Increase (Decrease) in other current liabilities	(53,465)	(4,294)
Increase (Decrease) in accrued pension liabilities	(69,903)	(76,396)
Total changes in operating liabilities, net	<u>606,083</u>	<u>(90,112)</u>
Total changes in operating assets and liabilities, net	<u>(3,978,977)</u>	<u>669,914</u>
Total Adjustments	<u>(1,396,146)</u>	<u>3,338,602</u>
Cash inflow generated from operations	1,065,496	5,518,926
Income tax (paid) returned	(100,998)	(140,728)
Net cash provided by operating activities	<u>964,498</u>	<u>5,378,198</u>

Seeing accompanying notes to financial statements.

WAN HAI LINES LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2013	2012
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(345,949)	(219,022)
Proceeds from sale of available-for-sale financial assets	186,312	190,863
Acquisition of financial assets at cost	(152,529)	-
Increase in long-term investments under equity method	-	(6,100,500)
Acquisition of property, plant and equipment	(7,461,323)	(10,063,794)
Disposal of property, plant and equipment	6,846,105	11,914,535
(Increase) Decrease in refundable deposits	11,959	30,002
Acquisition of intangible assets	(32,841)	(4,771)
Interest received	166,768	178,705
Dividends received	99,352	111,898
Net cash used in investing activities	(682,146)	(3,962,084)
Cash flows from financing activities:		
Increase in long-term loans	600,600	589,400
Repayment of long-term loans	(1,812,313)	(1,829,032)
Increase (Decrease) in guarantee deposits	53,909	(47,717)
Dividends paid	(1,774,639)	-
Interest paid	(284,878)	(266,037)
Net cash provided by (used in) financing activities	(3,217,321)	(1,553,386)
Net increase (decrease) in cash and cash equivalents	(2,934,969)	(137,272)
Cash and cash equivalents, beginning of period	19,755,257	19,892,529
Cash and cash equivalents, end of period	\$ 16,820,288	19,755,257

Seeing accompanying notes to financial statements.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(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 19, 2014.

(3) New Standards and Interpretations Not Yet Adopted

- (a) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

The International Accounting Standards Board ("IASB") issued the International Financial Reporting Standard 9 Financial instruments ("IFRS 9"), which take effect as of January 1, 2013. (In December 2011, the IASB postponed the effective date of IFRS 9 to January 1, 2015; however, in November 2013, the ISAB cancelled the announcement mentioned above to allow the preparer of financial statement to have sufficient time to convert to the new standard.) This standard had been approved by the FSC; however, the effective date has not been announced. In accordance with FSC rules, the early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standards 39 Financial Instruments ("IAS 39"). Upon the adoption of this new standard, it is expected there will be significant impacts on the classification and measurement of financial instruments in the financial statements.

- (b) New and revised standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued recently by the IASB but not yet endorsed by the FSC that may have an impact on the financial statements is as follows:

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description</u>	<u>Effective date per IASB</u>
May 12, 2011 June 28, 2012	IFRS 10 Consolidated Financial Statements IFRS 11 Joint Arrangements IFRS 12 Disclosure of Interests in Other Entities Amended IAS 27 Financial Statements Amended IAS 28 Investments in Associates and Joint Ventures	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model for determining whether an entity has control over an investee (including special purpose entities). However, the consolidation process maintains the original guidance and method. In addition, joint arrangements are separated into joint operations (formerly known as jointly controlled assets and jointly controlled operations), and joint venture (formerly known as jointly controlled entities), and the proportionate consolidation method is removed. On June 28, 2012, amendments were issued clarifying the guidance over the transition period. The Group expects the adoption of the standards above will increase the information of related disclosures and change the way of determining whether an equity has control over the investee.	January 1, 2013
May 12, 2011	IFRS 13 Fair Value Measurement	Replaces and consolidates the fair value measurement guidance in other standards into one single guidance. At the adoption of this standard, the Group should analyze the impact on the measurement of assets and liabilities. The amendment could also increase the disclosure of their fair value.	January 1, 2013
June 16, 2011	Amended IAS 1 Presentation of Financial Statements	Items presented in other comprehensive income shall be presented based on whether they are potentially reclassifiable to profit or loss subsequently. Upon adoption, this standard could change the disclosure of other comprehensive income in the comprehensive income statement.	July 1, 2012
November 19, 2013	Amended IFRS 9 Financial instrument	IFRS 9 adopted more principle based standards in hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. It broadens the scope of hedged items for hedge accounting. The Group believes that the adoption of standards above will increase the transaction of hedge accounting and changes the way of measurement and disclosure of hedged instruments and hedged items.	Earlier application is permitted.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

<u>Issue date</u>	<u>New standards and amendments</u>	<u>Description</u>	<u>Effective date per IASB</u>
December 12, 2013	<ul style="list-style-type: none"> ● Amended IFRS 1 First-time Adoption of International Financial Reporting Standards ● Amended IFRS 2 Share-based Payment ● Amended IFRS 3 Business Combinations ● Amended IFRS 8 Operating Segments ● IFRS 13 Fair Value Measurement ● Amended IAS 16 Property, Plant and Equipment ● Amended IAS 38 Intangible Assets ● Amended IAS 24 Related Party Disclosures ● Amended IAS 40 Investment Property 	<p>The IASB concludes "2010–2012 & 2011–2013 Annual Improvements Cycles", which amended :</p> <ul style="list-style-type: none"> ● The amendment clarifies the definition of "vesting conditions" by separately defining a "performance condition" and a "service condition". ● The amendment clarifies the classification and measurement of the contingent consideration that arose from business combination. ● The amendment requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. ● The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. ● The amendment clarifies whether key management personnel could include an entity or whether it could only apply to individuals. ● The amendment clarifies that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination. <p>At the adoption of the above standards, it is expected there will be impacts on the disclosure and presentation on the financial statements.</p>	July 1, 2014 Earlier application is permitted.

(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, and have been applied consistently to the opening balance sheet as of January 1, 2012, which is prepared for the purpose of transition to the IFRSs endorsed by the FSC (R.O.C).

(a) Statement of compliance

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

(b) Basis of preparation

1. Basis of measurement

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

- 1) Financial instruments measured at fair value through profits or losses (including derivative financial instruments);
- 2) Available-for-sale financial assets are measured at fair value; and
- 3) 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.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

2. 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.

(c) 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:

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

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

An entity shall classify an asset as current when:

1. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or
4. 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:

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

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

The time deposits with maturities of less than one year are used for short-term cash commitments instead of investment and are subject to an insignificant risk of changes in their fair value, and are classified as cash and cash equivalents.

(f) Financial instruments

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

1. 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.

1) 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.

2) 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.

3) 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.

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4) 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”.

5) 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.

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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.

6) 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.

2. Financial liabilities and equity instruments

1) 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.

2) 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”.

3) 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”.

4) 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.

3. 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.

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(g) 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.

(h) 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.

(i) 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.

(j) Property, plant, and equipment

1. 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.”

2. 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.

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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.

(k) 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.

(l) 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.

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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.

(m) Revenue

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Rental revenue from vessels and containers is recognized on an accrual basis.

(n) Employee benefits

1. 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.

2. 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.

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All actuarial gains and losses at January 1, 2012, the date of transition to FSC-approved IFRSs, were recognized in retained earnings. 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.

3. 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.

4. Short-term employee benefits

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

(o) 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 statutory tax rate on the reporting date or the actual legislative tax rate, 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:

1. 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.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. 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 realised 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:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

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- 1) levied by the same taxing authority; or
- 2) 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.

(p) 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 stock bonus.

(q) 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, Judgments and Estimation Uncertainty

The preparation of the financial statements requires management to make judgments, 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 judgments 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(12), Measurement of defined benefit obligations.

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(6) Summary of Major Accounts

(a) Cash and cash equivalents

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Cash on hand	\$ 55,729	45,696	44,054
Savings accounts	331,451	567,054	1,402,466
Time deposits	16,428,990	19,134,967	18,438,173
Cash equivalents—money market deposit accounts—foreign	4,118	7,540	7,836
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 16,820,288</u>	<u>19,755,257</u>	<u>19,892,529</u>

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

(b) Financial assets

1. Details of financial assets:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial assets at fair value through profit or loss	\$ -	-	101,021
Available-for-sale financial assets	3,312,209	2,998,600	2,875,911
Financial assets measured at cost	800,967	648,438	648,438
Bond portfolios with inactive market	1,198,000	1,165,440	1,211,600
Total	<u>\$ 5,311,176</u>	<u>4,812,478</u>	<u>4,836,970</u>
Current	\$ 3,064,557	2,740,381	2,752,040
Non-current	2,246,619	2,072,097	2,084,930
Total	<u>\$ 5,311,176</u>	<u>4,812,478</u>	<u>4,836,970</u>

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

As of December 31, 2013, December 31, and January 1, 2012, the Company's financial assets were not pledged as collateral.

2. 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	<u>2013</u>		<u>2012</u>	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increase1%	\$ <u>33,122</u>	<u>-</u>	<u>29,986</u>	<u>-</u>
Decrease1%	\$ <u>(33,122)</u>	<u>-</u>	<u>29,986</u>	<u>-</u>

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3. Derivatives not used for hedging

The Company uses derivative financial instruments to hedge certain foreign exchange and interest risk the Company is exposed to, arising from its operating, financing and investing activities. As of December 31, 2013, December 31, and January 1, 2012, the derivative financial instruments held by the Company, which are not qualified for hedge accounting and are measured at value, are as follows:

	2013.12.31			2012.12.31			2012.1.1		
	Amount	Currency	Year of Maturity	Amount	Currency	Year of Maturity	Amount	Currency	Year of Maturity
Exchange rate options – Sell a call	-	-	-	35,922	USD/JPY	2013	466,982	USD/JPY	2013
Exchange rate options – Buy a put	-	-	-	19,326	USD/JPY	2013	251,238	USD/JPY	2013
Exchange rate swaps	-	-	-	-	-	-	3,292,560	-	2012
Interest rate swaps	-	-	-	874,080	-	2013	908,700	-	2012-2013

Details of derivative instrument not used for hedging are as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial assets at fair value through profit or loss-current	\$ -	-	<u>101,021</u>
Financial liabilities at fair value through profit or loss-current	\$ -	<u>41,983</u>	<u>658,192</u>

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

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Notes receivable	\$ 38,212	20,653	28,414
Accounts receivable	1,974,185	1,922,881	2,116,208
Other receivables	4,962,265	815,029	755,362
Less: Allowance for impairment loss	<u>(373)</u>	<u>(373)</u>	<u>(407)</u>
	<u>\$ 6,974,289</u>	<u>2,758,190</u>	<u>2,899,577</u>

The Company's ageing analysis of accounts receivables and other receivables:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Past due 0-30 days	\$ 151,782	143,135	161,467
Past due 31-120 days	50,259	53,056	73,778
Past due 121-365 days	141	4,330	493
Past due more than 365 days	<u>3,625</u>	<u>188</u>	<u>11</u>
	<u>\$ 205,807</u>	<u>200,709</u>	<u>235,749</u>

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Movement of allowance for doubtful receivables for the years ended December 31, 2013 and 2012 are as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1, 2013	\$ <u>373</u>	<u>-</u>	<u>373</u>
Balance as of December 31, 2013	\$ <u>373</u>	<u>-</u>	<u>373</u>
Balance as of January 1, 2012	\$ 407	-	407
Amounts written off	<u>(34)</u>	<u>-</u>	<u>(34)</u>
Balance as of December 31, 2012	\$ <u>373</u>	<u>-</u>	<u>373</u>

(d) Inventories

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Marine diesel oil	\$ 144,017	138,064	120,648
Marine residual fuel oil	807,761	833,619	1,039,905
Fresh lubricating oil	<u>6,215</u>	<u>6,831</u>	<u>9,317</u>
Sub total	957,993	978,514	1,169,870
Less: Allowance for inventory valuation and obsolescence losses	-	(3,528)	-
Total	<u>\$ 957,993</u>	<u>974,986</u>	<u>1,169,870</u>

During the year ended 2013 and 2012, raw material, consumables and changes in the finished goods and work in progress recognized as cost of sales amounted to \$12,158,473 thousand (2012: \$13,461,384 thousand). In 2013, the write-down of inventories to net realizable value amounted to \$(3,528) thousand (2012: \$3,528 thousand). The write-downs are included in cost of sales.

As of December 31, 2013, December 31, and January 1, 2012, the Company's inventories were not pledged as collateral.

(e) Investments accounted for using equity method

A summary of equity-accounted investees is as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Subsidiaries	\$ 15,401,157	16,127,262	11,193,867
Associate	<u>162,223</u>	<u>152,744</u>	<u>171,096</u>
	<u>\$ 15,563,380</u>	<u>16,280,006</u>	<u>11,364,963</u>

1. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2013 and 2012.

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2. Associate

In 2013 and 2012, the net income of an associate was as follows:

	2013	2012
The company's share of profit(loss) of associates	\$ <u><u>9,478</u></u>	<u><u>(18,352)</u></u>

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

	2013.12.31	2012.12.31	2012.1.1
Total assets	\$ <u><u>2,165,105</u></u>	<u><u>2,320,365</u></u>	<u><u>2,515,880</u></u>
Total liabilities	\$ <u><u>1,404,569</u></u>	<u><u>1,604,262</u></u>	<u><u>1,713,739</u></u>
	2013	2012	
Revenue	\$ <u><u>1,029,199</u></u>	<u><u>848,740</u></u>	
Net income(loss)	\$ <u><u>44,434</u></u>	<u><u>(86,038)</u></u>	

As of December 31, 2013, December 31, and January 1, 2012, the Company's investments accounted for using the equity method were not pledged as collateral.

(f) 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, 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><u>620,477</u></u>	<u><u>123,736</u></u>	<u><u>3,528,694</u></u>	<u><u>18,574,874</u></u>	<u><u>1,191,799</u></u>	<u><u>676,921</u></u>	<u><u>24,716,501</u></u>
Balance at January 1, 2012	\$ 620,477	123,736	4,143,127	16,424,659	1,211,513	673,311	23,196,823
Additions	-	-	8,215,144	648	19,212	-	8,235,004
Reclassification	-	-	3,347,710	763	15,329	-	3,363,802
Disposals	-	-	(11,562,854)	(446,201)	(42,512)	(1,300)	(12,052,867)
Balance at December 31, 2012	\$ <u><u>620,477</u></u>	<u><u>123,736</u></u>	<u><u>4,143,127</u></u>	<u><u>15,979,869</u></u>	<u><u>1,203,542</u></u>	<u><u>672,011</u></u>	<u><u>22,742,762</u></u>
Depreciation and impairment loss:							
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></u>	<u><u>55,710</u></u>	<u><u>2,886,179</u></u>	<u><u>12,756,574</u></u>	<u><u>712,908</u></u>	<u><u>528,901</u></u>	<u><u>16,940,272</u></u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

	<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, 2012	\$ -	49,985	3,214,856	10,562,189	533,837	400,794	14,761,661
Depreciation for the year	-	2,960	151,054	1,754,761	128,563	91,081	2,128,419
Reclassification	-	-	-	654	-	-	654
Disposals	-	-	-	(441,512)	(42,512)	(1,300)	(485,324)
Balance at December 31, 2012	<u>\$ -</u>	<u>52,945</u>	<u>3,365,910</u>	<u>11,876,092</u>	<u>619,888</u>	<u>490,575</u>	<u>16,405,410</u>
Carrying amounts:							
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, 2012	<u>\$ 620,477</u>	<u>73,751</u>	<u>928,271</u>	<u>5,862,470</u>	<u>677,676</u>	<u>272,517</u>	<u>8,435,162</u>
Balance at December 31, 2012	<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.

(g) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Company in 2013 and 2012 are as follows:

	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Costs:			
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>
Balance at January 1, 2012	\$ 112,158	525	112,683
Additions	4,771	-	4,771
Reclassification	31,879	1,388	33,267
Disposals	(17,502)	-	(17,502)
Balance at December 31, 2012	<u>\$ 131,306</u>	<u>1,913</u>	<u>133,219</u>
Amortization and impairment loss:			
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>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Balance at January 1, 2012	\$ 42,414	79	42,493
Amortization for the year	32,942	87	33,029
Disposals	<u>(17,502)</u>	<u>-</u>	<u>(17,502)</u>
Balance at December 31, 2012	<u>\$ 57,854</u>	<u>166</u>	<u>58,020</u>
Carrying amounts:			
Balance at December 31, 2013	<u>\$ 63,377</u>	<u>1,556</u>	<u>64,933</u>
Balance at January 1, 2012	<u>\$ 69,744</u>	<u>446</u>	<u>70,190</u>
Balance at December 31, 2012	<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>2013</u>	<u>2012</u>
Operating costs	<u>\$ 21,257</u>	<u>13,321</u>
Operating expense	<u>\$ 23,328</u>	<u>19,708</u>

(h) Term loans

Details of borrowings are as follows:

<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%	\$ 2,028,567
Secured bank loans	USD	0.9584%- 1.3684%	<u>4,252,900</u>
Totals			<u>\$ 6,281,467</u>
Current			\$ 1,580,067
Non-current			<u>4,701,400</u>
Totals			<u>\$ 6,281,467</u>
<u>2012.12.31</u>			
<u>Currency</u>	<u>Interest rate collars</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	1.47%-2.831%	\$ 2,926,600
Secured bank loans	USD	1.037%-1.85%	<u>4,370,400</u>
Totals			<u>\$ 7,297,000</u>
Current			\$ 1,713,841
Non-current			<u>5,583,159</u>
Totals			<u>\$ 7,297,000</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

2012.1.1				
	Currency	Interest rate collars	Expiration	Amount
Secured bank loans	TWD	1.626%-3.197%	103-106	\$ 3,824,633
Secured bank loans	USD	0.859%-1.85%	101-105	4,796,724
Totals				<u>\$ 8,621,357</u>
Current				\$ 1,757,057
Non-current				<u>6,864,300</u>
Totals				<u>\$ 8,621,357</u>

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

1. Securities for bank loan

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

2. The restrictions of the BNP Paribas loan were as follows:

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

(i) Bonds payable

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

2012.12.31				
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-first domestic bond issue	TWD	1.65%~1.85%	105-107	\$ 7,500,000
Unsecured bank-second domestic bond issue	TWD	1.75%	106	2,900,000
Bond payable-non-current				<u>\$ 10,400,000</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

	2012.1.1			
	Currency	Interest rate collars	Expiration	Amount
Unsecured bank-first domestic bond issue	TWD	1.65%~1.85%	105-107	\$ 7,500,000
Unsecured bank-second domestic bond issue	TWD	1.75%	106	2,900,000
Bond payable-non-current				\$ 10,400,000

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

1. Issue amount

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

2. Nominal amount

Par value \$1,000 per unit.

3. Issuance period

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

4. Issued price: at par value

5. Nominal interest rate

1) Series A: 1.65%

2) Series B: 1.85%

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

7. Redemption on the maturity date

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

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

9. Trustee

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

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

10. Agency for payment of principal and interest

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

11. Certification institution: None

12. Announcement

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

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

1. Issue amount

Up to \$2,900,000.

2. Nominal amount

Par value \$1,000 per unit.

3. Issuance period

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

4. Issued price: at par value

5. Nominal interest rate: 1.75%.

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

7. Redemption on the maturity date

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

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

9. Trustee

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

10. Agency for payment of principal and interest

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

11. Certification institution: None

12. Announcement

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

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(j) Operating leases

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

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Less than one year	\$ 7,413,663	6,267,643	7,467,119
Between one and five years	<u>27,449,464</u>	<u>24,344,936</u>	<u>28,439,521</u>
	<u>\$ 34,863,127</u>	<u>30,612,579</u>	<u>35,906,640</u>

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

(k) Employee benefits

1. 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>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of defined benefit obligation	\$ 1,136,940	1,213,640	1,290,002
Fair value of plan assets	<u>(296,268)</u>	<u>(287,551)</u>	<u>(251,124)</u>
Recognized liabilities for defined benefit obligations	<u>\$ 840,672</u>	<u>926,089</u>	<u>1,038,878</u>

1) 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 Pension Supervisory Committee. 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 \$291,100 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 Council of Labor Affairs and the Labor Pension Supervisory Committee.

2) 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>2013</u>	<u>2012</u>
Defined benefit obligation at January 1	\$ 1,213,640	1,290,002
Benefits paid by the plan	(96,639)	(76,385)
Current service costs and interest	36,085	37,577
Actuarial (losses) gains	<u>(16,146)</u>	<u>(37,554)</u>
Defined benefit obligation at December 31	<u>\$ 1,136,940</u>	<u>1,213,640</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

3) 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>2013</u>	<u>2012</u>
Fair value of plan assets at January 1	\$ 287,551	251,124
Contributions made	61,462	62,056
Benefits paid by the plan	(56,380)	(28,198)
Expected return on plan assets	4,268	3,730
Actuarial gains (losses)	<u>(633)</u>	<u>(1,161)</u>
Fair value of plan assets at December 31	<u>\$ 296,268</u>	<u>287,551</u>

4) Expenses recognized in profit or loss

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

	<u>2013</u>	<u>2012</u>
Current service costs	\$ 19,822	21,673
Interest on obligation	16,263	15,904
Expected return on plan assets	<u>(4,268)</u>	<u>(3,730)</u>
	<u>\$ 31,817</u>	<u>33,847</u>
Operating costs	\$ 11,710	11,718
Selling expenses	<u>20,107</u>	<u>22,129</u>
	<u>\$ 31,817</u>	<u>33,847</u>
Actual return on assets	<u>\$ 3,635</u>	<u>2,569</u>

5) 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>2013</u>	<u>2012</u>
Cumulative amount at January 1	\$ 36,393	-
Recognized during the period	<u>15,513</u>	<u>36,393</u>
Cumulative amount at December 31	<u>\$ 51,906</u>	<u>36,393</u>

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	<u>2013</u>	<u>2012</u>
Discount rate	1.61 %	1.34 %
Expected return on plan assets	1.61 %	1.34 %
Future salary increases	3.00 %	3.00 %

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

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.

7) Experience adjustments on historical information

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of defined benefit plans	\$ 1,136,940	1,213,640	1,290,002
Fair value of plan assets	<u>(296,268)</u>	<u>(287,551)</u>	<u>(251,124)</u>
Net liabilities (assets) of defined benefit obligations	<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>\$ 16,147</u>	<u>-</u>	<u>-</u>
Experience adjustments arising on the fair value of the plan assets	<u>\$ (633)</u>	<u>-</u>	<u>-</u>

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is \$61,081.

- 8) When calculating the present value of the defined benefit obligations, the Company uses judgments 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, 2013, the Company's accrued pension liabilities amounted to \$840,672. If the discount rate had increased or decreased by 0.5%, the Company's accrued pension liabilities would have decreased by \$75,968 or increased by \$82,597, respectively.

2. Defined contribution plans

The Company set aside 1% 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, 2013 and 2012, the Company set aside \$37,490 and \$36,194, respectively, under the pension plan to the Bureau of the Labor Insurance.

3. Other employee benefits

The Company's employee benefit liabilities were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Vacation liability	<u>\$ 25,384</u>	<u>23,880</u>	<u>25,368</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(l) Income taxes

1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	<u>2013</u>	<u>2012</u>
Current income tax expense (benefit):		
Current period	\$ 252,151	154,035
Adjustment for prior periods	<u>3,692</u>	<u>(5,048)</u>
	<u>255,843</u>	<u>148,987</u>
Deferred tax expense (benefit):		
Origination and reversal of temporary differences	<u>76,691</u>	<u>183,109</u>
Income tax expense from continuing operations	<u>\$ 332,534</u>	<u>332,096</u>

The amount of income tax recognized directly in equity for 2013 and 2012 was 0.

The amount of income tax recognized in other comprehensive income for 2013 and 2012 were \$10,231 and \$17,201 thousands, respectively.

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

	<u>2013</u>	<u>2012</u>
Profit excluding income tax	<u>\$ 2,461,642</u>	<u>2,180,324</u>
Income tax using the Company's domestic tax rate	\$ 418,479	370,655
Non-deductible expense	25,175	38,962
Tax-exempt income	(56,381)	(24,440)
Tax incentive	(28,125)	(75,000)
Change in unrecognized temporary difference	-	8,010
(Over) Under provision in prior periods	<u>(26,614)</u>	<u>13,909</u>
Total	<u>\$ 332,534</u>	<u>332,096</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

2. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 are as follows:

	Investment (loss) gain under the equity method	Deferred depreciation expense	Others	Total
Deferred Tax Liabilities:				
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>
Balance at January 1, 2012	\$ 991,306	-	6,616	997,922
Debit (Credited) Income statement	(109,663)	31,798	(6,616)	(84,481)
Balance at December 31, 2012	<u>\$ 881,643</u>	<u>31,798</u>	<u>-</u>	<u>913,441</u>
	Defined Benefit Plans	Loss Carry forward	Others	Total
Deferred Tax Assets:				
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	<u>\$ 153,236</u>	<u>-</u>	<u>40,126</u>	<u>193,362</u>
Balance at January 1, 2012	\$ 176,678	414,936	181,683	773,297
(Debit) Credited Income statement	9,635	(226,051)	(51,174)	(267,590)
(Debit) Credited Other Comprehensive Income	(17,201)	-	-	(17,201)
Balance at December 31, 2012	<u>\$ 169,112</u>	<u>188,885</u>	<u>130,509</u>	<u>488,506</u>

3. The Company's tax returns for the years through 2011 were examined and approved by the Taipei National Tax Administration.

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

Unappropriated earnings of 1998 and after	<u>2013.12.31</u> <u>\$ 1,518,833</u>	<u>2012.12.31</u> <u>1,168,124</u>	<u>2012.1.1</u> <u>(743,782)</u>
Balance of imputation credit account (ICA)	<u>\$ 20,627</u>	<u>29,412</u>	<u>15,310</u>
	<u>2013 (estimated)</u>	<u>2012 (actual)</u>	
Tax deduction ratio for earnings distribution to ROC residents	<u>1.36 %</u>	<u>1.62 %</u>	

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.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(m) Capital and other equity

As of December 31, 2013, and December 31, January 1, 2012, the Company's authorized capital consisted of 2,500,000 thousand shares, amounting to \$25,000,000, 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.

1. Capital surplus

The balance of capital surplus was as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Premium on ordinary shares	\$ 22,839	22,839	22,839
Paid-in capital in excess of par value through conversion of corporate bond	1,222,787	2,407,676	2,407,676
Change in equity of subsidiaries accounted for under equity method	16,055	16,055	16,055
	<u>\$ 1,261,681</u>	<u>2,446,570</u>	<u>2,446,570</u>

In accordance with the ROC Company Act amended in 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 reserves to be classified under share capital shall not exceed 10 percent of the actual share capital amount.

2. 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. Distribution of the remaining earnings will be as follows:

- 1) Not be less than 1% as bonus to the employees,
- 2) 1% as remuneration to the directors and supervisors, and
- 3) The balance after deducting (1) and (2) is for dividends.
- 4) 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.

1) 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.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

2) Special reserve

In accordance with Ruling No. 1010012865 (see note 2) 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.

3) Earnings distribution

Employee benefits amounted to \$21,862 and \$6,018, and rewards of directors and supervisors amounted to \$21,004 and \$6,018 for the year ended of 2013 and 2012, 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 rewards of directors and supervisors as stated under the articles of association. These benefits are expensed under operating expenses for each period. There were no differences between the above actual distributions and the amounts recognized in the financial statements for 2012.

The number of shares to be distributed for employee benefits for 2013 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 2014.

The earnings distribution for 2012 was decided by the general meeting of shareholders held on June 14, 2013, and was as follows:

	2012	
	Dividend per share (\$)	Amount
Cash dividends	\$ 0.2659	589,749
Employees' cash bonus	-	6,018
Directors' and supervisors' remuneration	-	6,018

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, on June 14, 2013.

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

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3. Other equity

	Foreign currency translation differences for foreign operations	Available for-sale investments
Balance at January 1, 2013	\$ (1,108,007)	(539,526)
Foreign currency translation differences (net of tax):		
The Company	424,187	-
Unrealized gains and losses from available-for-sale investment:		
The Company	-	106,625
Subsidiaries	-	(282)
Balance at December 31, 2013	<u>\$ (683,820)</u>	<u>(433,183)</u>
Balance at January 1, 2012	\$ (750,066)	(592,164)
Foreign currency translation differences (net of tax):		
The Company	(357,941)	-
Unrealized gains and losses from available-for-sale investment:		
The Company	-	52,695
Subsidiaries	-	(57)
Balance at December 31, 2012	<u>\$ (1,108,007)</u>	<u>(539,526)</u>

(n) Earnings per share

The Company calculated the basic and diluted EPS as follows:

	<u>2013</u>	<u>2012</u>
1. Basic earnings per share		
Profit attributable to ordinary shareholders	\$ <u>2,129,108</u>	<u>1,848,228</u>
Weighted-average number of ordinary shares	<u>2,218,297</u>	<u>2,218,297</u>
Basic earnings per share (In Dollars of New Taiwan Dollars)	\$ <u>0.96</u>	<u>0.83</u>

WAN HAI LINES LTD.
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	2013	2012
2. Diluted earnings per share		
Profit attributable to ordinary shareholders (adjusted with potential effect of diluted ordinary shares) \$	<u>2,129,108</u>	<u>1,848,228</u>
Weighted-average number of ordinary shares (basic)	2,218,297	2,218,297
Effect of dilutive potential common shares	<u>1,594</u>	<u>359</u>
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	<u>2,219,891</u>	<u>2,218,656</u>
Diluted earnings per share (In Dollars of New Taiwan Dollars)	<u>\$ 0.96</u>	<u>\$ 0.83</u>

(o) revenue

For the years ended December 31, 2013 and 2012, the details of revenue are as follows

	Continuing Operations	
	2013	2012
Rendering of services	\$ 49,988,529	54,432,670
Commissions	13,617	15,123
Rentals	<u>2,488,884</u>	<u>2,481,765</u>
	<u>\$ 52,491,030</u>	<u>56,929,558</u>

(p) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	2013	2012
Interest income		
Bank	\$ 178,322	170,238
Dividend revenue	<u>93,921</u>	<u>102,453</u>
	<u>\$ 272,243</u>	<u>272,691</u>

WAN HAI LINES LTD.
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2. Other gains and losses

The details of other gains and losses were as follows:

	<u>2013</u>	<u>2012</u>
Net foreign currency exchange gain or loss	\$ 441,223	(162,868)
Gain or loss on disposal of investments and financial liability		
Net gain or loss on disposal of available-for-sale financial assets	47,346	41,835
Gain (loss) on financial assets (liabilities) at fair value through profit or loss	325	(40,598)
Gain on disposal of on property, plant and equipment	185,444	313,886
Other	<u>(22,871)</u>	<u>28,849</u>
	<u>\$ 651,467</u>	<u>181,104</u>

3. Finance costs

The details of finance costs were as follows:

	<u>2013</u>	<u>2012</u>
Interest expense		
Bank loan	\$ 291,512	332,933
Less: Capitalized interest	<u>(10,591)</u>	<u>(71,594)</u>
	<u>\$ 280,921</u>	<u>261,339</u>

(q) Financial instruments

1. Financial instruments

Financial assets:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial assets at fair value through profit or loss:			
Designated as at fair value through profit or loss	\$ -	-	101,021
Available-for-sale financial assets (Include Financial assets measured at cost)	<u>4,113,176</u>	<u>3,647,038</u>	<u>3,524,349</u>
Loans and receivables:			
Cash and cash equivalents	16,820,288	19,755,257	19,892,259
Bond portfolios with inactive market	1,198,000	1,165,440	1,211,600
Notes receivable, accounts receivable and other receivable	6,974,289	2,758,190	2,899,577
Receivables from agents	1,812,692	1,608,250	2,134,129
Refundable deposits	<u>165,084</u>	<u>177,043</u>	<u>207,045</u>
sub-total	<u>26,970,353</u>	<u>25,464,180</u>	<u>26,344,610</u>
Total	<u>\$ 31,083,529</u>	<u>29,111,218</u>	<u>29,969,980</u>

WAN HAI LINES LTD.
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Financial liabilities:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Financial liabilities at fair value through profit or loss:			
Designated as at fair value through profit or loss	\$ -	41,983	658,192
Financial liabilities are measured at cost:			
Accounts payable	5,017,051	5,329,166	5,248,549
Other payable	1,544,034	304,335	310,409
Payables to agents	576,525	736,632	209,087
Bonds payable	10,400,000	10,400,000	10,400,000
Long-term loans (Include current-portion of long-term loans)	6,281,467	7,297,000	8,621,357
Guarantee deposits received	55,904	1,995	49,712
sub-total	<u>23,874,981</u>	<u>24,069,128</u>	<u>24,839,114</u>
Total	<u>\$ 23,874,981</u>	<u>24,111,111</u>	<u>25,497,306</u>

2. Credit risks

1) Credit risks exposure

The carrying amounts of financial assets represented the maximum credit risk exposure of the Company. As of December 31, 2013, December 31, and January 1, 2012 the maximum exposure to credit risks amounted to \$31,083,529, \$29,111,218 and \$29,969,980, respectively.

2) Disclosures of the concentration of credit risk

Since the Company has considerable customers worldwide and does not concentrate its transactions significantly with any single customer or in similar areas, The Company has no concentration of credit risk. The Company mitigates the credit risks by continuously monitoring customers' credit risk and credit ratings.

3. Liquidity risks

The following are the contractual maturities of financial liabilities of the Company, including estimated interest payments and excluding the impact of netting arrangements:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 month</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2013							
Non-derivative financial liabilities							
Secured bank loans	\$ 6,281,467	6,454,335	1,033,827	630,198	2,288,887	2,501,423	-
Account payables (Include related parties)	5,017,051	5,017,051	5,017,051	-	-	-	-
Other payables	1,544,034	1,544,034	1,544,034	-	-	-	-
Payables to agents	576,525	576,525	576,525	-	-	-	-
Bonds payable	10,400,000	11,167,750	132,750	50,750	183,500	10,800,750	-
Deposits relating to collateral of customers	55,904	55,904	55,904	-	-	-	-
	<u>\$ 23,874,981</u>	<u>24,815,599</u>	<u>8,360,091</u>	<u>680,948</u>	<u>2,472,387</u>	<u>13,302,173</u>	<u>-</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 month</u>	<u>6 to 12 months</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>
December 31, 2012							
Non-derivative financial liabilities							
Secured bank loans	\$ 7,297,000	7,576,998	804,615	1,028,225	1,644,318	4,099,840	-
Account payables (Include related parties)	5,329,166	5,329,166	5,329,166	-	-	-	-
Other payables	304,335	304,335	304,335	-	-	-	-
Payables to agents	736,632	736,632	736,632	-	-	-	-
Bonds payable	10,400,000	11,351,250	132,750	50,750	183,500	6,401,000	4,583,250
Deposits relating to collateral of customers	1,995	1,995	1,995	-	-	-	-
Derivative financial liabilities							
Exchange rate options and Interest rate swaps	41,983	42,004	42,004	-	-	-	-
	<u>\$ 24,111,111</u>	<u>25,342,380</u>	<u>7,351,497</u>	<u>1,078,975</u>	<u>1,827,818</u>	<u>10,500,840</u>	<u>4,583,250</u>
January 1, 2012							
Non-derivative financial liabilities							
Secured bank loans	\$ 8,621,357	8,872,353	942,554	936,260	1,838,227	5,140,373	81,174
Account payables (Include related parties)	5,248,549	5,248,549	5,248,549	-	-	-	-
Other payables	310,409	310,409	310,409	-	-	-	-
Payables to agents	209,087	209,087	209,087	-	-	-	-
Bonds payable	10,400,000	11,534,750	132,750	50,750	183,500	3,550,500	7,617,250
Deposits relating to collateral of customers	49,712	49,712	49,712	-	-	-	-
Derivative financial liabilities							
Interest rate swaps, Exchange rate swaps and Exchange rate options	658,192	718,510	337,421	337,421	43,668	-	-
	<u>\$ 25,497,306</u>	<u>26,943,370</u>	<u>7,230,482</u>	<u>1,324,431</u>	<u>2,065,395</u>	<u>8,690,873</u>	<u>7,698,424</u>

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

4. Currency risk

1) Currency risk exposure

The Company's significant exposure to foreign currency risks was as follows:

	<u>2013.12.31</u>			<u>2012.12.31</u>			<u>2012.1.1</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets									
Monetary items									
USD	\$ 671,632	29.950	20,115,380	602,881	29.136	17,565,542	601,177	30.290	18,210,726
JPY	2,123,894	0.2850	605,412	1,776,068	0.3378	599,971	2,421,419	0.3901	944,556
CNY	378,544	4.9470	1,872,651	125,832	4.6754	588,313	160,534	4.7799	767,329
INR	448,933	0.4843	217,425	-	-	-	556,851	0.5678	316,158
HKD	-	-	-	-	-	-	70,545	3.8984	275,014

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	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities									
<u>Monetary items</u>									
USD	245,873	29.950	7,363,894	213,612	29.136	6,223,800	63,826	30.290	1,933,298
JPY	2,859,214	0.2850	815,013	2,835,270	0.3378	957,779	2,963,211	0.3901	1,155,900
INR	431,863	0.4843	209,158	1,178,857	0.5312	626,202	818,660	0.5678	464,803
CNY	97,741	4.9470	483,524	121,222	4.6754	566,759	96,889	4.7799	463,115
HKD	189,326	3.8623	731,240	199,673	3.7585	750,463	151,581	3.8984	590,928
MYR	26,385	9.1311	240,920	21,939	9.5122	208,688	26,922	9.5372	256,761
<u>Non-monetary items</u>									
USD	-	-	-	-	-	-	21,730	30.290	658,192

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, available-for-sale financial assets, loans and borrowings; and trade and other payables that are denominated in foreign currency.

A 1% appreciation or depreciation of the TWD against the USD, HKD and JPY as at December 31, 2013 and 2012, would have increased or decreased net income by \$130,797 and \$95,772, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the years ended December 31, 2013 and 2012.

5. Interest analysis

The Company's sensitivity analysis in interest rates is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Company's accounting and financial department reported that the increases or decreases in interest rates and the change in interest rate of 25 basis points has been determined as management's benchmark in assessing the reasonableness of the changes in the interest rates.

If the interest rate increases or decreases by 1%, the Company's profit will decrease or increase by \$48,672 thousands and \$52,671 thousands for the years ended 2013 and 2012, respectively. This analysis assumes that all other variables remain constant.

6. Fair value of financial instrument

The Company considers the carrying amount of financial assets and financial liabilities measured at amortized cost in the financial statement approximate their fair value.

1) Valuation techniques and assumptions used in fair value determination

The Company uses the following methods in determining the fair value of its financial assets and liabilities:

- A. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices. These include <investments in redeemable bonds, stocks, drafts, and corporate bonds from listed entities>.

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- B. The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value of non-option derivative instruments is determined using a discounted cash flow analysis calculated based on the applicable yield curve through the expected life of the derivative instruments. The fair value of option derivatives is determined using option pricing models.
- C. The fair value of financial guarantee contracts is determined using option pricing models. Significant assumptions made include the probability of default based on credit risk information, and the amount of loss at the time of default.
- D. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

2) Fair value hierarchy

The below paragraph provides the different levels of fair value hierarchy in determining the fair value of financial instruments carried at fair value.

- A. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- B. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- C. Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2013				
Available-for-sale financial assets				
Domestic and foreign listed shares	\$ <u>3,312,209</u>	<u>-</u>	<u>-</u>	<u>3,312,209</u>
December 31, 2012				
Available-for-sale financial assets	\$			
Domestic and foreign listed shares	2,998,600	-	-	2,998,600
Derivative financial liabilities	<u>-</u>	<u>41,983</u>	<u>-</u>	<u>41,983</u>
	<u>\$ 2,998,600</u>	<u>41,983</u>	<u>-</u>	<u>3,040,583</u>
January 1, 2012				
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for sale	\$ -	101,021	-	101,021
Available-for-sale financial assets				
Domestic and foreign listed shares	2,875,911	-	-	2,875,911
Derivative financial liabilities	<u>-</u>	<u>685,192</u>	<u>-</u>	<u>685,192</u>
	<u>\$ 2,875,911</u>	<u>786,213</u>	<u>-</u>	<u>3,662,124</u>

There were no transfers between levels for the year ended December 31, 2013 and 2012.

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(r) Financial risk management

1. Summary

The Company's use of financial instruments is exposed to as follows:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

2. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment.

1) Accounts receivable and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk. Since the Company has considerable customers worldwide and does not concentrate transactions significantly with any single customer or in similar areas, The Company has no concentration of credit risk. The Company mitigates the credit risks by monitoring customers' credit risk and credit ratings continuously.

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms are offered. The Company's review includes external ratings, when available, and in some cases bank references.

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Credit limits are established for each customer, which represent the maximum open amount without requiring approval from the General Manager's office; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on an advance received basis.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments is measured and monitored by the company's financial department. The Company only deals with financial institutions, corporations and organizations with a credit rating of investment grade or higher; therefore, there are no significant doubts regarding default on the above financial instruments, and as a result, there is no significant credit risk.

3) Guarantees

The Company's policy is to provide guarantee only to subsidiaries. The detailed information is stated in note 6(2).

4. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash flows on financial liabilities. The Company also monitors the level of expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short term bank facilities for \$7,118,921 thousands.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (TWD) and US Dollars (USD). The currencies used in these transactions are denominated in TWD, EUR and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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2) Interest rate risk

The Company's policy is to mitigate exposure to changes in interest rates on borrowings. There are 69.84% borrowings on fix-rate basis.

3) Other market price risk

The management of the Company monitors the combination of debts and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved and managed by the Board of Directors.

(t) Capital management

The Company meets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to shareholders and other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

(7) Related-Party Transactions

(a) Relationships between Parents and Subsidiaries

A detailed list of the Company's subsidiaries is as follows:

	Country of incorporation	Ownership interest (Share holdings:%)		
		2013.12.31	2012.12.31	2012.1.1
Wan Hai Lines (Singapore) Pte Ltd (WHL Singapore)	Singapore	100.00 %	100.00 %	100.00 %
Wan Hai Lines (America) Ltd. (WHL America)	America	100.00 %	100.00 %	100.00 %
T.K. Logistics International Co., Ltd. (TK)	Taiwan	55.00 %	55.00 %	55.00 %
k.k. WH Corporation (WH Corporation)	Japan	100.00 %	100.00 %	100.00 %
Wan Hai Lines (Germany) GmbH (WHL Germany)	Germany	100.00 %	100.00 %	100.00 %
Bao sheng shipping Agency Co., Ltd. (BS)	Taiwan	70.01 %	70.01 %	70.01 %
Wan Hai Lines (M) Sdn. Bhd. (WHL Malaysia)	Malaysia	100.00 %	100.00 %	100.00 %
Wan Hai Lines (Hong Kong) Limited (WHL Hongkong)	Hong kong	100.00 %	100.00 %	100.00 %
Wan Hai Lines (Phils.), Inc. (WHL Phils.)	Philippines	100.00 %	100.00 %	100.00 %
Wan Hai Lines (Korea) Ltd. (WHL Korea)	Korea	100.00 %	100.00 %	100.00 %
Wan Hai International Pte Ltd. (WHL INTL.)	Singapore	100.00 %	100.00 %	100.00 %
Yi Chun Shipping Agencies Sdn. Bhd.(Yi Chun)	Malaysia	100.00 %	100.00 %	100.00 %

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	Country of incorporation	Ownership interest (Share holdings:%)		
		2013.12.31	2012.12.31	2012.1.1
Wan Hai (Vietnam) Ltd. (WHL Vietnam)	Vietnam	100.00 %	- %	- %
Wan Hai Lines (Thailand) Limited (WHL Thailand)	Thailand	49.00 %	49.00 %	49.00 %
Wan Hai Lines (India) PVT Ltd. (WHL India)	India	100.00 %	100.00 %	100.00 %
Guangzhou Wan Hai Information Technology Ltd.(GWHIT)	China	100.00 %	100.00 %	100.00 %
Dawin Logistics (International) Ltd. (Dawin)	Hong kong	100.00 %	100.00 %	100.00 %
Shenzhen Uniwin International Logistics(SUIL)	China	100.00 %	100.00 %	100.00 %
Shenzhen Asia World Logistics Ltd. (SAWL)	China	100.00 %	100.00 %	100.00 %
Blue Ocean Logistics (Shang hai) Ltd. (BOL)	China	100.00 %	100.00 %	100.00 %
Shanghai Clipper International Shipping Agency Ltd.(SCSA)	China	49.00 %	49.00 %	49.00 %
Shenzhen Yong Chun International Shipping Management Co., Ltd.	China	90.00 %	90.00 %	90.00 %

(b) Parent Company and Ultimate Controlling Party

The Company is the ultimate controlling party of the Group.

(c) Significant transactions with related parties

1. Sales to related parties :

	2013	2012
Subsidiaries	\$ 671,712	478,575
Other related party	597,928	529,831
	\$ 1,269,640	1,008,406

The transaction terms with related parties were not significantly different from those of sales to third parties. The average collection period for notes and accounts receivable pertaining to such sales transactions ranged from one to three months, while the average collection period for routine sales transactions was within one month. Receivables from related parties were not secured with collateral and did not require provisions for bad debt expenses.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

2. Consideration for services related to the entity :

	<u>2013</u>	<u>2012</u>
Subsidiaries	\$ 6,297,706	6,328,766
Associate	38,074	41,605
Other related party	<u>2,899,337</u>	<u>2,154,303</u>
	<u>\$ 9,235,117</u>	<u>8,524,674</u>

The transaction terms with related parties were not significantly different from those of the third parties. The average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to two months, which was similar to that of other normal vendors.

3. Receivables from related parties

Receivables of The Company from related parties were as follows :

<u>Item</u>	<u>Related party categories</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Accounts Receivable	Subsidiaries	\$ -	24,902	-
Accounts Receivable	Other related party	49,634	153,043	114,346
Other Receivables	Subsidiaries	11,878	41,839	4,989
Receivable from agents	Subsidiaries	1,038,767	881,277	1,270,543
Receivable from agents	Associate	27,637	3,296	19,386
Receivable from agents	Other related party	439,815	431,133	552,168
		<u>\$ 1,567,731</u>	<u>1,535,490</u>	<u>1,961,432</u>

4. Payables from related parties

Payable of The Company related parties was as follows :

<u>Item</u>	<u>Related party categories</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Accounts payable	Subsidiaries	\$ 229,701	13,685	79,474
Accounts payable	Other related party	190,380	151,105	197,642
Other payable	Subsidiaries	270	155	-
Other payable	Other related party	1,412	1,565	-
Payable to agents	Subsidiaries	575,833	705,611	167,240
		<u>\$ 997,596</u>	<u>872,121</u>	<u>444,356</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

5. Property transactions

1) Sales of real estate and other assets

Disposal of property, plant and equipment to related parties was as follows:

Related party categories	2013		2012	
	<u>Amount</u>	<u>Gain (Loss)</u>	<u>Amount</u>	<u>Gain (Loss)</u>
Subsidiaries	\$ 6,694,625	64,242	11,562,906	46
Other related party	204	173	186	144
	<u>\$ 6,694,829</u>	<u>64,415</u>	<u>11,563,092</u>	<u>190</u>

In September 2011, the board of directors of the Company resolved to sell fourteen container vessels to WHL-Singapore after the delivery from CSBC Corporation, Taiwan as scheduled. As of December 31, 2013, fourteen vessels had all been sold to WHL-Singapore, and total price was USD 691,749 thousand (\$20,540,564).

From January to June 2006, the Company sold five vessels to WHL-Singapore. The selling price was USD 73,470 thousand (\$2,386,986). The book value of the five vessels was \$2,021,430. Gain on selling property was \$365,556. The gain on selling property was not entirely recognized. The unrealized gain of \$103,274 and \$132,750 at December 31, 2013 and 2012, respectively, was recorded as the deduction of long-term equity investments under equity method.

The Company sold fuels on board for the year ended December 31, 2013 and 2012 because of fleet dispatch. The carrying value of fuels the Company sold to WHL-Singapore was \$425,049 and \$141,298, respectively.

6. Related-party financing

The Company Financing to other related parties was as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Subsidiaries	<u>\$ 3,623,950</u>	<u>-</u>	<u>-</u>

Interest on the above financing was calculated based on the average short-term interest rate of a financial institution from which the consolidated entity had borrowed money. While such loans were unsecured, they did not require provisions for bad debt expenses.

7. Guarantees

Endorsement guarantees offered to related parties were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Subsidiaries	<u>\$ 15,172,092</u>	<u>21,659,926</u>	<u>24,845,649</u>

Endorsement guarantees offered by related parties were as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Subsidiaries	<u>\$ 1,250,000</u>	<u>1,750,000</u>	<u>2,500,000</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(d) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2013</u>	<u>2012</u>
Shorts-term employee benefits	\$ 14,433	9,551
Post-employment benefits	108	108
	<u>\$ 14,541</u>	<u>9,659</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Objective</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Time deposits (recorded in refundable deposits)	Lease contract for wharf, and lawsuit	\$ 47,508	47,505	94,702
Containers	Long-term loans	2,584,622	3,082,053	3,739,256
Vessels	Long-term loans	642,516	777,217	928,271
Buildings	Long-term loans	17,393	17,732	73,751
		<u>\$ 3,292,039</u>	<u>3,924,507</u>	<u>4,835,980</u>

(9) Significant Contingencies and Commitments

(a) Agency contracts

The shipping routes of the Company cover Northeast Asia, Southeast Asia, the Middle East, India, China, Africa, the Americas and Europe, where the Company has general agents. The general agents in different harbors are responsible for paying the fees of the Company, such as inbound and outbound expenses. The Company pays commissions to the general agents. The Company also operates inbound and outbound transportation in Taiwan for other shipping companies, and the Company receives commissions thereon.

(b) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Company entered into a contract to lease a wharf in Japan in March 2003 and renewed it in April 2008. The lease period is from March 2003 to March 2023. As of December 31, 2013, the lease deposit amounted to ¥255,775,000 (\$72,896) and was recorded in refundable deposits.

The Company co-operated with the Kaohsiung Harbor Bureau to renovate containers and wharf facilities in December 2007 and rented the No. 63 and 64 wharf repair centers and straddle carrier. From the date of beginning renovation to the date the Harbor Bureau examined the construction, the rental period lasted 13 years and 7 months, and the total contract amount was \$68,609, which was reclassified as leased assets on December 31, 2010, to replace previous prepayment for equipment.

(c) Chung Kuo Insurance Co., Ltd., Chimei Logistics Corp., Chartis Taiwan Insurance Co., Ltd., MSIG Mingtai Insurance Co., Ltd., and Union Insurance Co., Ltd. had requested the Company to pay damages of approximately \$51,017. The related trials remained ongoing as of December 31, 2013.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(12) Others

(a) Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

By item	By function	For the years ended December 31, 2013			For the years ended December 31, 2012		
		Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits							
Salary		274,963	764,920	1,039,883	283,901	704,235	
Labor and health insurance		19,463	59,733	79,196	20,634	56,202	
Pension		22,834	46,473	69,307	23,016	47,025	
Others employee benefits		-	-	-	-	-	
Depreciation		1,405,626	47,620	1,453,246	2,078,673	49,746	
Amortization		21,257	23,328	44,585	13,321	19,708	

(13) Additional Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2013:

1. Fund financing to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other party during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Value		
0	The Company	WHL Singapore	Other receivables related parties	Yes	4,367,400	7,500,500	3,623,950	1.734	1	-	Note 2	-	Promissory note	7,500,500	12,405,900	12,405,900
0	The Company	WHL Hongkong	Other receivables related parties	Yes	-	450,030	-	1.734	1	-	Note 2	-	Promissory note	450,030	12,405,900	12,405,900

Note 1: Short-term financing.

Note 2: Repayment of loans.

Note 3: Financing amount shall not exceed 40 percent of the Company's net worth and the following:

1. Maximum amount of financing for single borrower who has business with the Company cannot exceed the total transaction amount of the current year.
2. Maximum amount of financing for short-term borrower cannot exceed the lower of 20 percent of the Company's net worth or 40 percent of borrower's net worth.
3. The restriction in item (1) and (2) above shall not apply to inter-company loans of funds between foreign companies in which the Company holds, directly or indirectly, 100% of the voting shares, and between the Company and subsidiaries.

2. Guarantees and endorsements for other parties:

Number	Name of the company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
0	The Company	WHL Singapore	1	62,029,500	20,681,957	14,912,075	14,912,075	-	48.08 %	62,029,500	Y		
0	The Company	WHL Hongkong	1	62,029,500	523,260	-	-	-	- %	62,029,500	Y		
0	The Company	TK	1	62,029,500	278,880	260,017	201,382	-	0.84 %	62,029,500	Y		

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Number	Name of the company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorses/ guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 1)										
1	WHL Singapore	The Company	4	62,029,500	1,750,000	1,250,000	1,250,000	-	4.03 %	62,029,500		Y	

Note 1: A subsidiary in which the Company directly holds more than 50 percent of its voting shares.

Note 2: According to the Company's "Policy and Procedures for Guarantee and Endorsement", the maximum endorsement / guarantee amount cannot exceed 200% of the Company's common stock, while the maximum endorsement / guarantee amount for a single company cannot exceed 40% of the Company's common stock. This limit does not apply to subsidiaries. The total maximum endorsement / guarantee cannot exceed 250% of the Company's common stock, while the maximum endorsement / guarantee amount for a single company cannot exceed 50% of the Company's common stock.

Note 3: The Company provided a guarantee for TK's bank loan of \$462,000 and had received a promissory note for that amount.

3. Information regarding securities held at balance sheet date:

Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding Percentage	Notes
				Number of shares	Book value	Percentage of shares	Market value		
The Company	Domestic listed stocks:								
	Da Chan Greathrall Group	-	Available-for-sale financial assets—current	10,953,194	289,164	- %	289,164	- %	
"	Formosa Plastics Corporation	-	"	821,288	66,114	- %	66,114	- %	
"	Nan Ya Plastics Corporation	-	"	520,442	35,859	- %	35,859	- %	
"	Formosa Chemicals & Fiber Corporation	-	"	531,480	44,644	- %	44,644	- %	
"	Tainan Spinning Co., Ltd	-	"	760,000	15,998	- %	15,998	- %	
"	Teco Electric & Machinery Co., Ltd.	-	"	2,105	72	- %	72	- %	
"	China Steel Corporation	-	"	2,246,238	60,649	- %	60,649	- %	
"	Delta Electronics, Inc.	-	"	74,342	12,638	- %	12,638	- %	
"	Hon Hai Precision Ind. Co., Ltd.	-	"	686,072	54,954	- %	54,954	- %	
"	ASUSTEK Computer Inc.	-	"	25,880	6,936	- %	6,936	- %	
"	Chunghwa Telecom Co., Ltd.	-	"	10,911,984	1,015,906	- %	1,015,906	- %	
"	Transcend Information, Inc.	-	"	89,111	7,637	- %	7,637	- %	
"	Amtran Technology Co., Ltd.	-	"	984,058	19,878	- %	19,878	- %	
"	Yang Ming Marine Transport Corp.	-	"	2,049,110	28,585	- %	28,585	- %	
"	China Airlines Ltd.	-	"	20,123,862	220,356	- %	220,356	- %	
"	Chinese Maritime Transport Ltd.	-	"	565,000	22,883	- %	22,883	- %	
"	Hua Nan Financial Holding Co., Ltd.	-	"	113,300	1,971	- %	1,971	- %	
"	Fubon Financial Holding Co., Ltd.	-	"	1,154,726	50,346	- %	50,346	- %	
"	Mega Financial Holding Co., Ltd.	-	"	7,666,089	192,419	- %	192,419	- %	
"	Taishin Financial Holding Co., Ltd.	-	"	14,745,649	216,024	- %	216,024	- %	
"	First Financial Holding Co., Ltd.	-	"	12,333,007	228,777	- %	228,777	- %	
"	Kinsun Interconnect Technology Corp.	-	"	628,627	62,171	- %	62,171	- %	
"	Taiwan Business Bank	-	"	1,081,600	9,810	- %	9,810	- %	
"	Shih Wei Navigation Co., Ltd.	-	"	982,334	20,727	- %	20,727	- %	

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Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				Peak Holding Percentage	Notes
				Number of shares	Book value	Percentage of shares	Market value		
The Company	Taiwan Cooperative Bank	-	Available-for-sale financial assets – current	23,291,223	379,647	- %	379,647	- %	
"	Kenmec Mechanical Engineering Co., Ltd.	-	"	27,702	392	- %	392	- %	
"	Domestic listed stocks: Shin Lin Paper Co., Ltd.	The vice president of SLPC is the chairman of the Company	Available-for-sale financial assets – non-current	5,419,088	247,652	- %	247,652	- %	
"	Unlisted stocks: Taipei Port Container Terminal Corp.	The Company is an institutional director of Taipei Port	Financial assets measured at cost – non-current	79,315,476	793,154	15.25 %	793,154	15.25 %	Note 1
"	United Stevedoring Corporation	-	"	781,250	7,813	15.63 %	7,813	15.63 %	Note 1
"	Bonds: Royal Bank of Scotland PLC	-	Bond portfolios with inactive market – non-current	-	1,198,000	- %	1,198,000	- %	Note 2

Note 1: Invested in unlisted companies, and no quoted prices in active markets were available.

Note 2: No quoted prices in active markets were available, and thus the investments were classified as bond portfolios with inactive market.

4. Accumulated buying/selling of the same marketable securities for which the dollar amount reaches \$300 million or 20% or more of paid-in capital:

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the Company	Beginning balance		Purchases		Sales				Ending balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Price	Cost	Disposal gain (loss)	Shares/Units	Amount
The Company	Chunghwa Telecom Co., Ltd.	Current available-for sale financial assets	-	-	7,541,984	651,481	3,370,000	311,304	-	-	-	-	10,911,984	1,015,906

Note1: Includes investment income or loss.

5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.

6. Disposition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital: None.

7. Buying/selling products for which the dollar amount reaches \$100 million or 20% or more of paid-in capital:

Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	APCT	A director of APCT is a second-degree relative of the chairman of the company	Container fee	272,709	0.57 %	30 days	-	-	(25,109)	0.50 %	

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Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	IAL	A director of IAL is one of the corporate directors of the Company	Container rental revenue, commission revenue, charter revenue	(281,031)	0.54 %	30 days	-	-	2,329	0.12 %	
"	IAL	A director of IAL is one of the corporate directors of the Company	Bunker charge	201,665	0.42 %	"	-	-	-	- %	
"	NSTC	A director of NSTC is one of representative directors of the Company	Container fee, tow charge	358,739	0.75 %	"	-	-	(36,078)	0.72 %	
"	WH Corporation	Subsidiary	Terminal port charges, rent expense	4,977,641	10.40 %	"	-	-	-	- %	Note 2
"	WHL Singapore	Subsidiary	Rent income, commission revenue	(670,235)	1.28 %	"	-	-	-	- %	Note 2
"	WHL Singapore	Subsidiary	Bunker charge	319,780	0.67 %	"	-	-	(214,176)	4.27 %	
"	Taipei Port	The company is a director of Taipei Port	Container fee, terminal handling charges	552,023	1.13 %	"	-	-	(62,250)	1.24 %	
"	WHL Hongkong	Subsidiary of WHL Singapore	Commission fee	389,394	0.81 %	"	-	-	(431,481)	74.84 %	
"	WHL Japan	A director of WHL-Japan is the chairman of the Company	Commission fee	245,826	0.51 %	"	-	-	-	- %	
"	IAL (S)	A director of IAL(S) is one of the corporate directors of the company	Container rental revenue, commission revenue, charter revenue	(186,018)	0.35 %	"	-	-	36,264	1.80 %	
"	IAL (S)	A director of IAL(S) is one of the corporate directors of the company	Charter fee, rent expense, commission fee	287,863	0.60 %	"	-	-	-	- %	
"	NSaTC	A director of NSaTC is one of the corporate directors of the company	Container fee, tow charge	141,096	0.29 %	"	-	-	(13,538)	0.27 %	
"	WCIC	Subsidiary of ECTC	Personnel and business contract costs	143,844	0.30 %	"	-	-	(12,775)	0.25 %	

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Name of company	Name of Counter-party	Relationship	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Account/note receivable (payable)		Notes
			Purchase/Sale	Amount	Percentage of total purchases/sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/notes receivable (payable) (Note 1)	
The Company	TK	Subsidiary	Container fee, service charge, terminal handling charge	127,101	0.27 %	30 days	-	-	(12,529)	0.25 %	
"	NWCS	A director of NWCS is the chairman of the Company	Container fee	112,952	0.24 %	"	-	-	9,544	0.19 %	
"	Hyaline Shipping (HK) Co., Ltd.	A director of Hyaline Shipping (HK) is the chairman of the Company	Commission fee	341,907	0.71 %	"	-	-	-	- %	

Note 1: Including notes receivable / payable, accounts payable – related parties and receivable / payable from / to agents.

Note 2: Including rental expense paid through WH Corporation to WHL-Singapore and WHL-Hongkong.

8. Accounts receivable from related parties for which the dollar amount reaches \$100 million or 20% or more of paid-in capital:

Name of related party	Counter-party	Relationship	Balance of receivables from related party (Note)	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	WHL-Hong Kong (CISA)	Subsidiary of SUIL	513,688	- %	-		356,081	-
"	WHL-Hong Kong (CISA)	Subsidiary of SUIL	194,433	- %	-		104,474	-
"	WHL Japan	A director of WHL-Japan is the chairman of the Company	439,815	- %	-		438,630	-
"	WHL India	Subsidiary of WHL-INTL	186,576	- %	-		185,989	-

9. Derivative transactions:

The detailed information regarding derivative financial instruments is stated in note 6(2).

(b) Information on investees

For the years ended December 31, 2013, the following is the information on investees:

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
The Company	Wan Hai Lines (Singapore) Pte Ltd	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	Transportation and shipping agency service, vessel and container rental service, and international transportation and shipping agency services	11,950,235	11,950,235	538,075,000	100.00 %	15,118,604	100.00 %	(1,166,553)	(1,166,553)	Subsidiary
	Wan Hai Lines (America) Ltd.	800 S. Barranca Avenue, Suite 260, Covina, CA 91723	Transportation and shipping agency services	132,000	132,000	90,000	100.00 %	81,651	100.00 %	5,738	5,738	Subsidiary

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Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
The Company	k.k. WH Corporation	OI NEW No. 5 TERMINAL BLDG., 4F 4-9 YASHIO 2 CHOME, SHINAGAWA KU, TOKYO 140 0003, JAPAN	Terminal operation and management service, and vessel rental service	7,141	7,141	500	100.00 %	10,233	100.00 %	(1,905)	(1,905)	Subsidiary
	Wan Hai Lines (Germany) GmbH	Brandstwiete 1, 20457 Hamburg Germany	Transportation and shipping agency services	1,018	1,018	-	100.00 %	8,939	100.00 %	415	415	Subsidiary
	Tang Cang-Cai Mep International Terminal Co., Ltd.	Tan Phuoc Commune, Tan Thanh Dist, Ba Ria Vung Tau Province	Managing wharf and containers	259,917	259,917	-	21.33 %	162,223	21.33 %	44,434	9,478	Subsidiary
	T.K. Logistics International Co., Ltd.	No.28, Zhongshan 4th Rd., Zhongshan Dist., Keelung City 203, Taiwan (R.O.C.)	Managing container terminals and storage facilities	143,000	143,000	14,300,000	55.00 %	143,229	55.00 %	3,088	1,698	Subsidiary
	Bao Sheng Shipping Agency Co., Ltd.	7F, No. 255, Ren'ai 2nd Rd., Ren'ai District, Keelung City 200, Taiwan (R.O.C.)	Acting as agent for transportation affair and contracting ocean shipping and related services.	30,000	30,000	3,000,000	70.01 %	38,501	70.01 %	8,744	6,122	Subsidiary
	WHL Singapore	Wan Hai Lines (Phils.), Inc.	18/F Rufino Pacific Tower, #6784 Ayala Ave., corner V.A. Rufino St., 1223, Makati City	Transportation and shipping agency services	5,991	5,991	901,540	100.00 %	3,383	100.00 %	(2,197)	(2,197)
	Wan Hai Lines (H.K.) Limited	3F, Singga Commercial Centre, No. 148, Connaught Rd. W, Central, Hong Kong	Transportation and shipping agency services	695,246	695,246	160,000,000	100.00 %	2,801,009	100.00 %	407,470	407,470	Indirect subsidiary
	Wan Hai Lines (M) Sdn. Bhd.	Suite 7.02, Level 7, IMS 2, 88, Jalan Batai Laut 4, Taman Intan, 41300 Klang, Selangor Darul Ehsan, Malaysia	Transportation and shipping agency services	4,613	4,613	500,000	100.00 %	111,344	100.00 %	(3,948)	(3,948)	Indirect subsidiary
	Yi Chun Shipping Agencies Sdn. Bhd.	Suite 7.01, Level 7, IMS 2, 88, Jalan Batai Laut 4, Taman Intan, 41300 Klang, Selangor Darul Ehsan, Malaysia	Transportation and shipping agency services	1,845	1,845	200,000	100.00 %	1,843	100.00 %	1	1	Indirect subsidiary
	Wan Hai Lines (Korea) Ltd.	15th FL., Hanway bldg., 70, Da Dong, Chung Gu, Seoul, Korea	Transportation and shipping agency services	3,500	3,500	20,000	100.00 %	6,070	100.00 %	1,107	1,107	Indirect subsidiary
	Wan Hai International Pte Ltd.	10 Hoe Chiang Road #25-01 Keppel Towers Singapore 089315	Transportation and shipping agency services	1,062	1,062	50,000	100.00 %	323,107	100.00 %	96,099	96,099	Indirect subsidiary

WAN HAI LINES LTD.
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Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Peak Holding Percentage	Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value				
WHL Singapore	Wan Hai Lines (Thailand) Limited	21 floor, Lumpini Tower, 1168/56, 61 Rama 4 Road, Thungmahamek, Sathorn, Bangkok	Transportation and shipping agency services	2,805	2,251	29,400	49.00 %	26,972	49.00 %	15,899	7,791	Indirect subsidiary
	Wan Hai (Vietnam) Ltd.	27 Nguyen Trung Truc St, 1st Dist, HCM City, S.R Vietnam	Transportation and shipping agency services	8,691	8,691	-	100.00 %	407	100.00 %	8,413	8,413	Indirect subsidiary
WHL INTL.	Wan Hai Lines (UAE) LLC.	Office No. C/308, Nashwan Building, AI Mankhool Road, AI Raffa, Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00 %	32,363	49.00 %	61,675	30,220	Invested in by indirect subsidiary
	Wan Hai Lines (India) PVT Ltd.	A 102 & 103, The Qube Marol Village, Audheri (East), Mumbai 400 059	Transportation and shipping agency services	69	69	10,000	100.00 %	(14,195)	100.00 %	8,344	8,344	Indirect subsidiary (Note 2)
WHL Hongkong	Dawin Logistics (International) Ltd.	2F, Singga Commercial Centre, No. 148, Connaught Rd. W, Hong Kong	Transportation, storage and investment services	308,983	292,117	75,640,000	100.00 %	553,744	100.00 %	17,851	17,851	Indirect subsidiary

Note 1: Limited companies with no common shares issued.

(c) Information on investment in Mainland China

1. Information on investment in Mainland China:

Name of the investee in Mainland China	Major operations	Issued capital	Method of investment	Beginning remittance balance - Cumulative investment (amount) from Taiwan	Current remittance/recoverable investment (amount)		Ending remittance balance - Cumulative investment (amount) from Taiwan	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Peak Holding Percentage	Current investment gains and losses	Carrying Amount	Accumulated Inward Remittance of Earnings
					Remittance amount	Recoverable amount							
Guangzhou Wan Hai Information Technology Ltd.	Information software service	7,922	(1)	-	-	-	-	2,573	100.00 %	100.00 %	2,573	15,808	-
Shenzhen Uniwin International Logistics	Freight transportation and acting as agent for transport affairs	366,857	(1)	-	-	-	-	11,192	100.00 %	100.00 %	11,192	492,754	-
Shenzhen Asia World Logistics Ltd.	Containers, storage and transportation services	4,941	(1)	-	-	-	-	888	100.00 %	100.00 %	888	16,865	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	6,525	49.00 %	49.00 %	3,197	9,904	-
Blue Ocean Logistics (Shanghai) Ltd.	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	5,083	100.00 %	100.00 %	5,083	49,427	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	(3,600)	90.00 %	90.00 %	(3,240)	22,679	-

Note 1: Indirectly invested in Mainland China through investees.

Note 2: The investment income (loss) recognized in current period was audited and certified by the CPA of the Company.

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

2. Limitation on investment in Mainland China:

Aggregate investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
-	713,815	18,608,850

Note: The Company's investments in Mainland China were mostly from the investees' self owned capital in indirect subsidiaries.

3. Significant transactions:

Please reference to "Information on significant transactions" and "Business relation ships and significant intercompany transaction".

(14) Segment Information

Please refer to the consolidated financial report for the year ended December 31, 2013.

(15) First-time Adoption of Taiwan IFRS (T-IFRS)

The accounting policies described in Note(4) have been adopted for the comparative financial statements for the year ended December 31, 2012, the balance sheet as of December 31, 2012, and the IFRSs balance sheet as of January 1, 2012 (the Company's conversion date).

In preparing its opening IFRSs statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with R.O.C. GAAP. An explanation of how the transition from previous GAAP to IFRSs has affected the Company's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

(a) Adjustment of balance sheet items

	2012.12.31			2012.1.1		
	Previous GAAP	Effects of transition to IFRS	IFRSs	Previous GAAP	Effects of transition to IFRS	IFRSs
Assets						
Cash and cash equivalents	\$ 19,755,257	-	19,755,257	19,892,529	-	19,892,529
Financial assets at fair value through profit or loss - current	-	-	-	101,021	-	101,021
Available-for-sale financial assets - current	2,740,381	-	2,740,381	2,651,019	-	2,651,019
Accounts receivable, net	1,628,132	137,084	1,765,216	2,256,200	(226,331)	2,029,869
Accounts receivable - related parties	177,945	-	177,945	114,346	-	114,346
Other receivable	815,029	-	815,029	755,362	-	755,362
Inventories, net	974,986	-	974,986	1,169,870	-	1,169,870
Receivable from agents	1,608,250	-	1,608,250	2,134,129	-	2,134,129
Other current assets	851,695	(96,915)	754,780	748,047	(142,299)	605,748
Total current assets	<u>28,551,675</u>	<u>40,169</u>	<u>28,591,844</u>	<u>29,822,523</u>	<u>(368,630)</u>	<u>29,453,893</u>
Other investments, include derivatives:						
Long-term equity investments under equity method	16,358,538	(78,532)	16,280,006	11,389,491	(24,528)	11,364,963
Available-for-sale financial assets - non-current	258,219	-	258,219	224,892	-	224,892
Financial assets measured at cost - non-current	648,438	-	648,438	648,438	-	648,438
Bond portfolios with inactive market - non-current	1,165,440	-	1,165,440	1,211,600	-	1,211,600
Property, plant and equipment	8,416,604	(2,079,252)	6,337,352	12,037,781	(3,602,619)	8,435,162
Intangible assets	307,816	(232,617)	75,199	323,954	(253,764)	70,190
Deferred tax assets - non-current	-	488,506	488,506	-	773,297	773,297
Other non-current assets	586,126	2,079,578	2,665,704	661,200	3,602,619	4,263,819
Total non-current assets	<u>27,741,181</u>	<u>177,683</u>	<u>27,918,864</u>	<u>26,497,356</u>	<u>495,005</u>	<u>26,992,361</u>
Total assets	<u>\$ 56,292,856</u>	<u>217,852</u>	<u>56,510,708</u>	<u>56,319,879</u>	<u>126,375</u>	<u>56,446,254</u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

	2012.12.31			2012.1.1		
	Previous GAAP	Effects of transition to IFRS	IFRSs	Previous GAAP	Effects of transition to IFRS	IFRSs
Liabilities						
Financial liabilities at fair value through profit or loss - current	\$ 41,983	-	41,983	658,192	-	658,192
Accounts payable	5,279,445	(115,069)	5,164,376	5,288,719	(317,286)	4,971,433
Account payable - related parties	164,790	-	164,790	277,116	-	277,116
Current tax liabilities	25,304	-	25,304	-	-	-
Other payable	280,455	23,880	304,335	285,041	25,368	310,409
Current portion of long-term loans	1,713,841	-	1,713,841	1,757,057	-	1,757,057
Payables to agents	736,632	-	736,632	209,087	-	209,087
Other current liabilities	396,160	58,808	454,968	425,625	33,637	459,262
Total current liabilities	8,638,610	(32,381)	8,606,229	8,900,837	(258,281)	8,642,556
Bonds payable	10,400,000	-	10,400,000	10,400,000	-	10,400,000
Long-term loans	5,583,159	-	5,583,159	6,864,300	-	6,864,300
Deferred income tax liabilities	668,701	244,740	913,441	539,433	458,489	997,922
Accrued pension liabilities	524,370	401,719	926,089	576,239	462,639	1,038,878
Guarantee deposits received	1,995	-	1,995	49,712	-	49,712
Unrealized gain on sale and leaseback	-	-	-	38,919	(38,919)	-
Total non-current liabilities	17,178,225	646,459	17,824,684	18,468,603	882,209	19,350,812
Total liabilities	25,816,835	614,078	26,430,913	27,369,440	623,928	27,993,368
Owners' equity attributable to equity holders of the parent company						
Common stock	22,182,975	-	22,182,975	22,182,975	-	22,182,975
Capital surplus	2,446,570	-	2,446,570	2,446,570	-	2,446,570
Retained earnings						
Legal reserve	5,073,891	-	5,073,891	5,071,860	-	5,071,860
Special reserve	855,768	-	855,768	837,493	-	837,493
Retained earnings - unappropriated	1,828,355	(660,231)	1,168,124	20,306	(764,088)	(743,782)
Other equity						
Foreign currency translation differences arising from foreign operations ¹ , net of tax	(1,108,007)	-	(1,108,007)	(750,066)	-	(750,066)
Unrealized gains (losses) on available-for-sale financial assets	(539,526)	-	(539,526)	(592,164)	-	(592,164)
Other equity	(264,005)	264,005	-	(266,535)	266,535	-
Total stockholders' equity	30,476,021	(396,226)	30,079,795	28,950,439	(497,553)	28,452,886
Total liabilities and equity	\$ 56,292,856	217,852	56,510,708	56,319,879	126,375	56,446,254

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

(b) Adjustment of comprehensive income

	For the year ended December 31, 2012		
	Previous GAAP	Effects of transition to IFRSs	IFRSs
Operating revenue	\$ 56,591,314	338,244	56,929,558
Operating cost	(52,189,842)	(218,242)	(52,408,084)
Gross profit	4,401,472	120,002	4,521,474
Operating expenses	(1,648,001)	26,676	(1,621,325)
Income from operations	2,753,471	146,678	2,900,149
Non-operating income and expenses:			
Other income	272,691	-	272,691
Other gains and losses	181,104	-	181,104
Finance costs	(261,339)	-	(261,339)
Share of profit (loss) of associates and joint venture accounted for using equity method	(793,486)	(118,795)	(912,281)
Profit before income tax	2,152,441	27,883	2,180,324
Income tax expense	(324,086)	(8,010)	(332,096)
Net profit	1,828,355	19,873	1,848,228
Other comprehensive income:			
Foreign currency translation differences	-	(357,941)	(357,941)
Gains (losses) on valuation of available-for-sale financial assets	-	52,695	52,695
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	-	36,393	36,393
Share of other comprehensive income (loss) of associated and joint ventures accounted for using equity method	-	64,735	64,735
Less: Income tax relating to components of other comprehensive income (losses)	-	17,201	17,201
Other comprehensive income (net of tax)	-	(221,319)	(221,319)
Total comprehensive income	<u>\$ 1,828,355</u>	<u>(201,446)</u>	<u>1,626,909</u>
Earnings per share			
Basic earnings per share (dollars)	<u>\$ 0.82</u>	<u>0.01</u>	<u>0.83</u>
Diluted earnings per share (dollars)	<u>\$ 0.82</u>	<u>0.01</u>	<u>0.83</u>

(c) Significant adjustment of the cash flow statement

There is no significant adjustment of the cash flow statement from conversion from ROC GAAP to T-IFRSs.

(d) Adjustment explanation

- As of December 31, 2011, the Company revalued the property, plant and equipment in accordance with R.O.C. GAAP. In the transition to T-IFRSs as approved by FSC, the Company adopted optional exemption, which uses the revaluation as deem cost of property, plant and equipment. The revaluation was \$1,527 as of January 1, 2012 and December 31, which has been reclassified under retained earnings.
- Under ROC GAAP, gain from sale and leaseback transactions is deferred and amortized over the period of use. Under T-IFRSs, gain and loss from sale and leaseback transactions is recognized immediately.

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The impact of the change is summarized as follows:

		<u>2012</u>
Consolidated statements of comprehensive income		
Increase in cost of sales	\$	(38,919)
Decrease in non-operating revenue		<u>(121,453)</u>
Adjustment before income tax	\$	<u><u>(160,372)</u></u>
	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheet		
Long-term investments under equity method	\$	282,805
Other non-current liabilities	-	38,919
Related tax effect		<u>(48,077)</u>
Adjustments to retained earnings	\$	<u><u>234,728</u></u>
		<u><u>367,864</u></u>

3. Under T-IFRSs, the Company has a present legal or constructive obligation on accumulated short-term paid leave granted as a result of past service provided by the employees; therefore, expected costs of accumulated short-term paid leave are recognized as liabilities.

The impact of the change is summarized as follows:

		<u>2012</u>
Consolidated statements of comprehensive income		
Decrease in operating expenses	\$	<u>1,488</u>
Adjustment before income tax	\$	<u><u>1,488</u></u>
	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheet		
Other payables	\$	(23,880)
Related tax effects		<u>4,060</u>
Adjustments to retained earnings	\$	<u><u>(19,820)</u></u>
		<u><u>(21,056)</u></u>

4. Under T-IFRSs, all actuarial gains and losses arising from defined benefit plans are recognized in other comprehensive income. Under ROC GAAP, actuarial gains and losses are amortized over the expected average remaining service lives of the participating employees. At the date of transition to T-IFRSs approved by the FSC, all previously unrecognized cumulative actuarial gains and losses are recognized in retained earnings and reversed in the previous year's statement of comprehensive income.

The impact of the change is summarized as follows:

		<u>2012</u>
Consolidated statements of comprehensive income		
Decrease in operating expenses	\$	23,341
Decrease in operating costs		24,862
Decrease in share of profit (loss) associated and joint ventures accounted for using equity method		<u>19,742</u>
Adjustment before income tax	\$	<u><u>67,945</u></u>

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheet		
Long-term investments under equity method	\$ (212,671)	(297,204)
Deferred pension costs	(232,617)	(253,764)
Other equity – net loss not recognized as pension cost	(265,532)	(268,062)
Accrued pension liabilities	(401,719)	(462,639)
Related tax effect	<u>189,132</u>	<u>217,884</u>
Adjustments to retained earnings	<u>\$ (923,407)</u>	<u>(1,063,785)</u>

5. Under ROC GAAP, shipping companies' revenues should be recognized as the estimated recoverable amount of cost incurred (zero-profit method). However, under T-IFRSs, revenue should be recognized by the stage of completion of the transaction (the percentage-of-completion method).

The impact of the change is summarized as follows:

	<u>2012</u>
Consolidated statements of comprehensive income	
Increase in operating revenue	\$ 338,244
Increase in operating cost	(202,664)
Decrease in share of profit (loss) associated and joint ventures accounted for using equity method	(17,084)
Adjustment before income tax	<u>\$ 118,496</u>

	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheet		
Account receivable	\$ 137,084	(226,331)
Other current assets	(447)	-
Long-term investments under equity method	(148,666)	(131,582)
Account payable	115,069	317,286
Other current liabilities	(58,808)	(33,637)
Related tax effect	<u>2,183</u>	<u>25,653</u>
Adjustments to retained earnings	<u>\$ 46,415</u>	<u>(48,611)</u>

6. Under T-IFRSs, prepayments for equipment are reclassified to long-term prepayments in the other non-current assets category. Deferred expenses in the other assets category under ROC GAAP are reclassified to property, plant and equipment.

The impact of the change is summarized as follows:

	<u>2012.12.31</u>	<u>2012.1.1</u>
Property, plant and equipment	\$ (2,079,252)	(3,602,619)
Other non-current assets – long-term prepayments	2,488,661	4,056,774
Other non-current assets – deferred expenses	(409,083)	(454,155)

WAN HAI LINES LTD.
NOTES TO FINANCIAL STATEMENTS

7. Other T-IFRS adjustments resulted in an increase in property, plant and equipment and a decrease in operating expense both amounting to \$326 thousands as of December 31, 2012.
8. Under T-IFRSs, the decreased (increased) of income tax asset caused by the adjustments listed above (1~7) is summarized as follows:

	<u>2012.12.31</u>	<u>2012.1.1</u>
Unrealized gain on sale and leaseback	\$ (48,077)	(75,340)
Employee benefits—paid leave	4,060	4,312
Employee benefits—pension cost	189,132	217,884
Operating revenue	2,183	25,653
Reclassification of deferred tax assets—current	96,468	142,299
Offsetting of deferred tax assets and deferred tax liabilities	244,740	458,489
Increase in deferred tax assets	<u>\$ 488,506</u>	<u>773,297</u>

The impact on the income statement for the year ended December 31, 2012, was a increase in income tax expense of \$8,010 thousands.

Under T-IFRSs approved by the FSC, deferred tax assets and liabilities which can only be offset if the Company has a legally enforceable right to set off the current tax assets against the current tax liabilities under other related conditions. The adjustment resulted in an increase in deferred tax assets \$244,740 thousands and liabilities \$458,489 thousands, as of December 31, 2012, and January 1,2012.

As of December 31, 2012, and January 1,2012, deferred tax assets—current reclassified to deferred tax assets—non-current were \$96,468 thousands and \$142,299 thousands.

9. Increased (decreased) of retained earnings caused by the changes listed above (1~8) were as follows:

	<u>2012.12.31</u>	<u>2012.1.1</u>
Reclassification of gains on revaluation	\$ 1,527	1,527
Gain on sale and leaseback	-	38,919
Operating revenue	192,898	57,318
Employee benefits—paid leave	(23,880)	(25,368)
Employee benefits—pension cost	(899,868)	(984,465)
Long-term investments under equity method	(78,532)	(24,528)
Deferred tax	147,298	172,509
Others	326	-
Decrease in retained earnings	<u>\$ (660,231)</u>	<u>(764,088)</u>

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- (e) Except for the optional exemptions and mandatory exceptions under IFRS 1, the Company is required to determine the accounting policies under T-IFRSs and retrospectively apply those accounting policies in its opening balance at the date of transition to T-IFRSs. The major optional exemptions adopted by the Company were as follows:
1. The Company elected to use the revaluation as deemed cost of property, plant and equipment, the fair value at the date of transition in accordance with the permit No.1000032208 issued by the Ministry of Finance, as the cost of those assets on the date of conversion.
 2. To determine the benefit plans of the retired post-employment benefit obligations under the actuarial techniques, the adjustments in experience and changes in actuarial assumptions used to produce actuarial gain or loss shall not be retroactively recalculated and those actuarial gains and losses should be recognized under stockholders' equity on the date of conversion.