

**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
**INTERIM CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**June 30, 2014 and 2013**  
**(With Independent Accountants' Report Thereon)**

## **Independent Accountants' Review Report**

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

We have reviewed the accompanying consolidated balance sheets of Wan Hai Lines Ltd. and its subsidiaries as of June 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the second quarter of 2014 and 2013 and for the six months ended June 30, 2014 and 2013, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

We reviewed these consolidated financial statements in accordance with Statement of Auditing Standards No.36 "Engagements to Review Financial Statements". A review is limited primarily to inquiries of company personnel and applying analytical procedures to financial data and thus provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" which are approved by the Financial Supervisory Commission R.O.C.

We have audited the consolidated financial statements of Wan Hai Lines Ltd. and its subsidiaries as of December 31, 2013 in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China and issued an unqualified audit report on March 19, 2014. In our opinion, the consolidated balance sheets and related disclosures as of December 31, 2013 included in the accompanying consolidated financial statements described in the first paragraph present fairly, in all material respects.

August 12, 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.

**June 30, 2014 and 2013 reviewed only, not audited in accordance with generally accepted auditing standards**

**WAN HAI LINES LTD.**

**CONSOLIDATED BALANCE SHEETS**

**JUNE 30, 2014, DECEMBER 31, AND JUNE 30, 2013**

**(Expressed in Thousands of New Taiwan Dollars)**

ASSETS	2014.6.30		2013.12.31		2013.6.30		LIABILITIES AND STOCKHOLDERS' EQUITY	2014.6.30		2013.12.31		2013.6.30	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>Current Assets:</b>							<b>Current Liabilities:</b>						
Cash and cash equivalents (note (6)(a))	\$ 20,807,617	27	20,251,496	26	20,549,878	26	Financial liabilities at fair value through profit or loss—current (notes (6)(h) and (r))	\$ 6,878,830	9	-	-	-	-
Available-for-sale financial assets—current (notes (6)(b) and (r))	3,132,551	4	3,064,557	4	2,742,768	3	Accounts payable	5,652,174	7	5,472,873	7	6,256,278	8
Notes receivable (notes (6)(c))	51,487	-	40,017	-	24,821	-	Accounts payable—related parties (note (7))	261,423	-	247,808	-	295,594	-
Accounts receivable, net (notes (6)(c))	3,154,327	4	2,866,314	4	2,885,916	4	Other payable (note (7))	2,506,209	3	2,163,002	3	2,583,698	3
Accounts receivable—related parties (notes (6)(c) and (7))	61,402	-	51,492	-	60,471	-	Current tax liabilities	374,492	-	201,475	-	47,536	-
Other receivables (notes (6)(c) and (7))	1,235,851	2	1,601,872	2	1,030,574	1	Current portion of long-term loans (note (6)(i) and (8))	3,304,331	4	4,060,381	5	4,367,542	6
Inventories, net (note (6)(d))	1,428,006	2	1,340,675	2	1,213,557	2	Payables to agents (note (7))	8,154	-	831	-	3,688	-
Receivables from agents (notes (7))	777,129	1	804,267	1	757,684	1	Other current liabilities	1,635,281	2	1,592,902	2	1,317,289	2
Other current assets (note (8))	544,692	-	600,316	1	630,265	1		20,620,894	25	13,739,272	17	14,871,625	19
	31,193,062	40	30,621,006	40	29,895,934	38	<b>Non-current Liabilities:</b>						
<b>Non-Current Assets:</b>							Financial liabilities at fair value through profit or loss—non-current (notes (6)(h) and (r))	-	-	6,877,805	9	6,904,858	9
Available-for-sale financial assets—non-current (notes (6)(b) and (r))	230,040	-	247,652	-	239,795	-	Bonds payable (note (6)(j))	10,400,000	13	10,400,000	13	10,400,000	13
Financial assets measured at cost—non-current (note (6)(b))	800,967	1	800,967	1	800,967	1	Long-term loans (note (6)(i) and (8))	13,470,133	17	14,413,505	18	14,660,892	19
Bond portfolios with inactive market—non-current (note (6)(b))	1,196,600	2	1,198,000	2	1,204,800	2	Deferred income tax liabilities	711,432	1	711,467	1	675,093	1
Long-term equity investments under equity method (note (6)(e))	195,762	-	194,586	-	157,355	-	Accrued pension liabilities	1,108,385	2	1,101,157	2	1,213,837	2
Property, plant, and equipment (notes (6)(f) and (8) and (9))	43,069,144	55	44,580,103	56	45,569,532	58	Guarantee deposits received	169,123	-	147,137	-	71,331	-
Intangible assets (note (6)(g))	51,526	-	65,141	-	62,889	-		25,859,073	33	33,651,071	43	33,926,011	44
Other non-current assets (notes (6)(m) and (8) and (9))	1,024,115	2	872,228	1	445,368	1	<b>TOTAL LIABILITIES</b>	46,479,967	58	47,390,343	60	48,797,636	63
	46,568,154	60	47,958,677	60	48,480,706	62	<b>Equity attributable to owners of parent (notes (6)(m) and (n)):</b>						
							Common stock	22,182,975	29	22,182,975	28	22,182,975	28
							Capital Surplus	1,261,681	2	1,261,681	2	1,261,681	2
							<b>Retained Earnings:</b>						
							Legal reserve	5,469,637	7	5,256,726	7	5,256,726	7
							Special reserve	1,117,003	2	1,911,538	2	1,911,538	2
							Retained earnings (accumulated deficit)	2,057,553	3	1,518,833	2	(108,447)	-
								8,644,193	12	8,687,097	11	7,059,817	9
							<b>Other Equity:</b>						
							Foreign currency translation differences arising from foreign operations, net of tax	(707,586)	(1)	(683,820)	(1)	(597,701)	(1)
							Unrealized loss on available-for-sale financial instruments	(296,884)	-	(433,183)	-	(491,233)	(1)
								(1,004,470)	(1)	(1,117,003)	(1)	(1,088,934)	(2)
							Total equity attributable to owners of parent	31,084,379	42	31,014,750	40	29,415,539	37
							Non-controlling interest	196,870	-	174,590	-	163,465	-
							<b>TOTAL STOCKHOLDERS' EQUITY</b>	31,281,249	42	31,189,340	40	29,579,004	37
<b>TOTAL ASSETS</b>	<b>\$ 77,761,216</b>	<b>100</b>	<b>78,579,683</b>	<b>100</b>	<b>78,376,640</b>	<b>100</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 77,761,216</b>	<b>100</b>	<b>78,579,683</b>	<b>100</b>	<b>78,376,640</b>	<b>100</b>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**WAN HAI LINES LTD.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE SECOND QUARTER OF 2014 AND 2013 AND FOR THE SIX MONTHS ENDED JUNE 30,  
2014 AND 2013**

**(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	Second quarter of				For the six months ended June 30,			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue (note (6)(p) and (7))</b>	\$ 16,656,330	100	14,776,963	100	31,410,717	100	28,646,115	100
<b>Operating cost (notes (6)(d) and (7))</b>	14,206,119	85	13,489,049	91	27,593,008	88	26,610,596	93
<b>Gross profit</b>	2,450,211	15	1,287,914	9	3,817,709	12	2,035,519	7
<b>Operating expenses (notes (6)(n) and (7))</b>	835,451	5	780,934	5	1,739,567	5	1,618,005	6
<b>Income from operations</b>	1,614,760	10	506,980	4	2,078,142	7	417,514	1
<b>Non-operating income and expenses (note (6)(q)) :</b>								
Other income	64,647	-	39,861	-	118,530	-	76,823	-
Other gains and losses	(100,162)	(1)	178,081	1	334,152	1	597,085	2
Finance costs	(207,838)	(1)	(202,386)	(1)	(412,321)	(1)	(402,793)	(1)
Share of profit (loss) associated and joint ventures accounted for using equity method	15,125	-	3,327	-	31,775	-	2,503	-
<b>Total non-operating income and expenses</b>	(228,228)	(2)	18,883	-	72,136	-	273,618	1
<b>Profit before tax from continuing operations</b>	1,386,532	8	525,863	4	2,150,278	7	691,132	2
<b>Less: Income tax expense (note (6)(m))</b>	286,114	2	87,273	1	393,292	1	139,220	-
<b>Net profit</b>	1,100,418	6	438,590	3	1,756,986	6	551,912	2
<b>Other comprehensive income:</b>								
Foreign currency translation differences	(313,480)	(2)	123,133	1	(24,236)	-	509,328	2
Gain (loss) on valuation of available-for-sale financial assets	145,301	1	17,915	-	136,299	-	48,293	-
Less: Income tax relating to components of other comprehensive income (loss)	-	-	-	-	-	-	-	-
<b>Other comprehensive income (net of tax)</b>	(168,179)	(1)	141,048	1	112,063	-	557,621	2
<b>Total comprehensive income</b>	<b>\$ 932,239</b>	<b>5</b>	<b>579,638</b>	<b>4</b>	<b>1,869,049</b>	<b>6</b>	<b>1,109,533</b>	<b>4</b>
<b>Profit attributable to:</b>								
Owners of the parent company	\$ 1,076,428	6	426,898	3	1,731,733	6	551,784	2
Non-controlling interest	23,990	-	11,692	-	25,253	-	128	-
	<b>\$ 1,100,418</b>	<b>6</b>	<b>438,590</b>	<b>3</b>	<b>1,756,986</b>	<b>6</b>	<b>551,912</b>	<b>2</b>
<b>Comprehensive income attributable to:</b>								
Owners of the parent company	\$ 909,793	5	568,838	4	1,844,266	6	1,110,383	4
Non-controlling interest	22,446	-	10,800	-	24,783	-	(850)	-
	<b>\$ 932,239</b>	<b>5</b>	<b>579,638</b>	<b>4</b>	<b>1,869,049</b>	<b>6</b>	<b>1,109,533</b>	<b>4</b>
<b>Earnings per share (note (6)(o))</b>								
<b>Basic earnings per share (New Taiwan Dollars)</b>	<b>\$ 0.49</b>		<b>0.19</b>		<b>0.78</b>		<b>0.25</b>	
<b>Diluted earnings per share (New Taiwan Dollars)</b>	<b>\$ 0.48</b>		<b>0.19</b>		<b>0.78</b>		<b>0.25</b>	

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**WAN HAI LINES LTD.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE SECOND QUARTER OF 2014 AND 2013 AND FOR THE SIX MONTHS ENDED JUNE 30,  
2014 AND 2013**

**(Expressed in Thousands of New Taiwan Dollars)**

	Owners' Equity Attributable to Equity Holders of the Parent Company									Total	
	Stock	Retained Earnings				Other Equity			Total Owners' Equity Attributable to Equity Holders of the Parent Company		Non-controlling Interest
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings -Unapropriated	Foreign Currency Translation Differences Arising from Foreign Operations, Net of Tax	Unrealized Gains (losses) on Available-for-sale Financial Assets				
<b>Balance as of January 1, 2013</b>	\$ 22,182,975	2,446,570	5,073,891	855,768	1,168,124	(1,108,007)	(539,526)	30,079,795	161,508	30,241,303	
Net Profit	-	-	-	-	551,784	-	-	551,784	128	551,912	
Other comprehensive income	-	-	-	-	-	510,306	48,293	558,599	(978)	557,621	
Total comprehensive income	-	-	-	-	551,784	510,306	48,293	1,110,383	(850)	1,109,533	
Appropriation of retained earnings:											
Legal reserve	-	-	182,835	-	(182,835)	-	-	-	-	-	
Special reverse	-	-	-	1,055,770	(1,055,770)	-	-	-	-	-	
Cash dividends	-	-	-	-	(589,750)	-	-	(589,750)	-	(589,750)	
Cash dividends from capital surplus	-	(1,184,889)	-	-	-	-	-	(1,184,889)	-	(1,184,889)	
Change in non-controlling interest	-	-	-	-	-	-	-	-	2,807	2,807	
<b>Balance as of June 30, 2013</b>	<b>\$ 22,182,975</b>	<b>1,261,681</b>	<b>5,256,726</b>	<b>1,911,538</b>	<b>(108,447)</b>	<b>(597,701)</b>	<b>(491,233)</b>	<b>29,415,539</b>	<b>163,465</b>	<b>29,579,004</b>	
<b>Balance as of January 1, 2014</b>	\$ 22,182,975	1,261,681	5,256,726	1,911,538	1,518,833	(683,820)	(433,183)	31,014,750	174,590	31,189,340	
Net Profit	-	-	-	-	1,731,733	-	-	1,731,733	25,253	1,756,986	
Other comprehensive income	-	-	-	-	-	(23,766)	136,299	112,533	(470)	112,063	
Total comprehensive income	-	-	-	-	1,731,733	(23,766)	136,299	1,844,266	24,783	1,869,049	
Appropriation of retained earnings:											
Legal reserve	-	-	212,911	-	(212,911)	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,774,637)	-	-	(1,774,637)	-	(1,774,637)	
Reversal of special reserve	-	-	-	(794,535)	794,535	-	-	-	-	-	
Change in non-controlling interest	-	-	-	-	-	-	-	-	(2,503)	(2,503)	
<b>Balance as of June 30, 2014</b>	<b>\$ 22,182,975</b>	<b>1,261,681</b>	<b>5,469,637</b>	<b>1,117,003</b>	<b>2,057,553</b>	<b>(707,586)</b>	<b>(296,884)</b>	<b>31,084,379</b>	<b>196,870</b>	<b>31,281,249</b>	

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**WAN HAI LINES LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013  
(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 2,150,278	691,132
<b>Adjustments:</b>		
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,088,369	2,179,122
Amortization	19,205	23,033
Interest expense	412,321	402,793
Interest revenue	(116,666)	(76,823)
Dividend income	(1,864)	-
Investment loss (income) under the equity method	(31,775)	(2,503)
Loss (Gain) on disposal of property, plant and equipment, net	(157,820)	(112,385)
Prepayment for equipment re-classified into expense	476	485
(Gain) Loss on disposal of available-for-sale assets-current	(32,286)	(21,922)
Unrealized foreign exchange (gain) loss	34,875	136,940
Total adjustments to reconcile net income to net cash provided by operating activities	<u>2,214,835</u>	<u>2,528,740</u>
Changes in operating assets and liabilities:		
Changes in operating assets, net:		
(Increase) Decrease in notes receivable	(11,470)	(2,036)
(Increase) Decrease in accounts receivable	(297,923)	(488,493)
(Increase) Decrease in other receivables	375,730	(48,476)
(Increase) Decrease in inventories	(87,331)	35,024
(Increase) Decrease in receivables from agents	27,138	(13,603)
(Increase) Decrease in other current assets	79,407	(161,142)
Total changes in operating assets, net	<u>85,551</u>	<u>(678,726)</u>
Changes in operating liabilities, net:		
Increase (Decrease) in current financial liabilities at fair value through profit or loss	1,025	(143,585)
Increase (Decrease) in accounts payable (including related parties)	192,916	83,501
Increase (Decrease) in other payables	(257,074)	129,221
Increase (Decrease) in payables to agents	7,323	(27,333)
Increase (Decrease) in non-current financial liabilities at fair value through profit or loss	-	296,391
Increase (Decrease) in other current liabilities	42,379	405,241
Increase (Decrease) in accrued pension liabilities	7,228	(3,702)
Total changes in operating liabilities, net	<u>(6,203)</u>	<u>739,734</u>
Total changes in operating assets and liabilities, net	<u>79,348</u>	<u>61,008</u>
Total Adjustments	<u>2,294,183</u>	<u>2,589,748</u>
Cash inflow generated from operations	4,444,461	3,280,880
Income tax (paid) returned	(220,970)	(65,522)
<b>Net cash provided by operating activities</b>	<u>4,223,491</u>	<u>3,215,358</u>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**WAN HAI LINES LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE SECOND QUARTER OF 2014 AND 2013 AND FOR THE SIX MONTHS ENDED JUNE 30,  
2014 AND 2013**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from investing activities:</b>		
Acquisition of available-for-sale financial assets	(68,386)	(13,852)
Proceeds from sale of available-for-sale financial assets	186,589	100,401
Acquisition of financial assets at cost	-	(152,529)
Acquisition of property, plant and equipment	(1,951,016)	(5,998,576)
Disposal of property, plant and equipment	152,195	132,784
(Increase) Decrease in refundable deposits	33,809	6,421
Acquisition of intangible assets	(4,971)	(8,178)
Increase in other non-current assets	378	(41,051)
Interest received	109,349	75,057
Dividends received	32,315	26,777
<b>Net cash used in investing activities</b>	<b>(1,509,738)</b>	<b>(5,872,746)</b>
<b>Cash flows from financing activities:</b>		
Increase in long-term loans	994,660	-
Repayment of long-term loans	(2,728,686)	(1,794,765)
Increase (Decrease) in guarantee deposits	21,986	18,301
interest paid	(448,066)	(452,620)
Change in non-controlling interest	(2,503)	2,807
<b>Net cash provided by (used in) financing activities</b>	<b>(2,162,609)</b>	<b>(2,226,277)</b>
<b>Foreign exchange rate effects</b>	<b>4,977</b>	<b>(209,588)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>556,121</b>	<b>(5,093,253)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>20,251,496</b>	<b>25,643,131</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 20,807,617</b>	<b>20,549,878</b>

See accompanying notes to financial statements.

June 30, 2014 and 2013 reviewed only, not audited in accordance with generally accepted auditing standards

**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**(1) Organization and Business**

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

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

The Board of Directors released the interim consolidated financial statements on August 12, 2014.

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

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

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

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



**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

<b>New Standards and amendments</b>	<b>Effective date per IASB</b>
Amended IFRS 27 “ <i>Separate Financial Statements</i> ”	January 1, 2013
Amended IFRS 32 “ <i>Offsetting Financial Assets and Financial Liabilities</i> ”	January 1, 2014
IFRIC20 – <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013

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

1. IAS 1 Presentation of Financial Statements

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

2. IFRS 12 Disclosure of Interests in Other Entities

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

3. IFRS 13 Fair value measurement

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

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

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

<b>New Standards and amendments</b>	<b>Effective date per IASB</b>
IFRS 9 <i>Financial Instruments</i>	January 1, 2018
IFRS 14 <i>Regulatory Deferral Accounts</i>	January 1, 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2014
Amendment to IFRS 11 “ <i>Accounting for acquisition of Interest in Joint Operations</i> ”	January 1, 2016
Amendment to IAS 16 and IAS 38 “ <i>Clarification of acceptable methods of depreciation and amortization</i> ”	January 1, 2016
Amendment to IAS 16 and IAS 41 “ <i>Bearer Plants</i> ”	January 1, 2016
Amended IAS 19 “ <i>Define Benefit Plans: Employee Contributions</i> ”	July 1, 2014

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<b>New Standards and amendments</b>	<b>Effective date per IASB</b>
Amended IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amended IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

**(4) Significant Accounting Policies**

Except as described in the following paragraphs, the significant accounting policies applied in the preparation of the accompanying interim consolidated financial statements are applied consistently to the consolidated financial statements for the year ended December 31, 2013. For the other related information, please refer to Note (4) of the consolidated financial statements for the year ended December 31, 2013.

**(a) Statement of compliance**

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and the guidelines of IAS 34 “Interim Financial Reporting” endorsed by the FSC and do not include all of the information required for full annual financial statements.

**(b) Business combination**

The principles of consolidation of the interim consolidated financial statements are consistent with the consolidated financial statements for the year ended December 31, 2013. Please refer to Note (4)(c) of the consolidated financial statements of the year ended December 31, 2013.

**1. List of subsidiaries in the consolidated financial statements:**

<b>Name of investor</b>	<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Shareholding %</b>			<b>Note</b>
			<b>2014.6.30</b>	<b>2013.12.31</b>	<b>2013.6.30</b>	
The Company	Wan Hai Lines (Singapore) Pte Ltd (WHL-Singapore)	International freight transportation, agency services for transport affairs, vessel leasing, and container chartering	100.00%	100.00%	100.00%	
The Company	Wan Hai Lines (America) Ltd. (WHL-America)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
The Company	T.K. Logistics International Co., Ltd. (TK)	Managing container terminals and storage facilities	55.00%	55.00%	55.00%	

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Name of investor	Name of subsidiary	Principal activity	Shareholding %			Note
			2014.6.30	2013.12.31	2013.6.30	
The Company	k.k. WH Corporation (WH Corporation)	Operating and managing container yard and vessel leasing	100.00%	100.00%	100.00%	
The Company	Wan Hai Lines (Germany) GmbH (WHL-Germany)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
The Company	Bao Sheng Shipping Agency Co., Ltd. (BS)	Agency services for transportation affair and contracting ocean shipping and related services.	70.01%	70.01%	70.01%	
WHL-Singapore	Wan Hai Line (M) Sdn. Bhd. (WHL-Malaysia)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (HK) Limited (WHL-Hongkong)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Phils.), Inc. (WHL-Phils.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Korea) Ltd. (WHL-Korea)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Singapore	Wan Hai International Pte Ltd. (WHL-INTL.)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Singapore	Yi Chun Shipping Agencies Sdn. Bhd. (Yi Chun)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Singapore	Wan Hai (Vietnam) Ltd. (WHL Vietnam)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Singapore	Wan Hai Lines (Thailand) Limited (WHL-Thailand)	International freight transportation and agency services for transport affairs	49.00%	49.00%	49.00%	The Company did not directly or indirectly hold over one half of the voting rights of WHL-Thailand; however, the subsidiary WHL Singapore occupies three of the five seats on the board of WHL-Thailand. As a result, WHL Singapore has a direct control over WHL-Thailand.

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Name of investor	Name of subsidiary	Principal activity	Shareholding %			Note
			2014.6.30	2013.12.31	2013.6.30	
WHL-INT L.	Wan Hai Lines (India) PVT Ltd. (WHL-India)	International freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
WHL-Hongkong	Guangzhou Wan Hai Information Tachnology Ltd. (GWHIT)	Information software service	100.00%	100.00%	100.00%	
WHL-Hongkong	Dawin Logistics (International) Ltd. (DL)	Transportation, storage and investment services	100.00%	100.00%	100.00%	
Dawin	Shenzhen Uniwin International Logistics (SUIL)	Freight transportation and agency services for transport affairs	100.00%	100.00%	100.00%	
Dawin	Shenzhen Asia World Logistics Ltd. (SAWL)	Containers, storage and transportation services	100.00%	100.00%	100.00%	
Dawin	Blue Ocean Logistics (Shanghai) Ltd. (BOL)	Containers, storage and international transportation services	100.00%	100.00%	100.00%	
Shenzhen Uniwin	Shanghai Clipper International Shipping Agency Ltd (CISA)	International shipping agency services	49.00%	49.00%	49.00%	The Company did not directly or indirectly hold over one half of the voting rights of CISA; however, the subsidiary, Shenzhen Uniwin, occupies four of the five seats on the board of CISA. As a result, the Company has a direct control over CISA.
Shenzhen Uniwin	Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	90.00%	90.00%	90.00%	

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

(c) Income taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the period is best estimated by multiplying the pretax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This is fully recognized as current tax expense.

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Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

**(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty**

The accompanying condensed interim consolidated financial statements were prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by FSC, which 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.

The principles of preparation of the interim consolidated financial statements and the related significant estimates and underlying assumptions are consistent with Note (5) of the consolidated financial statements for the year ended December 31, 2013.

**(6) Summary of Major Accounts**

Except as described in the following paragraphs, there were no significant changes with those disclosed in the 2013 annual consolidated financial statements. Please refer to Note (6) of the 2013 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Cash on hand	\$ 53,920	58,875	53,612
Savings accounts	1,731,092	1,972,729	2,213,998
Time deposits	19,022,605	18,215,774	18,274,472
Cash equivalents – money market deposit – foreign currency	-	4,118	7,796
Cash and cash equivalents in consolidated statement of cash flows	<u>\$ 20,807,617</u>	<u>20,251,496</u>	<u>20,549,878</u>

(b) Financial assets

1. Details of financial assets:

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Financial assets at fair value through profit or loss	\$ -	-	-
Available-for-sale financial assets	3,362,591	3,312,209	2,982,563
Financial assets measured at cost	800,967	800,967	800,967
Bond portfolios with inactive market	1,196,600	1,198,000	1,204,800
Total	<u>\$ 5,360,158</u>	<u>5,311,176</u>	<u>4,988,330</u>

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	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Current	\$ 3,132,551	3,064,557	2,742,768
Non-current	2,227,607	2,246,619	2,245,562
Total	<u>\$ 5,360,158</u>	<u>5,311,176</u>	<u>4,988,330</u>

As of June 30, 2014, December 31, 2013, and June 30, 2013, the Group's financial assets were not pledged as collateral.

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Notes receivable	\$ 51,487	40,017	24,821
Accounts receivable	3,216,102	2,918,179	2,946,760
Other receivables	1,235,851	1,601,872	1,030,574
Less: Allowance for impairment loss	(373)	(373)	(373)
	<u>\$ 4,503,067</u>	<u>4,559,695</u>	<u>4,001,782</u>

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Past due 0-30 days	\$ 517,977	385,424	534,582
Past due 31-120 days	114,068	96,163	94,993
Past due 121-365 days	3,370	5,271	2,714
Past due more than 365 days	9,723	7,135	3,233
	<u>\$ 645,138</u>	<u>493,993</u>	<u>635,522</u>

Movements of allowance for doubtful receivables for the six months ended June 30, 2014 and 2013 were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance as of January 1, 2014	<u>\$ 373</u>	<u>-</u>	<u>373</u>
Balance as of June 30, 2014	<u>\$ 373</u>	<u>-</u>	<u>373</u>
Balance as of January 1, 2013	<u>\$ 373</u>	<u>-</u>	<u>373</u>
Balance as of June 30, 2013	<u>\$ 373</u>	<u>-</u>	<u>373</u>

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(d) Inventories

	<b>2014.6.30</b>	<b>2013.12.31</b>	<b>2013.6.30</b>
Marine diesel oil	\$ 166,357	158,565	145,846
Marine residual fuel oil	1,098,467	987,042	859,812
Fresh lubricating oil	180,649	195,068	240,754
Sub total	1,445,473	1,340,675	1,246,412
Less: Allowance for inventory valuation and obsolescence losses	(17,467)	-	(32,855)
Total	<b>\$ 1,428,006</b>	<b>1,340,675</b>	<b>1,213,557</b>

For the second quarter of 2014 and 2013 and for the six months ended June 30, 2014 and 2013, the write-down of inventories to net realizable value amounted to \$1,540, \$15,355, \$17,467 and \$29,327, respectively. The write-downs are included in cost of sales.

As of June 30, 2014, December 31, 2013, and June 30, 2013, the Group's inventories were not pledged as collateral.

(e) Investments accounted for using equity method

A summary of equity-accounted investees is as follows:

	<b>2014.6.30</b>	<b>2013.12.31</b>	<b>2013.6.30</b>
Joint venture	<b>\$ 195,762</b>	<b>194,586</b>	<b>157,355</b>

As of June 30, 2014, December 31, 2013, and June 30, 2013, the Group'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 Group for the six months ended June 30, 2014 and 2013, were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Vessels</b>	<b>Containers</b>	<b>Other equipment</b>	<b>Privileged wharf equipment</b>	<b>Total</b>
Cost:							
Balance at January 1, 2014	\$ 659,298	1,091,861	64,445,786	18,574,907	1,976,711	968,858	87,717,421
Additions	-	3,205	155,028	414,182	26,140	875	599,430
Reclassification	-	-	-	-	7,500	-	7,500
Disposals	-	-	-	(308,902)	(17,987)	-	(326,889)
Effect of movements in exchange rates	(45)	3,668	(71,915)	-	(589)	-	(68,881)
Balance at June 30, 2014	<b>\$ 659,253</b>	<b>1,098,734</b>	<b>64,528,899</b>	<b>18,680,187</b>	<b>1,991,775</b>	<b>969,733</b>	<b>87,928,581</b>
Balance at January 1, 2013	\$ 658,243	1,087,104	56,045,825	15,979,901	1,945,568	955,690	76,672,331
Additions	-	-	4,260,809	1,734,072	16,613	-	6,011,494
Reclassification	-	-	2,471,748	-	9,918	7,315	2,488,981
Disposals	-	-	(107,182)	(129,198)	(8,321)	(452)	(245,153)
Effect of movements in exchange rates	1,275	18,256	1,858,582	-	9,270	-	1,887,383
Balance at June 30, 2013	<b>\$ 659,518</b>	<b>1,105,360</b>	<b>64,529,782</b>	<b>17,584,775</b>	<b>1,973,048</b>	<b>962,553</b>	<b>86,815,036</b>

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	Land	Buildings	Vessels	Containers	Other equipment	Privileged wharf equipment	Total
Depreciation and impairment loss:							
Balance at January 1, 2014	\$ -	269,248	28,383,271	12,756,606	1,103,161	625,032	43,137,318
Depreciation for the year	-	15,069	1,462,145	495,854	86,513	28,788	2,088,369
Reclassification	-	-	-	-	-	-	-
Disposals	-	-	-	(307,767)	(17,554)	-	(325,321)
Effect of movements in exchange rates	-	701	(41,663)	-	33	-	(40,929)
Balance at June 30, 2014	<u>\$ -</u>	<u>285,018</u>	<u>29,803,753</u>	<u>12,944,693</u>	<u>1,172,153</u>	<u>653,820</u>	<u>44,859,437</u>
Balance at January 1, 2013	\$ -	236,810	24,880,008	11,876,123	960,012	564,743	38,517,696
Depreciation for the year	-	15,431	1,421,218	626,470	87,762	28,241	2,179,122
Reclassification	-	-	-	-	(2,622)	3,654	1,032
Disposals	-	-	(74,532)	(127,754)	(8,089)	(452)	(210,827)
Effect of movements in exchange rates	-	4,421	747,059	-	7,001	-	758,481
Balance at June 30, 2013	<u>\$ -</u>	<u>256,662</u>	<u>26,973,753</u>	<u>12,374,839</u>	<u>1,044,064</u>	<u>596,186</u>	<u>41,245,504</u>
Carrying amounts:							
Balance at January 1, 2014	<u>\$ 659,298</u>	<u>822,613</u>	<u>36,062,515</u>	<u>5,818,301</u>	<u>873,550</u>	<u>343,826</u>	<u>44,580,103</u>
Balance at June 30, 2014	<u>\$ 659,253</u>	<u>813,716</u>	<u>34,725,146</u>	<u>5,735,494</u>	<u>819,622</u>	<u>315,913</u>	<u>43,069,144</u>
Balance at January 1, 2013	<u>\$ 658,243</u>	<u>850,294</u>	<u>31,165,817</u>	<u>4,103,778</u>	<u>985,556</u>	<u>390,947</u>	<u>38,154,635</u>
Balance at June 30, 2013	<u>\$ 659,518</u>	<u>848,698</u>	<u>37,556,029</u>	<u>5,209,936</u>	<u>928,984</u>	<u>366,367</u>	<u>45,569,532</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 Group for the six months ended June 30, 2014 and 2013, were as follows:

	Computer software	Trademarks	Total
Costs:			
Balance at January 1, 2014	\$ 147,230	1,913	149,143
Additions	4,971	-	4,971
Reclassification	603	-	603
Disposals	(49,752)	-	(49,752)
Effect of movement in exchange rates	316	-	316
Balance at June 30, 2014	<u>\$ 103,368</u>	<u>1,913</u>	<u>105,281</u>
Balance at January 1, 2013	\$ 135,609	1,913	137,522
Additions	8,178	-	8,178
Reclassification	4,914	-	4,914
Disposals	(2,857)	-	(2,857)
Effect of movement in exchange rates	(98)	-	(98)
Balance at June 30, 2013	<u>\$ 145,746</u>	<u>1,913</u>	<u>147,659</u>



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	<u>Computer software</u>	<u>Trademarks</u>	<u>Total</u>
Amortization and impairment loss:			
Balance at January 1, 2014	\$ 83,645	357	84,002
Amortization for the year	19,109	96	19,205
Disposals	(49,752)	-	(49,752)
Effect of movement in exchange rates	300	-	300
Balance at June 30, 2014	<b><u>\$ 53,302</u></b>	<b><u>453</u></b>	<b><u>53,755</u></b>
Balance at January 1, 2013	\$ 61,044	166	61,210
Amortization for the year	22,937	96	23,033
Reclassification	3,436	-	3,436
Disposals	(2,857)	-	(2,857)
Effect of movement in exchange rates	(52)	-	(52)
Balance at June 30, 2013	<b><u>\$ 84,508</u></b>	<b><u>262</u></b>	<b><u>84,770</u></b>
Carrying amounts			
Balance at January 1, 2014	<b><u>\$ 63,585</u></b>	<b><u>1,556</u></b>	<b><u>65,141</u></b>
Balance at June 30, 2014	<b><u>\$ 50,066</u></b>	<b><u>1,460</u></b>	<b><u>51,526</u></b>
Balance at January 1, 2013	<b><u>\$ 74,565</u></b>	<b><u>1,747</u></b>	<b><u>76,312</u></b>
Balance at June 30, 2013	<b><u>\$ 61,238</u></b>	<b><u>1,651</u></b>	<b><u>62,889</u></b>

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Financial liabilities at fair value through profit or loss-current	<b><u>\$ 6,878,830</u></b>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss-non-current	<b><u>\$ -</u></b>	<b><u>6,877,805</u></b>	<b><u>6,904,858</u></b>

On June 29, 2005, WHL Singapore issued convertible bonds of USD325 million on the Singapore Stock Exchange, which were used as long-term working capital and for purchasing vessels.

The offering conditions were as follows:

1. Issue amount

USD325 million

2. Offering method

Straight bonds were issued outside the territory of the Republic of China ("ROC") pursuant to the relevant laws and regulations in the offering place, Singapore.

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3. Form/denomination/issue price

Straight bonds are in registered form in denominations of USD1,000 or multiples thereof. The bonds were issued at par value.

4. Issue date

June 29, 2005

5. Maturity date

10 years from the issue date

6. Place of listing

Singapore Stock Exchange

7. Coupon rate

The indicative coupon for the bonds is 5.5% (annually).

(i) Term loans

Details of borrowings are as follows:

<b>2014.6.30</b>				
<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>	
Secured bank loans	TWD	1.47%-2.80%	2015-2020	\$ 1,666,550
Secured bank loans	USD	0.92%-3.89%	2015-2023	14,946,000
Unsecured bank loans	TWD	1.93%-1.95%	2016-2020	161,914
Totals				<b>\$ 16,774,464</b>
Current				\$ 3,304,331
Non-current				13,470,133
Totals				<b>\$ 16,774,464</b>
<b>2013.12.31</b>				
<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>	
Secured bank loans	TWD	1.47%-2.83%	2014-2020	\$ 2,122,817
Secured bank loans	USD	0.90%-3.89%	2014-2022	16,170,020
Unsecured bank loans	TWD	1.93%-1.95%	2016-2020	181,049
Totals				<b>\$ 18,473,886</b>
Current				\$ 4,060,381
Non-current				14,413,505
Totals				<b>\$ 18,473,886</b>

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**2013.6.30**

	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	1.47%-2.83%	2014-2020	\$ 2,579,084
Secured bank loans	USD	0.98%-3.89%	2014-2022	16,249,166
Unsecured bank loans	TWD	1.93%-1.95%	2016-2020	<u>200,184</u>
Totals				<b><u>\$ 19,028,434</u></b>
Current				\$ 4,367,542
Non-current				<u>14,660,892</u>
Totals				<b><u>\$ 19,028,434</u></b>

1. Securities for bank loan

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

2. The restrictions of the Mega International Commercial Bank syndicated loan were as follows:

- 1) The consolidated cash and cash equivalents cannot be less than \$1,000,000.
- 2) The consolidated stockholders' equity cannot be less than \$17,000,000.
- 3) The consolidated times-interest-earned ratio cannot be less than 150%.

(j) Bonds payable

**2014.6.30**

	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank-first domestic bond issue	TWD	1.65%~1.85%	2016-2018	\$ 7,500,000
Unsecured bank-second domestic bond issue	TWD	1.75%	2017	<u>2,900,000</u>
Bond payable-non-current				<b><u>\$ 10,400,000</u></b>

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

<b>2013.12.31</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank-first domestic bond issue	TWD	1.65%~1.85%	2016-2018	\$ 7,500,000
Unsecured bank-second domestic bond issue	TWD	1.75%	2017	2,900,000
Bond payable-non-current				<b>\$ 10,400,000</b>

<b>2013.6.30</b>				
	<b>Currency</b>	<b>Interest rate collars</b>	<b>Expiration</b>	<b>Amount</b>
Unsecured bank-first domestic bond issue	TWD	1.65%~1.85%	2016-2018	\$ 7,500,000
Unsecured bank-second domestic bond issue	TWD	1.75%	2017	2,900,000
Bond payable-non-current				<b>\$ 10,400,000</b>

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

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.

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

9. Trustee

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

10. Agency for payment of principal and interest

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

11. Certification institution: None

12. Announcement

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

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

1. Issue amount

Up to \$2,900,000.

2. Nominal amount

Par value \$1,000 per unit.

3. Issuance period

The issuance 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).

**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
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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.

(k) Operating leases

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

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Less than one year	\$ 1,970,545	2,117,123	1,798,185
Between one and five years	2,036,088	2,552,719	3,236,683
	<u>\$ 4,006,633</u>	<u>4,669,842</u>	<u>5,034,868</u>

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

(l) Employee benefits

1. Defined benefit plans

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement, and no other material one-time events. As a result, pension cost in the interim financial statements was measured and disclosed according to the actuarial report as of December 31, 2013 and 2012.

The Group's pension expenses recognized in profit or loss for the second quarter of 2014 and 2013 and for the six months ended June 30, 2014 and 2013 were \$26,397, \$28,195, \$52,915 and \$56,240, respectively. The pension expenses are included in operating expenses and operating costs.

2. Defined contribution plans

The contributions of the Group to the ROC Bureau of Labor Insurance and China Labor and Social Security Bureau for the employees' pension benefits for the second quarter of 2014 and 2013 and for the six months ended June 30, 2014 and 2013, were \$19,370, \$21,174, \$40,176 and \$32,897, respectively.

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(m) Income taxes

1. Income tax expense recognized in profits or losses

The amount of income tax was as follows:

	<u>Second quarter of 2014</u>	<u>Second quarter of 2013</u>	<u>For the six months ended June 30, 2014</u>	<u>For the six months ended June 30, 2013</u>
Current income tax expense (benefit):				
Current period	\$ 288,091	83,228	397,881	137,266
Adjustment for prior periods	(1,977)	4,045	(4,589)	1,954
	<u>\$ 286,114</u>	<u>87,273</u>	<u>393,292</u>	<u>139,220</u>

No income tax recognized directly in equity for the six months ended June 30, 2014 and 2013.

No income tax recognised in other comprehensive income for the six months ended June 30, 2014 and 2013.

2. The Company's income tax returns through 2011 were examined and approved by the tax authority.

3. The Company's information related to imputation credit account is summarized below:

	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Unappropriated earnings of 1998 and after	<u>\$ 2,057,553</u>	<u>1,518,833</u>	<u>(108,447)</u>
Balance of imputation credit account (ICA)	<u>\$ 270,793</u>	<u>32,037</u>	<u>29,412</u>
	<u>2013 (estimated)</u>	<u>2012 (actual)</u>	
Tax deduction ratio for earnings distribution to ROC residents	<u>17.07%</u>	<u>1.62%</u>	

(n) Capital and other equity

As of June 30, 2014, June 30, and December 31, 2013, 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>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</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	1,222,787	1,222,787
Change in equity of subsidiaries accounted for under equity method	16,055	16,055	16,055
	<u>\$ 1,261,681</u>	<u>1,261,681</u>	<u>1,261,681</u>

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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. At least 50% of the remaining undistributed earnings shall be distributed in the following manner and order subject to the discretion of the board of directors and upon approval by the shareholders:

- 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.

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.



**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
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3) Earnings distribution

For the second quarter of 2014 and 2013 and for the six months ended June 30, 2013 and 2012, the Company accrued its employee benefits of \$11,740, \$0, \$20,784 and \$0, respectively, and directors' and supervisors' remuneration of \$11,280, \$0, \$19,969 and \$0 respectively. These amounts are calculated by using the Company's net profit for each period and are determined according to the earnings allocation method, priority, and distribution ratios for employee benefits and remuneration of directors and supervisors as stated under the articles of incorporation. These benefits are expensed under operating expenses for each period.

Employee benefits amounted to \$21,862 and \$6,018, and remuneration of directors and supervisors amounted to \$21,004 and \$6,018 for the year ended of 2013 and 2012, respectively. These amounts are calculated by using the Company's net profit for each period and are determined according to the earnings allocation method, priority, and distribution ratios for employee benefits and remuneration of directors and supervisors as stated under the articles of association. These benefits are expensed under operating expenses for the year ended December 31, 2013 and 2012. There were no differences between the actual distributions of the 2012 earnings in 2013 and those estimated and accrued in the 2012 financial statement. The Company estimated and accrued its employee benefits of \$21,862 in the Consolidated financial statements for the years 2013, which has a difference of \$3,391 from the actual appropriations of the 2013 earnings. The change is accounted for as a change in an accounting estimate and has been accounted for under profit or loss in 2014.

The earnings distribution for 2013 and 2012 were decided by the shareholders' meeting held on June 18, 2014 and June 14, 2013, respectively, and were as follows:

	2013		2012	
	Dividend per share (\$)	Amount	Dividend per share (\$)	Amount
Cash dividends	\$ 0.80	1,774,637	0.2659	589,750

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.

3. Other equity

	Foreign currency translation differences for foreign operations	Available for-sale investments
Balance at January 1, 2014	\$ (683,820)	(433,183)
Foreign currency translation differences (net of tax):		
The Group	(23,766)	-
Unrealized gains and losses from available-for-sale investment:		
The Group	-	136,299
Balance at June 30, 2014	\$ (707,586)	(296,884)

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

	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 Group	510,306	-
Unrealized gains and losses from available-for-sale investment:		
The Group	-	48,293
Balance at June 30, 2013	\$ (597,701)	(491,233)

(o) Earnings per share

	Second quarter of 2014	Second quarter of 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
<b>Basic earnings per share</b>				
Profit attributable to ordinary shareholders	\$ 1,076,428	426,898	1,731,733	551,784
Weighted-average number of ordinary shares	2,218,297	2,218,297	2,218,297	2,218,297
Basic earnings per share (In Dollars of New Taiwan Dollars)	\$ 0.49	0.19	0.78	0.25
<b>Diluted earnings per share</b>				
Profit attributable to ordinary shareholders (adjusted for the effects of all dilutive potential ordinary shares)	\$ 1,076,428	426,898	1,731,733	551,784
Weighted-average number of ordinary shares	2,218,297	2,218,297	2,218,297	2,218,297
Effects of all dilutive potential ordinary shares	2,451	334	2,535	370
Weighted-average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares)	2,220,748	2,218,631	2,220,832	2,218,667
Diluted earnings per share (In Dollars of New Taiwan Dollars)	\$ 0.48	0.19	0.78	0.25

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(p) Revenue

The details of revenue are as follows:

	<b>Continuing Operations</b>			
	<b>second quarter of 2014</b>	<b>second quarter of 2013</b>	<b>For the six months ended June 30, 2014</b>	<b>For the six months ended June 30, 2013</b>
Rendering of services	\$ 15,990,698	14,267,942	29,997,104	27,500,813
Commissions	135,213	110,100	256,644	190,599
Rentals	530,419	398,921	1,156,969	954,703
	<b>\$ 16,656,330</b>	<b>14,776,963</b>	<b>31,410,717</b>	<b>28,646,115</b>

(q) Non-operating income and expenses

1. Other revenue

The details of other revenue were as follows:

	<b>Second quarter of 2014</b>	<b>Second quarter of 2013</b>	<b>For the six months ended June 30, 2014</b>	<b>For the six months ended June 30, 2013</b>
Interest income—bank deposit	\$ 62,783	39,861	116,666	76,823
Dividend revenue	1,864	-	1,864	-
	<b>\$ 64,647</b>	<b>39,861</b>	<b>118,530</b>	<b>76,823</b>

2. Other gains and losses

The details of other gains and losses were as follows:

	<b>Second quarter of 2014</b>	<b>Second quarter of 2013</b>	<b>For the six months ended June 30, 2014</b>	<b>For the six months ended June 30, 2013</b>
Net foreign currency exchange gain or loss	\$ (218,642)	145,501	95,909	485,761
Net gain or loss on disposal of available-for-sale financial assets	27,553	9,444	32,286	21,922
Gain (loss) on financial assets (liabilities) at fair value through profit or loss	(23,449)	(72,700)	(9,146)	(65,706)
Gain on disposal of on property, plant and equipment	81,609	69,427	157,820	112,385
Other	32,767	26,409	57,283	42,723
	<b>\$ (100,162)</b>	<b>178,081</b>	<b>334,152</b>	<b>597,085</b>

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3. Finance costs

The details of finance costs were as follows:

	Second quarter of 2014	Second quarter of 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Interest income — bank loan	\$ 207,838	204,898	412,321	413,384
Less: Capitalized interest	-	(2,512)	-	(10,591)
	<b>\$ 207,838</b>	<b>202,386</b>	<b>412,321</b>	<b>402,793</b>

(r) Financial instruments

There were no significant differences in fair value exposures to credit risk, liquidity risk and market risk on financial instruments, except for the following. Please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2013 for other related information.

1. Currency risk

1) Currency risk exposure

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

	2014.6.30			2013.12.31			2013.6.30		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<b>Financial assets</b>									
<b>Monetary items</b>									
USD	\$ 561,149	29.915	16,786,779	616,559	29.950	18,465,952	563,312	30.120	16,966,904
JPY	2,351,782	0.2951	693,959	2,123,894	0.2850	605,412	1,838,758	0.3045	559,881
CNY	735,944	4.8219	3,548,638	474,496	4.9470	2,347,323	497,020	4.9072	2,438,983
HKD	87,098	3.8594	336,146	-	-	-	95,067	3.8830	369,148
<b>Financial liabilities</b>									
<b>Monetary items</b>									
USD	215,025	29.915	6,432,463	236,450	29.950	7,081,676	157,090	30.120	4,731,557
JPY	3,001,681	0.2951	885,730	2,859,214	0.2850	815,013	2,700,684	0.3045	822,327
INR	-	-	-	431,863	0.4843	209,158	841,919	0.5060	425,980
CNY	116,323	4.8219	560,894	121,974	4.9470	603,401	113,563	4.9072	557,279
HKD	94,582	3.8594	365,031	77,611	3.8623	299,759	91,325	3.8830	354,619
MYR	-	-	-	26,385	9.1311	240,920	23,414	9.5211	222,924

2) Sensitivity analysis

The Group'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 June 30, 2014 and 2013, would have increased or decreased net income by \$128,519 and \$134,000, respectively. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

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2. Fair value of financial instrument

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

1) Valuation methods and assumptions used in fair value determination

The Group 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.
- 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 by 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. For all other financial assets and financial liabilities, the fair value is determined by 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>
<b>June 30, 2014</b>				
Available-for-sale financial assets:				
Domestic and foreign listed shares	\$ 3,362,591	-	-	3,362,591
Financial liabilities at fair value through profit or loss- current	6,878,830	-	-	6,878,830
	<u><b>\$ 10,241,421</b></u>	<u>-</u>	<u>-</u>	<u><b>10,241,421</b></u>
<b>December 31, 2013</b>				
Available-for-sale financial assets:				
Domestic and foreign listed shares	\$ 3,312,209	-	-	3,312,209
Financial liabilities at fair value through profit or loss- non-current	6,877,805	-	-	6,877,805
	<u><b>\$ 10,190,014</b></u>	<u>-</u>	<u>-</u>	<u><b>10,190,014</b></u>

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	Level 1	Level 2	Level 3	Total
<b>June 30, 2013</b>				
Available-for-sale financial assets: \$				
Domestic and foreign listed shares	2,982,563	-	-	2,982,563
Financial liabilities at fair value through profit or loss- non-current	6,904,858	-	-	6,904,858
	<b>\$ 9,887,421</b>	-	-	<b>9,887,421</b>

There were no transfers between levels for the year ended June 30, 2014 and 2013.

(s) Financial risk management

There were no significant differences of the Group's management goal and policies on financial risk with those disclosed in Note (6)(s) of the consolidated financial statements for the year ended December 31, 2013.

(t) Capital management

The Group's management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2013. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in Note (6)(t) for the year ended December 31, 2013.

**(7) Related-Party Transactions**

(a) Parent Company and Ultimate Controlling Party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

1. Sales to related parties

	Second quarter of 2014	Second quarter of 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Other related party	<b>\$ 178,493</b>	<b>186,554</b>	<b>376,868</b>	<b>408,975</b>

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. °

2. Consideration for services related to the entity

	Second quarter of 2014	Second quarter of 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Associate	\$ 12,342	10,673	21,767	19,159
Other related party	740,497	771,039	1,452,340	1,554,984
	<b>\$ 752,839</b>	<b>781,712</b>	<b>1,474,107</b>	<b>1,574,143</b>

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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 those 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>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Accounts receivable	Other related party	\$ 61,402	51,492	60,471
Receivable from agents	Associate	34,903	27,637	21,165
Receivable from agents	Other related party	432,245	439,815	427,726
		<b>\$ 528,550</b>	<b>518,944</b>	<b>509,362</b>

**4.Payables from related parties**

Payable of the Company related parties was as follows:

<u>Item</u>	<u>Related party categories</u>	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Accounts payable	Other related party	\$ 261,423	247,808	295,594
Other payable	Other related party	6,528	1,412	4,333
		<b>\$ 267,951</b>	<b>249,220</b>	<b>299,927</b>

**(c) Key management personnel compensation**

Key management personnel compensation comprised:

	<u>Second quarter of 2014</u>	<u>Second quarter of 2013</u>	<u>For the six months ended June 30, 2014</u>	<u>For the six months ended June 30, 2013</u>
Shorts-term employee benefits	\$ 5,093	7,744	14,393	15,131
Post-employment benefits	70	108	139	176
	<b>\$ 5,163</b>	<b>7,852</b>	<b>14,532</b>	<b>15,307</b>

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Objective</u>	<u>2014.6.30</u>	<u>2013.12.31</u>	<u>2013.6.30</u>
Time deposits (recorded in other current assets)	Registration of container storage and truck lease contract	\$ 5,672	5,531	5,847
Time deposits (recorded in other non-current assets)	Refundable deposits of harbor bureau lease contract for wharf, and lawsuit	70,514	70,775	70,794
Terminal equipment	Long-term loans	147,266	153,668	160,071
Containers	Long-term loans	2,529,241	2,584,622	2,611,635
Vessels	Long-term loans	15,507,705	21,142,683	20,918,056
Buildings	Long-term loans	17,116	17,393	17,670
		<b>\$ 18,277,514</b>	<b>23,974,672</b>	<b>23,784,073</b>

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**(9) Significant Contingencies and Commitments**

(d) Agency contracts

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

(e) Contract for port rental

To increase the quality of service and to decrease the cost of operations, the Group entered into a contract to lease a wharf in Tokyo, 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 (\$75,479) and was recorded in refundable deposits.

The Group 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.

The Group rented the W29 to W32 stacking yards from Keelung Harbor Bureau in February 2006, and the rental period is for 30 years beginning from the date of completion of inspection.

(f) Chung Kuo Insurance Co., Ltd., Chimei Logistics Corp., Chartis Taiwan Insurance Co., Ltd., MSIG Mingtai Insurance Co., Ltd., Zurich Insurance Group., and Tokyo Marine Nawa Insurance Co., Ltd. had requested the Company to pay damages of approximately \$44,747. The related trials remained ongoing as of June 30, 2014.

**(10) Significant Catastrophic Losses: None.**

**(11) Significant Subsequent Events: None.**

**(12) Others**

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

By function	Second quarter of 2014			Second quarter of 2013		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	410,221	440,840	851,061	422,878	420,178	843,056
Labor and health insurance	5,448	42,994	48,442	5,992	40,305	46,297
Pension	15,627	30,140	45,767	17,630	31,739	49,369
Others employee benefits	-	2	2	-	515	515
Depreciation	1,020,269	27,444	1,047,713	1,077,843	27,599	1,105,442
Amortization	4,074	4,770	8,844	5,571	6,006	11,577



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By function By item	For the six months ended June 30, 2014			For the six months ended June 30, 2013		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefits						
Salary	801,929	953,804	1,755,733	802,227	877,490	1,679,717
Labor and health insurance	10,814	88,158	98,972	11,831	79,482	91,313
Pension	31,340	61,751	93,091	35,331	53,806	89,137
Others employee benefits	-	68	68	-	17,764	17,764
Depreciation	2,032,851	55,518	2,088,369	2,123,852	55,270	2,179,122
Amortization	8,183	11,022	19,205	11,142	11,891	23,033

**(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 Group for the year ended June 30, 2014:

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	4,393,440	7,500,500	4,008,610	1.734	1	-	Note 2	-	Promissory note	7,500,500	12,433,752	12,433,752
0	The Company	WHL Hongkong	Other receivables—related parties	Yes	-	450,030	-	1.734	1	-	Note 2	-	Promissory note	450,030	12,433,752	12,433,752
1	WH International	WH India	Other receivables—related parties	Yes	144,923	142,096	142,096	5.000	1	-	Note 2	-	Promissory note	142,096	12,433,752	12,433,752

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:

- Maximum amount of financing for single borrower who has business with the Company cannot exceed the total transaction amount of the current year.
- 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.
- 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.

Note 4: Eliminated in the consolidated financial statement.

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	62,168,758	14,853,268	13,331,260	13,331,260	-	42.89%	62,168,758	Y		
0	The Company	WHL Hongkong	1	62,168,758	-	-	-	-	%	62,168,758	Y		
0	The Company	TK	1	62,168,758	250,347	241,154	182,436	-	0.78%	62,168,758	Y		

**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
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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	2	62,168,758	1,250,000	1,000,000	1,000,000	-	3.22%	62,168,758		Y	

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

2.Parent company.

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.

Note 4: Eliminated in the consolidated financial statements.

**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				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	8,425,194	306,256	- %	306,256	
	" Formosa Plastics Corporation	-	"	821,288	65,539	- %	65,539	
	" Nan Ya Plastics Corporation	-	"	210,442	15,131	- %	15,131	
	" Formosa Chemicals & Fiber Corporation	-	"	506,480	38,290	- %	38,290	
	" Tainan Spinning Co., Ltd	-	"	1,660,000	32,287	- %	32,287	
	" China Steel Corporation	-	"	2,246,238	56,381	- %	56,381	
	" Hon Hai Precision Ind.Co., Ltd.	-	"	686,072	68,607	- %	68,607	
	" ASUSTEK ComputerInc.	-	"	25,880	8,618	- %	8,618	
	" Chunghwa Telecom Co., Ltd.	-	"	11,348,984	1,091,772	- %	1,091,772	
	" Transcend Information, Inc.	-	"	89,111	9,134	- %	9,134	
	" Amtran Technology Co., Ltd.	-	"	984,058	22,141	- %	22,141	
	" Yang Ming Marine Transport Corp.	-	"	2,049,110	24,589	- %	24,589	
	" China Airlines Ltd.	-	"	20,123,862	206,270	- %	206,270	
	" Chinese Maritime Transport Ltd.	-	"	565,000	20,001	- %	20,001	
	" Fubon Financial Holding Co., Ltd.	-	"	829,726	35,803	- %	35,803	
	" Mega Financial Holding Co., Ltd.	-	"	7,606,089	189,011	- %	189,011	
	" Taishin Financial Holding Co., Ltd.	-	"	14,630,189	223,842	- %	223,842	
	" First Financial Holding Co., Ltd.	-	"	12,333,007	236,794	- %	236,794	
	" Kinsus Interconnect Technology Corp.	-	"	401,627	53,818	- %	53,818	
" Taiwan Business Bank	-	"	1,041,600	9,697	- %	9,697		
" Shih Wei Navigation Co., Ltd.	-	"	982,334	19,843	- %	19,843		

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Name of holder	Category and name of security	Category and name of security	Account title	Ending balance				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	398,280	- %	398,280	
"	Kenmec Mechanical Engineering Co., Ltd.	-	"	27,702	447	- %	447	
"	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	230,040	- %	230,040	
"	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%	-	Note 1
"	United Stevedoring Corporation	-	"	781,250	7,813	15.63%	-	Note 1
"	Bonds: Royal Bank of Scotland PLC	-	Bond portfolios with inactive market — non-current	-	1,196,600	- %	-	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: None.
5. Acquisition of real estate for which the dollar amount reaches \$300 million or 20% or more of paid-in capital:

Name of Company	Name of property	Transaction/ Occurrence date	Transaction amount	Conditions of payment	Counter-party	Relationship	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose for obtaining and usage status	Notes
							Owner	Relationship with the Company	Transfer date	Amount			
Shenzhen Unwin International Logistics	Building	103.5.16	408,074	204,037	Poly Real Estate Group Co., Ltd.	None				-	Based on the area's identical "A" rated office market value	For future operation and expansion purpose	

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

**WAN HAI LINES LTD. AND ITS SUBSIDIARIES**  
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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	144,497	0.52%	30 days	-	-	(5,321)	0.09%	
"	Taipei Port	The company is a director of Taipei Port	Container fee, terminal handling charges	286,480	1.04%	"	-	-	(54,748)	0.92%	
"	NSTC	A director of NSTC is one of the representative directors of the Company	Container fee, tow charge	194,155	0.70%	"	-	-	(72,508)	1.22%	
"	k.k. WH Corporation	Subsidiary	Terminal port charges, rent expense	2,602,826	9.43%	"	-	-	-	- %	Note 2 & 3
"	WHL Singapore	Subsidiary	Rent income, commission revenue	(507,711)	1.62%	"	-	-	146,899	3.63%	Note 2 & 3
"	WHL Singapore	Subsidiary	Bunker charge	141,773	0.51%	"	-	-	(37,490)	0.63%	
"	WHL Hongkong	Subsidiary of WHL Singapore	Commission fee	207,063	0.75%	"	-	-	-	- %	
"	WHL Japan	A director of WHL-Japan is the chairman of the Company	Commission fee	120,440	0.44%	"	-	-	-	- %	
"	IAL (S)	A director of IAL(S) is one of the corporate directors of the Company	Container rental revenue, commission revenue, charter revenue	(184,836)	0.59%	"	-	-	46,218	1.16%	
"	Hyaline Shipping (HK) Co., Ltd.	A director of Hyaline Shipping (HK) is the chairman of the Company	Commission fee	165,291	0.60%	"	-	-	-	- %	

Note 1: Including account / notes receivable (payable), accounts receivable (payable) — related parties and receivable (payable) from / to agents.

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

Note 3: Eliminated in the consolidated financial statements.

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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	621,006	- %	-		538,681	-
"	WHL Japan	A director of WHL-Japan is the chairman of the Company	432,245	- %	-		395,197	-
"	WHL India	Subsidiary of WHL-INTL	171,503	- %	-		170,456	-

Note: Eliminated in the consolidated financial statements.

9. Derivative transactions:

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

10. Business relationships and significant inter-company transactions:

Number	Name of the company	Name of the counter-party	Existing relationship with the counter-party	Transaction details during 2014			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Terms of trading	
0	The Company	Wan Hai Lines (Singapore) Pte Ltd	1	Receivables from agents	1,003,901	No significant differences	1.29%
0	"	"	1	Shipping agency fee	435,338	"	1.39%
0	"	k.k. WH Corporation	1	Rent expense on vessels	2,579,848	Rent vessels from Singapore through kk	8.20%
2	k.k. WH Corporation	Wan Hai Lines (Singapore) Pte Ltd.	3	Rent expense on vessels	2,385,756	"	7.60%

Note 1: numbers denote the following:

1. 0 represents the Company.
2. Subsidiaries are listed by names and numbered starting with 1.

Note 2: relationship with the listed companies:

1. The Company to subsidiary
2. Subsidiary to the Company
3. Subsidiary to subsidiary

Note 3: The disclosed amounts are above 1% of total assets for balance sheet accounts or 1% of total operating revenue for income statement accounts of the Group.

(b) Information on investees

For the six months ended June 30, 2014, the following is the information on investees:

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			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%	15,281,478	19,311	19,311	Subsidiary
	Wan Hai Lines (America) Ltd.	2510 W. Dunlap Ave Suite 425 Phoenix, AZ 85021	Transportation and shipping agency services	132,000	132,000	90,000	100.00%	81,124	(437)	(437)	Subsidiary

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Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			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%	11,686	1,089	1,089	Subsidiary
	Wan Hai Lines (Germany) GmbH	Brandstwiete 1, 20457 Hamburg, Germany	Transportation and shipping agency services	1,018	1,018	-	100.00%	9,314	462	462	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%	181,741	91,508	19,519	Joint venture
	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%	146,921	6,713	3,692	Subsidiary
	Bao Sheng Shipping Agency Co., Ltd.	7F, No. 255, Ren 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%	36,940	5,638	3,948	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%	(379)	(3,886)	(3,886)	Indirect subsidiary
	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%	2,903,960	132,342	132,342	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%	115,638	1,990	1,990	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%	1,887	7	7	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%	2,889	(3,536)	(3,536)	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%	458,734	56,830	56,830	Indirect subsidiary
	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	2,805	29,400	49.00%	32,401	10,981	10,981	Indirect subsidiary

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Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
WHL Singapore	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%	(3,901)	(3,448)	(3,448)	Indirect subsidiary
WHL INTL.	Wan Hai Lines (UAE) LLC.	Office No. C/308, Nashwan Building, Al Mankhool Road, Al Raffa, Dubai	Transportation and shipping agency services	1,365	1,365	147	49.00%	14,021	25,013	12,256	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%	1,128	16,109	16,109	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	308,983	75,640,000	100.00%	553,426	25,991	25,991	Indirect subsidiary

Note 1: Limited companies with no common shares issued.

Note 2: Eliminated in the consolidated financial statements.

(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	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)	-	-	-	-	(3,850)	100.00%	(3,850)	11,673	-
Shenzhen Uniwin International Logistics	Freight transportation and acting as agent for transport affairs	366,857	(1)	-	-	-	-	24,748	100.00%	24,748	492,831	-
Shenzhen Asia World Logistics Ltd.	Containers, storage and transportation services	4,941	(1)	-	-	-	-	(222)	100.00%	(222)	16,272	-
Clipper International Shipping Agency Ltd.	International shipping agency services	4,070	(1)	-	-	-	-	29,427	49.00%	14,419	23,764	-
Blue Ocean Logistics (Shanghai) Ltd.	Containers, storage and international transportation services	32,596	(1)	-	-	-	-	1,836	100.00%	1,836	50,059	-
Shenzhen Yong Chun International Shipping Management Co., Ltd.	International shipping management	29,068	(1)	-	-	-	-	(643)	90.00%	(579)	21,535	-

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.

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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	18,650,627

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 relationships and significant intercompany transaction".

**(14) Segment Information**

The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance for which the discrete financial information is available. Only one reportable segment of the Consolidated Company was identified, and it is mainly associated with shipping operations.

The Consolidated Company has only one segment, which associated with shipping operations. Please refer to the consolidated balance sheets and consolidated statements of income for segment profit or loss, and segment asset details.