

WISDOM MARINE LINES CO., LIMITED (CAYMAN)  
AND ITS SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
30 JUNE 2016 AND 2015

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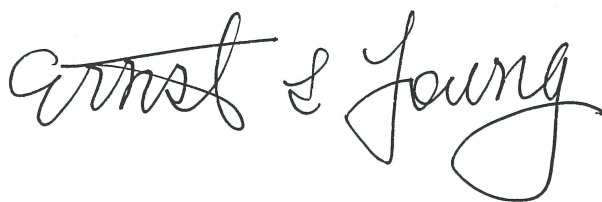
Review Report of Independent Auditors  
English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Stockholders of  
Wisdom Marine Lines Co., Limited (Cayman)

We have reviewed the accompanying consolidated balance sheets of Wisdom Marine Lines Co., Limited (Cayman) (the “Company”) and its subsidiaries (together the “Group”) as at 30 June 2016 and the related consolidated statements of comprehensive income for the three-month periods ended 30 June 2016 and 2015 and the six-month periods ended 30 June 2016 and 2015, and the related consolidated statements of changes in equity, and cash flows for the six-month periods ended 30 June 2016 and 2015. The preparation of these consolidated financial statements is the responsibility of the Company’s management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, “Review of Financial Statements” of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the International Accounting Standard 34, “Interim Financial Reporting” which is endorsed by Financial Supervisory Commission of the Republic of China.



29 July 2016  
Taipei, Taiwan  
Republic of China

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

30 June 2016 and 31 December 2015

(All Amounts Expressed in US Dollars)

(30 June 2016 Was Unaudited)

	Notes	30 June 2016	31 December 2015
<b>ASSETS</b>			
Cash and cash equivalents	6.1	\$61,726,898	\$58,248,462
Financial assets at fair value through profit or loss — current	6.2	378,163	957,811
Available-for-sale financial assets — current	6.3 & 8	994,896	-
Held to maturity financial assets — current	6.4 & 8	-	3,000,577
Hedge derivatives financial assets — current	6.5	1,343,773	6,293,077
Accounts receivable, net	6.6	6,183,446	4,077,775
Lease receivables	6.13	1,261,533	1,224,470
Accounts receivable — related parties	7	445,055	176,125
Other receivables	7	2,019,559	1,846,992
Inventories	6.7	4,221,704	2,665,385
Prepaid expenses		5,403,960	5,428,367
Other financial assets — current	6.1 & 8	24,601,618	23,819,537
Other current assets	7	11,665,358	9,386,243
Total current assets		120,245,963	117,124,821
Financial assets at fair value through profit or loss — noncurrent	6.2	-	505,198
Held to maturity financial assets — noncurrent	6.4 & 8	586,011	577,015
Hedge derivative financial assets — noncurrent	6.5	-	3,536,612
Investment accounted for using equity method	6.8	12,306,937	-
Property, plant and equipment	6.9 & 8	2,370,370,973	2,328,743,136
Deferred income tax assets	6.20	30,561	63,595
Long-term lease receivables	6.13	2,363,510	2,999,421
Other financial assets — noncurrent		11,912,008	6,746,692
Other noncurrent assets — other	6.10	101,289,607	104,310,990
Total non-current assets		2,498,859,607	2,447,482,659
<b>TOTAL ASSETS</b>		<b>\$2,619,105,570</b>	<b>\$2,564,607,480</b>

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS(CONT'D)  
30 June 2016 and 31 December 2015  
(All Amounts Expressed in US Dollars)  
(30 June 2016 Was Unaudited)

	Note	30 June 2016	31 December 2015
<b>LIABILITIES</b>			
Short-term borrowings	6.11	\$33,721,032	\$26,055,662
Financial liabilities at fair value through profit or loss	6.2 & 6.12	835,798	8,819
— current			
Accounts payable		4,039,508	3,243,255
Accounts payable—related parties	7	31,060	29,990
Accrued expenses	7	17,420,803	15,284,085
Dividend payable	6.15	40,017,398	-
Advance receipts		15,370,308	27,377,935
Other current liabilities—others		2,229,126	698,124
		<u>113,665,033</u>	<u>72,697,870</u>
Current portion of corporate bonds payable	6.12	73,930,633	-
Current portion of long-term borrowings	6.11	180,518,904	154,741,387
Current portion of long-term accounts payable	6.13	2,771,000	3,875,000
Current portion of lease payables	6.13	5,857,672	3,635,900
		<u>263,078,209</u>	<u>162,252,287</u>
Total current liabilities		<u>376,743,242</u>	<u>234,950,157</u>
Financial liabilities at fair value through profit or loss	6.2 & 6.12	-	1,394,446
— noncurrent			
Corporate bonds payable	6.12	12,044,571	85,159,074
Long-term borrowings	6.11	1,326,988,318	1,203,366,507
Deferred income tax liabilities	6.20	23,230	43,753
Long-term accounts payable	6.13	18,100,500	21,418,000
Long-term lease payables—noncurrent	6.13	67,947,363	37,743,601
Long-term accounts payable—related parties	7	85,516,066	78,521,491
Net defined benefit liabilities		97,326	243,216
Total non-current liabilities		<u>1,510,717,374</u>	<u>1,427,890,088</u>
TOTAL LIABILITIES		<u>1,887,460,616</u>	<u>1,662,840,245</u>
<b>EQUITY</b>			
	6.12 & 6.15		
Common stock		163,076,021	163,009,336
Capital surplus		41,546,817	80,911,063
Retained earnings		359,349,021	333,468,917
Cumulative translation adjustments		160,327,722	301,691,412
Effective portion of gains on hedging instrument in a cash flow hedge		3,322,104	18,178,062
Total equity attributable to equity holders of the Company		<u>727,621,685</u>	<u>897,258,790</u>
Non-controlling interest		4,023,269	4,508,445
TOTAL EQUITY		<u>731,644,954</u>	<u>901,767,235</u>
TOTAL EQUITY AND LIABILITIES		<u>\$2,619,105,570</u>	<u>\$2,564,607,480</u>

The accompanying notes are an integral part of the consolidated financial statements.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FOR THE THREE MONTHS ENDED 30 June 2016 and 2015  
 AND FOR THE SIX MONTHS ENDED 30 June 2016 and 2015  
 (All Amounts Expressed in US Dollars)  
 (Unaudited)

	Notes	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
		2016	2015	2016	2015
Operating revenues	6.16 & 7	\$80,698,209	\$87,625,334	\$163,675,676	\$169,252,620
Operating costs	6.9, 6.17 & 7	68,101,918	66,498,612	134,862,186	128,199,717
Gross profit from operations		12,596,291	21,126,722	28,813,490	41,052,903
Operating expenses	6.9, 6.17 & 7	1,163,990	1,302,997	2,324,222	3,137,537
Profit from operating activities		11,432,301	19,823,725	26,489,268	37,915,366
Interest income	6.13 & 6.18	178,519	474,044	384,163	931,292
Others income and gains	6.13, 6.18 & 9	4,334,440	5,340,851	25,580,146	5,367,656
Gains (Losses) on disposal of property, plant and equipment	6.9 & 6.18	(1,049,777)	-	(1,049,777)	5,217,973
Foreign exchange gains (losses)	6.18	(5,101,300)	633,801	(7,673,485)	49,949
Gains (Losses) on valuation of financial instruments or liabilities at fair value through profit or loss	6.12 & 6.18	(337,877)	(338,317)	(292,690)	142,602
Interest expense	6.9, 6.12, 6.13 & 7	(8,768,793)	(7,756,710)	(17,035,979)	(14,434,010)
Other expenses and losses	6.18 & 7	(405,603)	(57,002)	(487,395)	(163,302)
Share of Loss of associates and joint ventures accounted for using equity method	6.8	(85,212)	-	(85,212)	-
Total other income and losses		(11,235,603)	(1,703,333)	(660,229)	(2,887,840)
Profit before income tax		196,698	18,120,392	25,829,039	35,027,526
Income tax expense (income)	6.20	33,860	(1,773)	74,111	(7,120)
Profit for the year		162,838	18,122,165	25,754,928	35,034,646
Other comprehensive income:	6.19				
Cumulative translation adjustments		(84,503,338)	13,061,196	(141,363,690)	17,772,404
Effective portion of gains (losses) on hedging instrument in a cash flow hedge		(2,025,845)	580,185	(14,855,958)	(17,766,809)
Other comprehensive income		(86,529,183)	13,641,381	(156,219,648)	5,595
Total comprehensive income		\$(86,366,345)	\$31,763,546	\$(130,464,720)	\$35,040,241
Profit for the year attributable to:					
— Owners of the Company		\$283,215	\$18,185,754	\$25,880,104	\$34,873,900
— Non-controlling interests		(120,377)	(63,589)	(125,176)	160,746
		\$162,838	\$18,122,165	\$25,754,928	\$35,034,646
Total Comprehensive income attributable to:					
— Owners of the Company		\$(86,245,968)	\$31,827,135	\$(130,339,544)	\$34,879,495
— Non-controlling interests		(120,377)	(63,589)	(125,176)	160,746
		\$(86,366,345)	\$31,763,546	\$(130,464,720)	\$35,040,241
Primary earnings per Share	6.21	\$0.00	\$0.04	\$0.05	\$0.07
Diluted earnings per Share	6.21	\$0.00	\$0.03	\$0.05	\$0.06

The accompanying notes are an integral part of the consolidated financial statements.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 June 2016 and 2015

(All Amounts Expressed in US Dollars)

(Unaudited)

	Common stock	Capital surplus	Retained earnings	Cumulative translation adjustments	Effective portion of gains on hedging instrument in a cash flow hedge	Total equity attributable to equity holders of the Company	Non-controlling interest	Total
Balance, 1 January 2015	\$149,096,462	\$89,624,676	\$262,763,887	\$295,891,857	\$41,799,123	\$839,176,005	\$5,077,640	\$844,253,645
Capitalization of capital surplus cash	-	(47,381,032)	-	-	-	(47,381,032)	-	(47,381,032)
Profit for the six months ended 30 June 2015	-	-	34,873,900	-	-	34,873,900	160,746	35,034,646
Other comprehensive income for the six months ended 30 June 2015	-	-	-	17,772,404	(17,766,809)	5,595	-	5,595
Comprehensive income for the six months ended 30 June 2015	-	-	34,873,900	17,772,404	(17,766,809)	34,879,495	160,746	35,040,241
Exercise of convertible bonds	8,922,910	23,289,022	-	-	-	32,211,932	-	32,211,932
Equity component-stock option from issuing convertible bonds	-	4,322,290	-	-	-	4,322,290	-	4,322,290
Non-controlling interest	-	-	-	-	-	-	(360,000)	(360,000)
Balance, 30 June 2015	<u>\$158,019,372</u>	<u>\$69,854,956</u>	<u>\$297,637,787</u>	<u>\$313,664,261</u>	<u>\$24,032,314</u>	<u>\$863,208,690</u>	<u>\$4,878,386</u>	<u>\$868,087,076</u>
Balance, 1 January 2016	\$163,009,336	\$80,911,063	\$333,468,917	\$301,691,412	\$18,178,062	\$897,258,790	\$4,508,445	\$901,767,235
Capitalization of capital surplus cash	-	(39,537,270)	-	-	-	(39,537,270)	-	(39,537,270)
Profit for the six months ended 30 June 2016	-	-	25,880,104	-	-	25,880,104	(125,176)	25,754,928
Other comprehensive income for the six months ended 30 June 2016	-	-	-	(141,363,690)	(14,855,958)	(156,219,648)	-	(156,219,648)
Comprehensive income for the six months ended 30 June 2016	-	-	25,880,104	(141,363,690)	(14,855,958)	(130,339,544)	(125,176)	(130,464,720)
Exercise of convertible bonds	66,685	173,024	-	-	-	239,709	-	239,709
Non-controlling interest	-	-	-	-	-	-	(360,000)	(360,000)
Balance, 30 June 2016	<u>\$163,076,021</u>	<u>\$41,546,817</u>	<u>\$359,349,021</u>	<u>\$160,327,722</u>	<u>\$3,322,104</u>	<u>\$727,621,685</u>	<u>\$4,023,269</u>	<u>\$731,644,954</u>

The accompanying notes are an integral part of the consolidated financial statements.

WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE SIX MONTHS ENDED 30 June 2016 and 2015  
 (All Amounts Expressed in US Dollars)  
 (Unaudited)

	For the Six Months Ended 30 June 2016	For the Six Months Ended 30 June 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit from continuing operations before tax	\$25,829,039	\$35,027,526
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expenses	60,489,307	55,454,860
Amortization expenses	3,881	7,680
Bad debt expenses	-	559,477
Losses (Gains) on financial assets or liabilities at fair value through profit or loss	552,183	807,727
Interest expenses	17,035,979	14,434,010
Interest income	(384,163)	(931,292)
Losses (Gains) on foreign currency exchange on corporate bond payable	12,286	131,449
Share of loss of associates and joint ventures accounted	85,212	-
Losses (Gains) on disposal of property and equipment	1,049,777	(5,217,973)
Unrealized losses (gains) on foreign exchange	(128,686)	53,753
Amortization of held to maturity financial assets	(8,419)	242,908
Amortization of convertible bonds payable issuance costs	181,667	148,318
Other income (Default payment from ship sale)	(10,342,500)	-
Other income (other)	(2,564)	-
Change in assets and liabilities		
Decrease (Increase) in accounts receivable	(2,105,671)	678,368
Decrease (Increase) in accounts receivable-related parties	(268,930)	-
Decrease (Increase) in other receivables	(229,971)	(58,036)
Decrease (Increase) in inventories	(1,556,319)	(1,597,970)
Decrease (Increase) in prepaid expenses	24,407	(224,621)
Decrease (Increase) in other current assets	(2,279,115)	(919,547)
Increase (Decrease) in accounts payable	760,980	588,792
Increase (Decrease) in accounts payable-related parties	1,070	-
Increase (Decrease) in accrued expenses	1,017,720	1,528,944
Increase (Decrease) in advance receipts	(1,665,127)	192,633
Increase (Decrease) in other current liabilities	1,531,002	712,885
Increase (Decrease) in net defined benefit liabilities	(145,890)	6,083
Cash generated from operating activities	89,457,155	101,625,974
Interest received	442,726	802,694
Interest paid	(15,148,935)	(13,611,865)
Income taxes paid	(1,276)	(254)
Net cash provided by operating activities	74,749,670	88,816,549
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets in available-for-sale	(994,780)	-
Proceeds from derecognition of held-to-maturity financial assets	3,000,000	-
Proceeds from disposal of hedge derivative financial assets	3,373,324	13,636,409
Acquisition of investment accounted for using equity method	(12,393,493)	-
Acquisition of property, plant and equipment	(5,777,668)	(9,250,707)
Proceeds from disposal of property, plant and equipment	19,110,176	33,320,000
Decrease (Increase) in long-term lease receivable	598,848	1,151,461
Decrease (Increase) in other financial assets	(641,998)	(1,388,425)
Decrease (Increase) in other noncurrent assets (prepaid expenses-vessel)	(125,733,762)	(277,921,281)
Net cash used in investing activities	(119,459,353)	(240,452,543)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in short-term borrowings	7,665,370	(216,876)
Issuance of bonds payable	-	78,318,077
Increase (Decrease) in long-term borrowings	20,229,383	158,260,805
Increase (Decrease) in lease payables	19,182,803	(1,047,630)
Increase (Decrease) in other finance liabilities	2,573,075	(7,163,029)
Changes in non-controlling interests	(180,000)	(360,000)
Net cash provided by financing activities	49,470,631	227,791,347
<b>FOREIGN EXCHANGE RATE EFFECTS</b>	(1,282,512)	473,665
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,478,436	76,629,018
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	58,248,462	15,389,501
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$61,726,898	\$92,018,519

The accompanying notes are an integral part of the unaudited consolidated financial statement.

WISDOM MARINE LINES CO., LIMITED (CAYMAN)  
AND ITS SUBSIDIARIES  
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2016 AND 2015

(Unaudited)

(In US Dollars Unless Stated Otherwise)

1. History and organization

Wisdom Marine Lines Co., Limited (Cayman) (the “Company”) was incorporated in the Cayman Islands on 21 October 2008 as a tax-exempt company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (the “Group”) primarily provide marine cargo transportation services, service related to the maintenance, vessel leasing, and shipping agency and management services. On 1 December 2010, the Company was approved and listed on Taiwan Stock Exchange (TWSE).

The Company’s parent company: None.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements were authorized for issue by the board of directors on 29 July 2016.

3. Newly issued or revised standards and interpretations

- (1) Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. Shown below are the standards and interpretations effective for annual periods beginning on or after 1 January 2016.

A. *IFRS 14 “Regulatory Deferral Accounts”*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**B. *IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)***

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

**C. *IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” —Clarification of Acceptable Methods of Depreciation and Amortization***

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

**D. *IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” —Agriculture: Bearer Plants***

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016.

**E. *IAS 27 “Separate Financial Statements” —Equity Method in Separate Financial Statements***

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity’s separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions. The amendment is effective for annual periods beginning on or after 1 January 2016.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

F. *Improvements to International Financial Reporting Standards (2012-2014 cycles):*

*IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”*

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

*IFRS 7 “Financial Instruments: Disclosures”*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting*. The amendment is effective for annual periods beginning on or after 1 January 2016.

*IAS 19 “Employee Benefits”*

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after 1 January 2016.

*IAS 34 “Interim Financial Reporting”*

The amendment clarifies what is meant by “elsewhere in the interim financial report” under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after 1 January 2016.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

*G. Disclosure Initiative — Amendment to IAS 1 “Presentation of Financial Statements”:*

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2016.

*H. IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, and IAS 28 “Investments in Associates and Joint Ventures” — Investment Entities: Applying the Consolidation Exception*

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after 1 January 2016.

In the current financial year, the Group has adopted all the new and revised standards and interpretations that are relevant to its operating. All standards and interpretations have no material impact on the Group.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (2) Standards or interpretations issued by IASB but not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue are listed below.

A. *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

B. *IFRS 9 "Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

C. *IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” —Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

D. *IFRS 16 “Leases”*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

E. *IAS 12 “Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after 1 January 2017.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**F. *Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”***

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after 1 January 2017.

**G. *IFRS 15 “Revenue from Contracts with Customers” (Amendment)***

The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendment is effective for annual periods beginning on or after January 1, 2018.

**H. *IFRS 2 “Share-based Payment Transactions” (Amendment)***

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognised in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognised on that date. Any difference between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under A, B, D, F, and G it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting". Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2015. This consolidated interim financial report does not include all information or disclosures required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

(2) Basis of preparation

A. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for those financial instruments that are measured at fair value with changes therein shown in the consolidated financial statements.

B. Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group's consolidated financial statements are presented in US Dollar, which is the Company's functional currency and presentation currency.

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

The consolidated financial statements have been prepared on the same basis as the consolidated financial statements as at 31 December 2015. Please refer to the Note 4 to the consolidated financial statements as at 31 December 2015 for details.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

B. The consolidated entities are listed as follows:

Investor	Investee Company Name	2016.06.30 Ownership Percentage	2015.12.31 Ownership Percentage
The Company	Wisdom Marine Lines S.A. (Panama) (WML)	100%	100%
"	Wisdom Marine International Inc. (WII)	100%	100%
WII	Well Ship management and Maritime Consultant Co., Ltd. (WELL)	100%	100%
WML	Adixi Wisdom S.A.	100%	100%
"	Amis Carriers S.A.	100%	100%
"	Amis Elegance S.A.	100%	100%
"	Amis Fortune S.A.	100%	100%
"	Amis International S.A.	100%	100%
"	Amis Mariner S.A.	100%	100%
"	Amis Navigation S.A.	100%	100%
"	Amis Star S.A.	100%	100%
"	Amis Wisdom S.A.	100%	100%
"	Arikun Wisdom S.A.	100%	100%
"	Atayal Brave S.A.	100%	100%
"	Atayal Mariner S.A.	100%	100%
"	Atayal Star S.A.	100%	100%
"	Atayal Wisdom S.A.	100%	100%
"	Babuza Wisdom S.A.	100%	100%
"	Beagle Marine S.A.	100%	100%
"	Beagle Wisdom S.A.	100%	100%
"	Bunun Brave S.A.	100%	100%
"	Bunun Champion S.A.	100%	100%
"	Bunun Dynasty S.A.	100%	100%
"	Bunun Elegance S.A.	100%	100%
"	Bunun Fortune S.A.	100%	100%
"	Bunun Hero S.A.	100%	100%
"	Bunun Infinity S.A.	100%	-
"	Bunun Marine S.A.	100%	100%
"	Bunun Navigation S.A.	100%	100%
"	Bunun Wisdom S.A.	100%	100%
"	Cosmic Wisdom S.A.	100%	100%

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Investee Company Name	2016.06.30 Ownership Percentage	2015.12.31 Ownership Percentage
WML	Daiwan Champion S.A.	100%	100%
"	Daiwan Dolphin S.A.	100%	100%
"	Daiwan Elegance S.A.	100%	100%
"	Daiwan Fortune S.A.	100%	100%
"	Daiwan Glory S.A.	100%	100%
"	Daiwan Hero S.A.	100%	-
"	Daiwan Infinity S.A.	100%	-
"	Daiwan Justice S.A.	100%	-
"	Daiwan Kalon S.A.	100%	-
"	Dumun Marine S.A.	100%	100%
"	Dumun Navigation S.A.	100%	100%
"	Elite Steamship S.A.	100%	100%
"	Euroasia Investment S.A.	100%	100%
"	Favoran Wisdom S.A.	100%	100%
"	Fourseas Maritime S.A. Panama	100%	100%
"	Fraternity Marine S.A.	100%	100%
"	Fraternity Ship Investment S.A.	100%	100%
"	Genius Marine S.A.	100%	100%
"	Genius Prince S.A.	100%	100%
"	Genius Star Carriers S.A.	100%	100%
"	Genius Star Navigation S.A.	100%	100%
"	GS Global S.A.	100%	100%
"	GS Navigation S.A.	100%	100%
"	GSX Maritime S.A.	100%	100%
"	Guma Marine S.A.	100%	100%
"	Guma Navigation S.A.	100%	100%
"	Harmony Pescadores S.A.(Panama)	100%	100%
"	Harmony Success S.A.	40%	40% (Note a)
"	Harmony Transport S.A.	100%	100%
"	Hoanya Wisdom S.A.	100%	100%
"	Infinite Wisdom S.A.	100%	100%
"	Katagalan Carriers S.A.	100%	100%
"	Katagalan Line S.A.	100%	100%
"	Katagalan Marine S.A.	100%	100%

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Investee Company Name	2016.06.30 Ownership Percentage	2015.12.31 Ownership Percentage
WML	Katagalan Navigation S.A.	100%	100%
"	Katagalan Star S.A.	100%	100%
"	Katagalan Wisdom S.A.	100%	100%
"	Kavalan Wisdom S.A.	100%	100%
"	Ligulao Wisdom S.A.	100%	100%
"	Lloa Wisdom S.A.	100%	100%
"	Log Wisdom S.A.	100%	100%
"	Luilang Wisdom S.A.	100%	100%
"	Magnate Maritime S.A.	100%	100%
"	Makatao Wisdom S.A.	100%	100%
"	Mercy Marine Line S.A.	100%	100%
"	Mighty Maritime S.A.	100%	100%
"	Mimasaka Investment S.A.	100%	100%
"	Mount Wisdom S.A.	100%	100%
"	Paiwan Wisdom S.A.	100%	100%
"	Papora Wisdom S.A.	100%	100%
"	Pazeh Wisdom S.A.	100%	100%
"	Pescadores International Line S.A.	100%	100%
"	Poavosa International S.A.	100%	100%
"	Poavosa Maritime S.A.	100%	100%
"	Poavosa Navigation S.A.	100%	100%
"	Poavosa Wisdom S.A.	100%	100%
"	Rukai Maritime S.A.	100%	100%
"	Sakizaya Diamond S.A.	100%	100%
"	Sakizaya Fortune S.A.	100%	100%
"	Sakizaya Glory S.A.	100%	100%
"	Sakizaya Hero S.A.	100%	-
"	Sakizaya Integrity S.A.	100%	-
"	Sakizaya Justice S.A.	100%	-
"	Sakizaya Line S.A.	100%	100%
"	Sakizaya Marine S.A.	100%	100%
"	Sakizaya Navigation S.A.	100%	100%
"	Sakizaya Wisdom S.A.	100%	100%
"	Sao Wisdom S.A.	100%	100%
"	Saysiat Wisdom S.A.	100%	100%
"	Siraya Wisdom S.A.	100%	100%

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Investee Company Name	2016.06.30 Ownership Percentage	2015.12.31 Ownership Percentage
WML	Taivoan Wisdom S.A.	100%	100%
"	Tao Ace S.A.	100%	100%
"	Tao Brave S.A.	100%	100%
"	Tao Mariner S.A.	100%	100%
"	Tao Star S.A.	100%	100%
"	Tao Treasure S.A.	100%	100%
"	Taokas Marine S.A.	100%	100%
"	Taokas Navigation S.A.	100%	100%
"	Taokas Wisdom S.A.	100%	100%
"	Taroko Maritime S.A.	100%	100%
"	Taroko Wisdom S.A.	100%	100%
"	Triumph Wisdom S.A.	100%	100%
"	Trobian Wisdom S.A.	100%	100%
"	Unicorn Bravo S.A.	100%	100%
"	Unicorn Fortune S.A.	100%	100%
"	Unicorn Logger S.A.	100%	100%
"	Unicorn Logistics S.A.	100%	100%
"	Unicorn Marine S.A.	100%	100%
"	Unicorn Pescadores S.A.	100%	100%
"	Unicorn Successor S.A.	100%	100%
"	Vayi Wisdom S.A.	100%	100%
"	Winsome Wisdom S.A.	100%	100%
"	Wisdom Ace S.A.	100%	100%

Note a : Although the percentage of ownership interests in Harmony Success S.A. is less than 50%, the Company determined that it has control over Harmony Success S.A. This is due to by virtue of an agreement with other investors, the Company has the ability to fully control the operation of Harmony Success S.A. and appoints or approves the key management personnel of Harmony Success S.A. who have the ability to direct the relevant activities. The Company also has rights to the variable returns of Harmony Success S.A. Based on the aforementioned facts and circumstances, management is of the view that the Group controls Harmony Success S.A. and therefore it has been consolidated.

b: Subsidiaries excluded from consolidation: None.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(4) Except for the following accounting policies, the same accounting policies have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015. Please refer to Note 4 to the consolidated financial statements as at December 31, 2015 for the details of summary of significant accounting policy.

- A. 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 and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.
- B. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.
- C. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

- D. Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

**5. Significant accounting judgements, estimates and assumptions**

The same significant accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2015. Please refer to the Note 5 to the consolidated financial statements as at 31 December 2015 for details.

**6. Contents of significant accounts**

**(1) Cash and cash equivalents**

	30 June 2016	31 December 2015
Cash on hand	\$10,245	\$5,569
Check deposits	16	16
Demand deposits	18,670,443	20,014,246
Time deposits	43,046,194	38,228,631
Total	<u>\$61,726,898</u>	<u>\$58,248,462</u>

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

As at 30 June 2016 and 31 December 2015, cash and cash equivalents with carrying amounts of \$24,601,618 and \$23,819,537 respectively, were pledged to secure bank loans and were classified under other financial assets.

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

	30 June 2016	31 December 2015
Financial assets at fair value through profit or loss		
-Financial assets held for trading-current	\$378,163	\$957,811
-Financial assets held for trading-noncurrent	\$ -	\$505,198
Financial liabilities at fair value through profit or loss		
-Financial liabilities held for trading-current	\$(835,798)	\$(8,819)
-Financial liabilities held for trading-noncurrent	\$ -	\$(1,394,446)

(a) As at 30 June 2016 and 31 December 2015, the amount of the Group's bonds payable, including embedded derivative instruments—put right were \$835,798 and \$1,394,446 respectively. The bonds payable, including embedded derivative instruments—put right was recognized as financial liabilities held for trading-current/noncurrent. Please refer 6.(12) for further details.

(b) In order to hedge the exchange rate risk in connection with foreign currency assets and liabilities held, the Group has entered into forward foreign exchange contracts with financial institutions. However, hedge accounting was not applied to these contracts. The non-deliverable forward contracts as at 30 June 2016 and 31 December 2015 were as follows:

30 June 2016				
Derivatives financial instruments	Fair value	Expiration date	Amount	Settlement
Financial assets held for trading-current				
Forward contracts	\$186,898	2013/10~2016/07	\$2,500,000	¥237,500,000
Forward contracts	191,265	2013/10~2017/02	\$2,500,000	¥234,600,000
Total	\$378,163			

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

31 December 2015

Derivatives financial instruments	Fair value	Expiration date	Amount	Settlement
Financial assets held for trading-current				
Forward contracts	\$446,742	2013/06~2016/03	\$2,090,000	¥197,484,100
Forward contracts	511,069	2013/10~2016/07	\$2,500,000	¥237,500,000
Total	<u>\$957,811</u>			

Financial assets held for trading-noncurrent

Forward contracts	<u>\$505,198</u>	2013/10~2017/02	\$2,500,000	¥234,600,000
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Financial liabilities held for trading-current

Forward contracts	<u>\$8,819</u>	2015/06~2016/01	\$400,000	¥49,220,000
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(3) Available- for-sale financial assets

	30 June 2016	31 December 2015
Available-for-sale financial assets		
Bonds		
Current	<u>\$994,896</u>	<u>\$-</u>

As at 30 June 2016 and 31 December 2015, financial assets with the carrying amounts of \$994,896 and \$0, respectively, were pledged for bank loans. Please refer to Note 8.

(4) Held-to-maturity financial assets

	30 June 2016	31 December 2015
Held-to-maturity financial assets		
Bonds		
Current	<u>\$-</u>	<u>\$3,000,577</u>
Non-current	<u>\$586,011</u>	<u>\$577,015</u>

(a) As at 30 June 2016 and 31 December 2015, the held-to-maturity financial assets had maturities during the period from February 2018 and February 2016 to February 2018.

(b) As at 30 June 2016 and 31 December 2015, financial assets with the carrying amounts of \$586,011 and \$3,577,592, respectively, were pledged for bank loans. Please refer to Note 8.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(5) Derivatives as hedging instruments

	30 June 2016	31 December 2015
Derivative financial assets(liabilities) for hedging		
Cash flow hedge -forward contracts		
Current	\$1,343,773	\$6,293,077
Non-current	\$ -	\$3,536,612

The Group's risk control activities and hedging strategy relate primarily to the Group's operating activities. As the Group has foreign currency trading with shipyards, its foreign currency assets (liabilities) and future cash flows are exposed to foreign exchange risks and subject to exchange rate fluctuations. In order to manage foreign exchange risks, the Group engages in forward exchange contracts to hedge the foreign exchange risk for better control and measurement of such risks. These forward exchange contracts are cash flow hedges.

Hedge accounting was applied to these forward contracts. The non-deliverable forward contracts on 30 June 2016 and 31 December 2015 were as follows:

30 June 2016					
Hedging instrument	Fair value of designated hedging instrument	Periods when the cash flows are expected to occur	Periods when the related profit or loss are expected to affect the statement of comprehensive income	Amount	Settlement
Derivative financial assets(liabilities) for hedging –current					
Forward contracts	\$1,343,773	2013/10~2017/03	2013/10~2017/03	\$17,500,000	¥1,640,450,000
31 December 2015					
Hedging instrument	Fair value of designated hedging instrument	Periods when the cash flows are expected to occur	Periods when the related profit or loss are expected to affect the statement of comprehensive income	Amount	Settlement
Derivative financial assets(liabilities) for hedging –current					
Forward contracts	\$2,680,449	2013/06~2016/03	2013/06~2016/03	\$12,540,000	¥1,184,904,600
Forward contracts	3,612,628	2013/10~2016/09	2013/10~2016/09	\$17,500,000	¥1,657,075,000
Total	\$6,293,077				
Derivative financial assets(liabilities) for hedging -noncurrent					
Forward contracts	\$3,536,612	2013/10~2017/03	2013/10~2017/03	\$17,500,000	¥1,640,450,000

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(6) Accounts receivable, net

	30 June 2016	31 December 2015
Accounts receivable	\$6,266,704	\$4,161,033
Less: allowance for doubtful debts	(83,258)	(83,258)
Net accounts receivable	<u>\$6,183,446</u>	<u>\$4,077,775</u>

The aforementioned accounts receivable are generated by the operation and the Group does not hold any collateral for such trade receivables.

The Group's major revenue come from freight revenue and hire revenue. Freight revenue is recognized on the percentage of completion basis according to the sailing time of each trip. Hire revenue is recognized monthly on accrual basis. However, the main components of accounts receivable include hire revenue as contracted, hire dispute, vessel delay, and the claim receivables of collisions.

All allowances of accounts receivable were from individually determined impairment losses. For the six-month periods ended 30 June, 2016, the Group had neither recognized (reversed) allowances nor written off bad debt expenses.

As at 30 June 2016 and 31 December 2015, all accounts receivable were neither past due nor impaired.

(7) Inventories

	30 June 2016	31 December 2015
Fuel	<u>\$4,221,704</u>	<u>\$2,665,385</u>

As at 30 June 2016 and 31 December 2015, the aforesaid inventories were not pledged as collateral.

(8) Investments accounted for using the equity method

Investees	30 June 2016		31 December 2015	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Pescadores Investment and Development Inc.	<u>\$12,306,937</u>	40%	<u>\$-</u>	-%

A. For the purpose of building the Group's headquarter, the Group has participated in an investment with Pescadores Co., Ltd. and Mr. Lan Chun Sheng by subscribing for new shares of Pescadores Investment and Development Inc, of which capital has amounted to NT\$1 billion. The Group holds 40% of the shares issued by Pescadores Investment and Development Inc., with a par value of NT\$10 per share for 40,000,000 shares, and the Group paid at a price of NT\$10 per share in the amount of NT\$400 million in cash. As at April 28, 2016, the Group had fully paid the amount. And as at June 8, 2016, Pescadores Investment and Development Inc. had completed the alteration of the registered capital amount.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- B. For the six-month periods ended 30 June 2016 and 2015, the Group has recognized share of income(loss) of associates accounted for using equity method as follows:

	For the Three Months Ended 30 June	
	2016	2015
Pescadores Investment and Development Inc.	<u>\$(85,212)</u>	<u>\$-</u>

	For the Six Months Ended 30 June	
	2016	2015
Pescadores Investment and Development Inc.	<u>\$(85,212)</u>	<u>\$-</u>

- C. As at 30 June 2016 and 31 December 2015, the foreign exchange rate effect for investments accounted for using the equity method were as follows

	30 June 2016	31 December 2015
Pescadores Investment and Development Inc.	<u>\$(1,344)</u>	<u>\$-</u>

- D. The aforementioned investments in associates had no contingent liabilities or capital commitments as at 30 June 2016 and 31 December 2015.

(9) Property, plant and equipment

30 June 2016	Beginning balance	Addition	Disposal	Re-classification	Foreign exchange rate effects	Ending balance
<b>Cost</b>						
Vessel	\$2,709,389,232	\$154,253	\$36,450,073	\$93,511,116	\$41,614	\$2,766,646,142
Vessel equipment	13,946,964	1,065,960	54,624	-	-	14,958,300
Dry-dock	19,229,751	4,253,574	600,046	720,000	-	23,603,279
Transportation equipment	167,555	-	-	-	2,856	170,411
Office equipment	209,961	-	-	-	3,578	213,539
Leased assets	68,435,676	303,881	-	24,777,270	-	93,516,827
Leasehold improvements	82,399	-	-	-	1,404	83,803
<b>Total</b>	<u>2,811,461,538</u>	<u>5,777,668</u>	<u>37,104,743</u>	<u>119,008,386</u>	<u>49,452</u>	<u>2,899,192,301</u>
<b>Accumulated depreciation</b>						
Vessel	457,533,584	52,676,221	14,064,205	-	2,708	496,148,308
Vessel equipment	6,067,798	1,561,966	48,883	-	78	7,580,959
Dry-dock	7,395,086	4,599,168	283,023	-	236	11,711,467
Transportation equipment	166,074	1,483	-	-	2,854	170,411
Office equipment	165,113	10,004	-	-	2,971	178,088
Leased assets	11,343,015	1,636,046	-	-	-	12,979,061
Leasehold improvements	47,732	4,419	-	-	883	53,034
<b>Total</b>	<u>482,718,402</u>	<u>60,489,307</u>	<u>14,396,111</u>	<u>-</u>	<u>9,730</u>	<u>528,821,328</u>
<b>Net Balance</b>	<u>\$2,328,743,136</u>	<u>\$(54,711,639)</u>	<u>\$22,708,632</u>	<u>\$119,008,386</u>	<u>\$39,722</u>	<u>\$2,370,370,973</u>

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**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- A. For the six-month periods ended 30 June 2016 and 2015, the Group had depreciation expenses as follows:

	For the Three Months		For the Six Months	
	Ended 30 June		Ended 30 June	
	2016	2015	2016	2015
Operating Cost	\$30,457,282	\$28,629,740	\$60,473,401	\$55,424,641
Operating Expenses	7,124	15,315	15,906	30,219

- B. As at 30 June 2016 and 31 December 2015, the residual value of the vessels amounted to \$328,706 thousand and \$311,522 thousand, respectively, and the estimated useful lives were both ranging from 9 to 25 years.
- C. As at 30 June 2016 and 31 December 2015, the Group had agreed to assign the chartering income of some vessels as security for loan repayment.
- D. As at 30 June 2016 and 31 December 2015, 99 and 96 vessels, respectively, were pledged to banks. The pledge of these vessels is required by the banks which granted the loans to finance the purchase of the vessels and to secure the timely repayment of the loans. The book value of these vessels was \$2,337,793 thousand and \$2,301,306 thousand, respectively.
- E. As at 30 June 2016 and 31 December 2015, the Group has entered into certain shipbuilding contracts. Refer to Note 9.(a) for further details.
- F. As at 30 June 2016 and 31 December 2015, the vessels of the Group were insured for \$2,504,500 thousand and \$2,451,000 thousand, respectively.
- G. For the six months ended 30 June 2016 and 2015, the Group disposed of certain vessels for \$19,110,176 and \$33,320,000 which resulted in a gain(loss) on disposal of property and equipment of \$(1,049,777) and \$5,217,973, respectively.
- H. For the six months ended 30 June 2016 and 2015, the amounts of total interest expense before capitalization of borrowing costs were \$17,076,667 and \$14,854,485; the capitalization of interest were \$40,688 and \$420,475, and the capitalization of interest will be paid annually at a rate of 1.91~2.47% and 1.87~2.4%, respectively.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
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(10) Other noncurrent assets — Other

	30 June 2016	31 December 2015
Prepayment for vessels	\$101,259,500	\$104,295,500
Deferred expenses	30,107	15,490
Total	<u>\$101,289,607</u>	<u>\$104,310,990</u>

(11) Interest-bearing loans and borrowings

The Group's interest-bearing loans and borrowings, which are measured at amortized cost, were as follows:

	30 June 2016	31 December 2015
Bank loans — Short-term borrowings	<u>\$33,721,032</u>	<u>\$26,055,662</u>
Long-term borrowings (including current portion)	<u>\$1,507,507,222</u>	<u>\$1,358,107,894</u>

A. Terms and conditions of outstanding loans were as follows:

Loans	Currency	Nominal interest rate	Year of maturity	Amount
<u>30 June 2016</u>				
Unsecured	USD	1.35%~2.13%	2013.09.03~2017.12.19	\$49,333,333
	JPY	0.88%~1.22%	2014.11.30~2017.08.31	12,181,110
Secured	USD	1.16%~3.33%	2009.02.20~2026.06.30	561,593,749
	JPY	0.75%~2.25%	2005.12.12~2030.04.02	916,682,417
	TWD	1.89%	2016.03.28~2023.03.28	1,437,645
Total				<u>\$1,541,228,254</u>

Loans	Currency	Nominal interest rate	Year of maturity	Amount
<u>31 December 2015</u>				
Unsecured	USD	1.18%~2.05%	2013.09.03~2017.12.19	\$23,500,000
	JPY	0.92%~1.20%	2014.11.30~2017.08.31	10,874,803
Secured	USD	0.56%~3.10%	2009.02.20~2026.06.30	550,397,028
	JPY	0.46%~2.43%	2005.12.12~2030.04.02	799,391,725
Total				<u>\$1,384,163,556</u>

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

B. Future settlements of interest-bearing long-term loans and borrowings were as follows:

Maturity Period	30 June 2016	31 December 2015
Within one year	\$180,518,904	\$154,741,387
Beyond one year and up to five years	870,528,678	718,546,245
More than five years	456,459,640	484,820,262
Total	<u>\$1,507,507,222</u>	<u>\$1,358,107,894</u>

(a) As at 30 June 2016 and 31 December 2015, WML had provided financing guarantees for its subsidiaries of \$1,279,578 thousand and \$1,159,127 thousand, respectively.

(b) As at 30 June 2016 and 31 December 2015, the Group had unused credit facilities of \$73,805 thousand and \$70,043 thousand, respectively.

(c) The Group's covenants under the loan agreements are as follows:

(i) Loan lenders shall be notified of any significant movement of the Group's shareholder's equity.

(ii) In certain circumstances, the Group retains the option to select the currency to be used for loan or debt settlement.

(iii) Some equity shares of the Company's subsidiaries were pledged to secure bank loans.

(d) As at 30 June 2016 and 31 December 2015, WML and the Company had provided financial guarantees for the Company's subsidiaries. Please refer to Note 9.(e) for further details.

(12) Bonds Payable

	30 June 2016	31 December 2015
Domestic convertible bonds	\$85,975,204	\$85,159,074
Less: current portion	73,930,633	-
Net	<u>\$12,044,571</u>	<u>\$85,159,074</u>

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

A. The Group's overseas unsecured convertible bonds were as follows:

	30 June 2016	31 December 2015
First overseas unsecured convertible bonds issued in 2012		
Convertible bonds issued	\$20,387,360	\$20,387,360
Discounted on bonds payable	(65,439)	(77,029)
Accumulated converted amount	(11,125,259)	(10,916,525)
Accumulated redeemed amount	(7,682,967)	(7,682,967)
Valuation on bonds payable	(872,876)	(885,162)
Net	640,819	825,677
Less: Current portion of bonds payable	(640,819)	-
Subtotal	-	825,677
First overseas unsecured convertible bonds issued in 2013		
Convertible bonds issued	60,000,000	60,000,000
Discounted on bonds payable	(705,429)	(850,475)
Accumulated converted amount	(47,250,000)	(47,250,000)
Net	12,044,571	11,899,525
Less: Current portion of bonds payable	-	-
Subtotal	12,044,571	11,899,525
Second overseas unsecured convertible bonds issued in 2015		
Convertible bonds issued	80,000,000	80,000,000
Discounted on bonds payable	(6,710,186)	(7,566,128)
Accumulated converted amount	-	-
Net	73,289,814	72,433,872
Less: Current portion of bonds payable	(73,289,814)	-
Subtotal	-	72,433,872
Total	\$12,044,571	\$85,159,074
Embedded derivative instruments — put right, accounted under financial liabilities at fair value through profit or loss	\$835,798	\$1,394,446
Equity components — Capital surplus, accounted under capital surplus	\$7,262,052	\$7,262,052
Liability components — Financial liabilities reported at fair value through (profit) or loss	\$(523,844)	\$1,099,984
Interest expense	\$1,771,262	\$3,354,684

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B. The offering information of the unsecured convertible bonds was as follows:

Item	First overseas unsecured convertible bonds issued in 2012
1. Offering amount	NT\$600,000 thousand
2. Issue date	29 March 2012
3. Outstanding amount	NT\$21,000 thousand
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 29 March 2012 to the maturity date of 29 March 2017
6. Guarantee Institutions	None
7. Settlement	A converting bond holder can convert bonds into the Company's common stock or execute put option based on the Company's conversion rules. The Company can also buy back cancellation from bonds dealers. Otherwise, bonds are repayable at face value by cash when they mature.
8. Redemption at the option of the holder	The bondholders can execute put option after two years from issuance date (29 March 2014). The Company should send through registered mail the "Notification of bondholder's put option" 30 days before the maturity date. (The list of bondholders who should receive the notification through registered mail is based on the register list 5 business days before mailing date. Investors who purchase the bonds after the mailing date are notified through announcement.) OTC (Over the Counter) should be notified by the Company and should announce the bondholder's put option; a written notification should be sent to the share transfer agent by bondholders 30 days after the OTC's announcement. The redemption value is the bonds face value plus interest. (Face value * 101% after two years maturity period, the real yield is 0.5%). After accepting the redemption request, the Company should redeem the bonds by cash within 5 business days after the maturity date.
9. Conversion	<p>(a) Conversion period</p> <p>The bondholders will have the right to convert their bonds at any time during the conversion period commencing 30 April 2012 (the 30<sup>th</sup> day following the closing date) and ending at the close of business on 19 March 2017 (the 10<sup>th</sup> day prior to the maturity Date).</p> <p>(b) Conversion price</p> <p>The conversion price had been adjusted from NT\$46.00 per share to NT\$40.36 per share effective 14 August 2012.</p> <p>The conversion price had been adjusted from NT\$40.36 per share to NT\$36.80 per share effective 20 August 2013.</p> <p>The conversion price had been adjusted from NT\$36.80 per share to NT\$33.70 per share effective 2 August 2014.</p> <p>The conversion price had been adjusted from NT\$33.70 per share to NT\$31.30 per share effective 4 July 2015.</p> <p>The conversion price had been adjusted from NT\$31.30 per share to NT\$29.20 per share effective 3 July 2016.</p>

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**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Item	First overseas unsecured convertible bonds issued in 2013
1. Offering amount	US\$60 million
2. Issue date	12 November 2013
3. Outstanding amount	US\$12,750 thousands
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 12 November 2013 to maturity date of 12 November 2018
6. Guarantee Institutions	Citicorp International Limited
7. Settlement	Unless the bonds have been previously redeemed, repurchased and cancelled or converted, the bonds will be redeemed by the Company on maturity date at an amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 110.46% of the principal amount.
8. Redemption at the option of the holder	<p>(1) Each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds on 12 November 2015 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 104.06% of the principal amount.</p> <p>(2) In the event that the Company's common shares ceased to be listed or admitted to trading on the TWSE, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis.</p> <p>(3) In the event of change of control occurs with respect to the Company, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount.</p>
9. Conversion	<p>(1) Conversion period  Unless the bonds have been redeemed before maturity, repurchased and cancelled or converted, each holder of the bonds will have the right at any time during the conversion period commencing 23 December 2013 (the 41<sup>st</sup> day following the closing Date) and ending at the close of business on 2 November 2018 (the 10<sup>th</sup> day prior to the maturity Date), to convert their bonds.</p> <p>(2) Conversion price  The conversion price was NT\$35.3369 per share which was 100.1% of the closing price reported by the TWSE in respect of the common shares of the Company on 4 November 2013.  The conversion price had been adjusted from NT\$35.3369 per share to NT\$32.6486 per share effective 2 August 2014.  The conversion price had been adjusted from NT\$32.6486 per share to NT\$30.3524 per share effective 4 July 2015.  The conversion price had been adjusted from NT\$30.3524 per share to NT\$28.3011 per share effective 3 July 2016.</p> <p>(3) Conversion to common shares  Upon conversion, the number of common shares converted is calculated by the issuance price (translated at a fixed exchange rate applicable on conversion of bonds of NT\$29.4180 = US\$1.00) divided by the conversion price on the conversion date.</p>

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Item	Second overseas unsecured convertible bonds issued in 2015
1. Offering amount	US\$80 million
2. Issue date	10 April 2015
3. Outstanding amount	US\$80 million
4. Interest	The bonds will not bear any interest.
5. Issue Period	From 10 April 2015 to maturity date of 10 April 2020
6. Guarantee Institutions	Citicorp International Limited
7. Settlement	Unless the bonds have been previously redeemed, repurchased and cancelled or converted, the bonds will be redeemed by the Company on maturity date at an amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 110.46% of the principal amount.
8. Redemption at the option of the holder	<p>(1) Each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds on 10 April 2017 at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis, which is 104.06% of the principal amount.</p> <p>(2) In the event that the Company's common shares ceased to be listed or admitted to trading on the TWSE, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount equal to the principal amount of the bonds with a yield-to-maturity of 2.0% per annum, calculated on semi-annual basis.</p> <p>(3) In the event of change of control occurs with respect to the Company, each holder has the right to require the Company to redeem all or any portion of the principal amount of such holder's bonds at the early redemption amount.</p>
9. Conversion	<p>(1) Conversion period  Unless the bonds have been redeemed before maturity, repurchased and cancelled or converted, each holder of the bonds will have the right at any time during the conversion period commencing 21 May 2015 (the 41<sup>st</sup> day following the closing Date) and ending at the close of business on 31 March 2020 (the 10<sup>th</sup> day prior to the maturity Date), to convert their bonds.</p> <p>(2) Conversion price  The conversion price was NT\$42.79 per share which was 110% of the closing price reported by the TWSE in respect of the common shares of the Company on 1 April 2015.  The conversion price had been adjusted from NT\$42.79 per share to NT\$39.78 per share effective 4 July 2015.  The conversion price had been adjusted from NT\$39.78 per share to NT\$37.09 per share effective 3 July 2016.</p> <p>(3) Conversion to common shares  Upon conversion, the number of common shares converted is calculated by the issuance price (translated at a fixed exchange rate applicable on conversion of bonds of NT\$31.271 =US\$1.00) divided by the conversion price on the conversion date.</p>

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- C. The bondholders exercised the right to repurchase within the period of repurchase (five business days prior to Nov. 12, 2015) the first overseas unsecured convertible bonds issued by the Group in 2013 according to the issuance prospectus. The bondholders requested that the consolidated company redeem the convertible bonds at 104.06% face value. Before the repurchase date of the convertible bond matures, the right to repurchase cannot be carried out. The book value of the first overseas unsecured convertible bonds issued by the Group in 2013, less the accumulated conversion has been reclassified to non-current liabilities after the expiration of resale period

(13) Leases

A. Lessors

(a) Finance leases

- (i) Future lease receivable under financing lease as at 30 June 2016 and 31 December 2015:

	30 June 2016	
	Minimum Lease	
	Receivable	Interest income
Within one year	\$1,261,533	\$198,467
Beyond one year and up to five years	2,363,510	103,082
Total	<u>\$3,625,043</u>	<u>\$301,549</u>

	31 December 2015	
	Minimum Lease	
	Receivable	Interest income
Within one year	\$1,224,470	\$239,530
Beyond one year and up to five years	2,999,421	191,171
Total	<u>\$4,223,891</u>	<u>\$430,701</u>

- (ii) The Group leases out some vessels to third parties. The lessees have the option to purchase the assets at a price that is sufficiently lower than the fair value upon the expiry of the contracts. These lease agreements will mature in May 2018.

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(b) Chartering

- (i) Future hiring receivables as at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	31 December 2015
Within one year	\$249,604,706	\$274,037,986
Beyond one year and up to five years	703,676,241	778,598,123
More than five years	471,922,398	567,762,577
Total	<u>\$1,425,203,345</u>	<u>\$1,620,398,686</u>

- (ii) Due to early termination of contract by a lessee, the Group in 19 February 2016 and 30 March 2016, the company recognized compensation of \$13,800,000 and has been recovered in full, booked as other income.

**B. Lessee**

(a) Finance leases

- (i) Future non-cancellable lease payments under financing lease as at 30 June 2016 and 31 December 2015:

	30 June 2016		31 December 2015	
	Minimum		Minimum	
	Lease	Interest	Lease	Interest
	Payment	expense	Payment	expense
Within one year	\$5,857,672	\$1,175,517	\$3,635,900	\$754,634
Beyond one year and up to five years	27,162,976	2,414,120	18,598,098	1,289,922
More than five years	40,784,387	1,729,066	19,145,503	850,897
Total	<u>\$73,805,035</u>	<u>\$5,318,703</u>	<u>\$41,379,501</u>	<u>\$2,895,453</u>

- (ii) The Group planned to exercise its right to acquire some vessels in October 2009, and pay for the purchase price of the vessels after delivery. However, the Group and the lessor had both agreed to extend the lease term to October 2017, and the other conditions of the lease remained unchanged.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(b) Bareboat Hire and Purchase (BBHP)

- (i) As at 30 June 2016, the Group engaged in vessels sale and lease back transactions based on the operating performance and the investment strategies. The sale and lease back transactions resulted in financial leases, and the related information of these transactions was as follows:

Vessel	Lease term	Rent	Contract price	Interest rate
A	7 years from 2012.12	<u>\$347,750/quarter</u>	<u>\$14,980,000</u>	Max (3m Libor+2.2%, Taifx+1.2%, 2.5%)
B	5 years from 2013.05	<u>\$345,000/quarter</u>	<u>\$6,900,000</u>	Max (3m Libor+2.2%, Taifx+1.9%, 2.5%)

- (ii) Future non-cancellable chartering payments as at 30 June 2016 and 31 December 2015 were as follows:

	30 June 2016	31 December 2015
Within one year	\$2,771,000	\$3,875,000
Beyond oneyear and up to five years	10,100,500	13,418,000
Total	<u>\$12,871,500</u>	<u>\$17,293,000</u>

- (iii) Based on the BBHP contracts, the Group has the option to buy the vessels at maturity date in the third year of the lease agreements and can acquire the lease vessels when the Group makes the payment.

- (iv) As at 30 June 2016 and 31 December 2015, the Group has issued promissory notes of \$14,866,000 and \$20,057,000, respectively, for these lease agreements.

(14) Post-Employment Defined Benefit Plan

A. Defined contribution plans

WELL and WII provide cash contribution at the rate of 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act.

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**B. Defined benefit plans**

WII also have a defined benefit plan covering all regular employees in accordance with the Labor Standards Act. This plan provides for a pension benefit payment of 2 units for each year of service. Each unit of retirement payment referred to above shall be computed as the average monthly salary for the last six months at the time of approved retirement. Under this plan, the Company contributes monthly an amount equal to 2% of gross salary to a pension fund, which is deposited into a designated depository account with the Bank of Taiwan.

**(15) Equities**

**A. Capital**

- (a) On 21 October 2008, the Company was incorporated with a registered capital of NT \$3,300,000 thousand. In January 2009, based on the approval of the board of directors, the Company issued shares of stock worth NT\$2,000,000 thousand, divided into 200,000 thousand shares with par value of \$10 per share.

As at 30 June 2016 and 31 December 2015, the total outstanding capital of the Company amounted to NT\$5,144,573 thousand and NT\$5,142,401 thousand, consisting of 514,457 thousand and 514,240 thousand shares with a par value of NT \$10 per share.

- (b) On 27 May 2016, the shareholders resolved at their meeting to distribute the 2015 capital surplus as cash at NT\$2.50 per share. The record date of this capital increase was 3 July 2016.
- (c) As at 30 June 2016, convertible bonds were converted into common stock and capital surplus of \$66,685 and \$173,024, respectively.

**B. Capital Surplus**

The components of the capital surplus were as follows:

	30 June 2016	31 December 2015
From issuance of share capital	\$34,170,340	\$73,534,586
Employee share options	114,425	114,425
Stock option from convertible bonds	7,262,052	7,262,052
Total	<u>\$41,546,817</u>	<u>\$80,911,063</u>

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C. Retained earnings

- (a) The Company's distribution of directors' and supervisors' remuneration is based on the level of earnings and the resolution of the board of directors. Distributions of directors' and supervisors' remuneration are classified into cost or operating expense. Any difference between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimates and is charged to profit or loss.
- (b) On 27 May 2016 and 29 May 2015, the Company's shareholders resolved at the shareholder's meeting to appropriate the 2015 and 2014 earnings, respectively. These earnings were distributed as dividends and remuneration to directors and supervisors as follows:

Unit: NTD		
Item	For the Years Ended 31 December	
	2015	2014
Capital surplus Cash -per share	\$2.50	\$3.00

Item	For the Years Ended 31 December	
	2015	2014
Directors' and supervisors' remuneration	\$308,270	\$275,263

- (c) The differences between the actual appropriations of 2015 and 2014 earnings for directors and supervisors' remunerations as approved at the shareholders' meeting and the amounts recognized in the financial statements were as follows:

	2015		
	The actual appropriation according to the shareholders meeting	The amount recognized in the financial report	Difference
Directors' and supervisors' remuneration	\$308,270	\$308,266	\$4

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	2014		
	The actual appropriation according to the shareholders meeting	The amount recognized in the financial report	Difference
Directors' and supervisors' remuneration	\$275,263	\$275,259	\$4

The aforementioned difference for the years ended 31 December 2015 and 2014 was accounted for as a change in accounting estimates and was charged to profit or loss for the years ended 31 December, 2016 and 2015. Management is expecting that the difference for the year ended 31 December 2015 will be treated as a change in accounting estimates and will be charged to profit or loss for the years ended 31 December 2016 and 2015.

Directors' and supervisors' remuneration amounted to \$76,165 and \$96,932 for the six months ended 30 June 2016 and 2015, respectively. These amounts were calculated based on the Company's net profit for the six months ended 30 June 2016 and 2015, and were estimated according to the earnings allocation method, priority and factor for employee benefits and key management personnel compensation as stated under the Articles of Association. These benefits were expensed under salaries expense during the six months ended 30 June 2016 and 2015.

Information on the board of directors' recommendations and shareholders' approval regarding the employee bonuses and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(16) Operating revenues

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Hire revenue	\$75,031,907	\$80,045,127	\$153,185,657	\$154,088,207
Freight revenue	2,595,728	5,239,660	5,056,295	10,167,713
Vessel management revenue	1,455,658	1,101,172	2,529,867	2,190,815
Other operating revenue	1,614,916	1,239,375	2,903,857	2,805,885
Total	\$80,698,209	\$87,625,334	\$163,675,676	\$169,252,620

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(17) Operating costs

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Depreciation expense (Note 6. (9)(a))	\$30,457,282	\$28,629,740	\$60,473,401	\$55,424,641
Cost of materials	9,815,602	10,148,532	19,431,511	19,920,760
Expenses for chartering services	3,945,844	4,631,741	7,933,982	8,571,488
Wages and personnel expenses	21,130,485	20,126,653	41,427,485	38,557,438
Other operating costs	2,752,705	2,961,946	5,595,807	5,725,390
Total	<u>\$68,101,918</u>	<u>\$66,498,612</u>	<u>\$134,862,186</u>	<u>\$128,199,717</u>

A. Cost of materials

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Fuel oil	\$1,329,519	\$2,679,802	\$2,950,000	\$5,367,576
Lubricants	2,368,576	2,437,028	4,541,848	4,550,907
Materials	1,543,294	1,152,164	2,964,977	2,378,868
Spare parts	1,490,331	961,827	3,139,342	2,312,300
Survey fees	1,123,041	963,344	2,069,544	1,679,242
Repairs and maintenance	397,727	381,039	742,478	822,755
Postage and international communication	720,035	667,129	1,381,430	1,089,866
Paints	229,851	280,939	413,583	424,540
Other	613,228	625,260	1,228,309	1,294,706
Total	<u>\$9,815,602</u>	<u>\$10,148,532</u>	<u>\$19,431,511</u>	<u>\$19,920,760</u>

B. Expenses for chartering services

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Commissions	\$2,441,893	\$2,762,005	\$5,045,273	\$5,226,502
Expenses at ports	664,076	1,000,462	1,215,686	1,675,422
Agency costs	147,927	190,743	268,955	317,503
Chartering expenses	655,353	620,418	1,289,017	1,236,749
Dispatch expenses	36,595	58,113	115,051	115,312
Total	<u>\$3,945,844</u>	<u>\$4,631,741</u>	<u>\$7,933,982</u>	<u>\$8,571,488</u>

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C. Wages and personnel expenses

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Crew wages	\$15,844,298	\$14,885,046	\$31,201,191	\$28,658,552
Insurance fees	2,066,565	2,178,293	4,266,312	4,244,821
Food and meals	1,418,823	1,314,891	2,813,062	2,569,085
Crew travel fees	1,312,256	1,283,609	2,202,525	2,249,270
Bonus	457,884	435,499	883,510	779,211
Pension cost	30,659	29,315	60,885	56,499
Total	<u>\$21,130,485</u>	<u>\$20,126,653</u>	<u>\$41,427,485</u>	<u>\$38,557,438</u>

D. Other operating costs

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Hull and machinery insurance	\$2,243,256	\$2,362,197	\$4,556,045	\$4,685,263
Compensation	195,047	195,124	497,855	357,709
Lease payments	83,524	78,455	165,766	159,494
Other	230,878	326,170	376,141	522,924
Total	<u>\$2,752,705</u>	<u>\$2,961,946</u>	<u>\$5,595,807</u>	<u>\$5,725,390</u>

E. Summary statement of employee benefits, depreciation and amortization expenses by function for the three months ended and six months ended 30 June 2016 and 2015:

	For the Three Months Ended 30 June					
	2016			2015		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$16,302,182	\$362,572	\$16,664,754	\$15,320,545	\$407,841	\$15,728,386
Insurance expenses	2,066,565	26,528	2,093,093	2,178,293	28,775	2,207,068
Pension	30,659	13,256	43,915	29,315	13,768	43,083
Other employee benefits expense	1,418,850	7,804	1,426,654	1,315,009	10,119	1,325,128
Depreciation	30,457,282	7,124	30,464,406	28,629,740	15,315	28,645,055
Amortization	-	2,242	2,242	-	3,171	3,171

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	For the Six Months Ended 30 June					
	2016			2015		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$32,084,701	\$651,079	\$32,735,780	\$29,437,763	\$763,946	\$30,201,709
Insurance expenses	4,266,312	53,497	4,319,809	4,244,821	58,787	4,303,608
Pension	60,885	25,724	86,609	56,499	26,951	83,450
Other employee benefits expense	2,815,527	15,882	2,831,409	2,571,598	18,243	2,589,841
Depreciation	60,473,401	15,906	60,489,307	55,424,641	30,219	55,454,860
Amortization	-	3,881	3,881	-	7,680	7,680

(18) Other income and losses

A. Other income

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Interest income	\$178,519	\$474,044	\$384,163	\$931,292
Other income-others	4,334,440	5,340,851	25,580,146	5,367,656
Total	<u>\$4,512,959</u>	<u>\$5,814,895</u>	<u>\$25,964,309</u>	<u>\$6,298,948</u>

The aforesaid other income-others, please refer to Note 6.(13)A.(b)(ii) and Note 9.(2) and (3) for more details.

B. Other gains and losses

	For the Three Months Ended 30 June	
	2016	2015
Gains (Losses) on disposal of property, plant and equipment	\$(1,049,777)	\$ -
Foreign exchange gains (losses)	(5,101,300)	633,801
Gains (Losses) on valuation of financial instruments or liabilities at fair value through profit or loss	(337,877)	(338,317)
Other expenses and losses	(405,603)	(57,002)
Total	<u>\$(6,894,557)</u>	<u>\$238,482</u>

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	For the Six Months Ended 30 June	
	2016	2015
Gains (Losses) on disposal of property, plant and equipment	\$(1,049,777)	\$5,217,973
Foreign exchange gains (losses)	(7,673,485)	49,949
Gains (Losses) on valuation of financial instruments or liabilities at fair value through profit or loss	(292,690)	142,602
Other expenses and losses	(487,395)	(163,302)
Total	<u>\$(9,503,347)</u>	<u>\$5,247,222</u>

(19) Components of other comprehensive income

For the three months ended 30 June 2016

	Arising during the period	The original cost that was removed to hedged item	Other comprehensive income	Income tax benefits (expenses)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Defined benefit plan actuarial losses	\$-	\$-	\$-	\$-	\$-
To be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustments	(84,503,338)	-	(84,503,338)	-	(84,503,338)
Effective portion of gains(losses) on hedging instrument in a cash flow hedge	(2,025,845)	-	(2,025,845)	-	(2,025,845)
Total of other comprehensive income	<u>\$(86,529,183)</u>	<u>\$-</u>	<u>\$(86,529,183)</u>	<u>\$-</u>	<u>\$(86,529,183)</u>

For the three months ended 30 June 2015

	Arising during the period	The original cost that was removed to hedged item	Other comprehensive income	Income tax benefits (expenses)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Defined benefit plan actuarial losses	\$-	\$-	\$-	\$-	\$-
To be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustments	13,061,196	-	13,061,196	-	13,061,196
Effective portion of gains(losses) on hedging instrument in a cash flow hedge	1,634,256	(1,054,071)	580,185	-	580,185
Total of other comprehensive income	<u>\$14,695,452</u>	<u>\$(1,054,071)</u>	<u>\$13,641,381</u>	<u>\$-</u>	<u>\$13,641,381</u>

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For the six months ended 30 June 2016

	Arising during the period	The original cost that was removed to hedged item	Other comprehensive income	Income tax benefits (expenses)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Defined benefit plan actuarial losses	\$-	\$-	\$-	\$-	\$-
To be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustments	(141,363,690)	-	(141,363,690)	-	(141,363,690)
Effective portion of gains(losses) on hedging instrument in a cash flow hedge	(5,112,593)	(9,743,365)	(14,855,958)	-	(14,855,958)
Total of other comprehensive income	<u><u>\$(146,476,283)</u></u>	<u><u>\$(9,743,365)</u></u>	<u><u>\$(156,219,648)</u></u>	<u><u>\$-</u></u>	<u><u>\$(156,219,648)</u></u>

For the six months ended 30 June 2015

	Arising during the period	The original cost that was removed to hedged item	Other comprehensive income	Income tax benefits (expenses)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Defined benefit plan actuarial losses	\$-	\$-	\$-	\$-	\$-
To be reclassified to profit or loss in subsequent periods:					
Cumulative translation adjustments	17,772,404	-	17,772,404	-	17,772,404
Effective portion of gains(losses) on hedging instrument in a cash flow hedge	2,757,553	(20,524,362)	(17,766,809)	-	(17,766,809)
Total of other comprehensive income	<u><u>\$20,529,957</u></u>	<u><u>\$(20,524,362)</u></u>	<u><u>\$5,595</u></u>	<u><u>\$-</u></u>	<u><u>\$5,595</u></u>

**(20) Income tax**

- A. Pursuant to the rules and regulations of the Cayman Islands and the Republic of Panama, the Group is not subject to any income tax in the Cayman Islands and Panama, except for WELL and WII.

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B. For the three months and six months ended 30 June 2016 and 2015, the components of income tax expenses (benefits) of WELL and WII were as follows:

	For the Three Months		For the Six Months	
	Ended 30 June		Ended 30 June	
	2016	2015	2016	2015
Current income tax expense (income)	\$37,002	\$7,443	\$61,462	\$25,146
Deferred tax expense (income)	(3,142)	(9,216)	12,649	(32,266)
Total income tax expense (income)	\$33,860	\$(1,773)	\$74,111	\$(7,120)

C. The assessment of income tax returns

As at 30 June 2016, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
Wisdom Marine International Inc. (WII)	Assessed and approved up to 2013
Well Shipmanagement and Maritime Consultant Co., Ltd. (WELL)	Assessed and approved up to 2014

(21) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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	For the Three Months Ended 30 June	
	2016	2015
Basic earnings per share		
Profit attributable to ordinary shareholders	\$283,215	\$18,185,754
Weighted-average number of ordinary shares	514,342,334	486,647,272
	\$0.00	\$0.04
Diluted earnings per share		
Profit attributable to ordinary shareholders(diluted)	\$283,215	\$18,185,754
Interest expenses on convertible notes, net of tax	-	1,022,768
Foreign exchange (gains) losses	-	48,760
Amortization of deferred issuance costs	-	103,182
(Gains) Losses on valuation on convertible notes, net of tax	-	214,888
Profit attributable to ordinary shareholders (diluted)	\$283,215	\$19,575,352
Weighted average number of ordinary shares(diluted)	514,342,334	486,647,272
Effect of conversion of convertible notes	-	103,726,438
Weight average number of ordinary shares (diluted)	514,342,334	590,373,710
	\$0.00	\$0.03

Note: The diluted earnings per share for the three months ended 30 June 2016 was excluded from above due to the antidilution of convertible bonds payable.

	For the Six Months Ended 30 June	
	2016	2015
Basic earnings per share		
Profit attributable to ordinary shareholders	\$25,880,104	\$34,873,900
Weighted-average number of ordinary shares	514,311,452	481,589,023
	\$0.05	\$0.07
Diluted earnings per share		
Profit attributable to ordinary shareholders (diluted)	\$25,880,104	\$34,873,900
Interest expenses on convertible notes, net of tax	1,771,262	1,509,818
Foreign exchange (gains) losses	12,286	131,449
Amortization of deferred issuance costs	181,667	148,318
(Gains) Losses on valuation on convertible notes, net of tax	(523,844)	807,591
Profit attributable to ordinary shareholders (diluted)	\$27,321,475	\$37,471,076
Weighted average number of ordinary shares(diluted)	514,311,452	481,589,023
Effect of conversion of convertible notes	81,567,156	108,784,687
Weight average number of ordinary shares (diluted)	595,878,608	590,373,710
	\$0.05	\$0.06

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

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7. Related parties

A. Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

B. Significant transactions with related parties

(a) Chartering expenses

Related party	For the Three Months Ended 30 June	
	2016	2015
Other related parties	\$655,353	\$620,418

Related party	For the Six Months Ended 30 June	
	2016	2015
Other related parties	\$1,289,017	\$1,236,749

The price of time chartering with other related parties was determined based on the normal market rate. There was no significant difference in the price and payment terms from those with third parties.

(b) Services received / rendered

For the three months ended 30 June and the six months ended 30 June 2016 and 2015, the Group received service from (rendered service to) related parties as follows:

Related party	Item	Amount
<b>For the Three Months Ended 30 June 2016</b>		
Other related parties	Vessel management service	\$(733,075)
"	Commissions	273,779
"	Commissions and agency fees	361,628
"	Business travel expenses and entertainment exp.	33,894
"	Entertainment expenses and miscellaneous expenses	2,565
"	Management revenue	(372,476)
"	Other expenses	4,485
"	Commission income	(6,553)
"	Port charges 、 Agency fees 、 Travel	4,875
"	Passenger Ticket revenue 、 Other revenue	(178,280)
"	Other losses	100,500
"	Loss on Disposal of Assets (Commissions)	75,315

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Related party	Item	Amount
For the Three Months Ended 30 June 2015		
Other related parties	Vessel management service	\$(742,175)
"	Commissions	370,034
"	Commissions and agency fees	400,661
"	Business travel expenses and entertainment exp.	68,661
"	Entertainment expenses and miscellaneous expenses	4,022
"	Management revenue	(1,389)
"	Other expenses	4,485
"	Commission income	(6,204)
"	Port charges 、 Agency fees 、 Travel	6,075

Related party	Item	Amount
For the Six Months Ended 30 June 2016		
Other related parties	Vessel management service	\$(1,460,750)
"	Commissions	620,219
"	Commissions and agency fees	732,494
"	Business travel expenses and entertainment exp.	94,763
"	Entertainment expenses and miscellaneous expenses	11,798
"	Management revenue	(372,476)
"	Other expenses	8,985
"	Commission income	(12,890)
"	Port charges 、 Agency fees 、 Travel	16,525
"	Passenger Ticket revenue 、 Other revenue	(323,107)
"	Other losses	100,500
"	Loss on Disposal of Assets (Commissions)	75,315

Related party	Item	Amount
For the Six Months Ended 30 June 2015		
Other related parties	Vessel management service	\$(1,476,425)
"	Commissions	572,717
"	Commissions and agency fees	742,300
"	Business travel expenses and entertainment exp.	166,858
"	Entertainment expenses and miscellaneous expenses	34,275
"	Management revenue	(2,749)
"	Other expenses	8,985
"	Commission income	(12,367)
"	Port charges 、 Agency fees 、 Travel	30,285

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(c) Receivables and payables

Related party	30 June 2016	31 December 2015
Accounts receivable		
Other related parties	\$445,055	\$176,125
Related party	30 June 2016	31 December 2015
Other current assets / other receivables		
Other related parties	\$806,271	\$492,936
Related party	30 June 2016	31 December 2015
Accounts payable		
Other related parties	\$31,060	\$29,990
Related party	30 June 2016	31 December 2015
Accrued expense		
Other related parties	\$885	\$33,566

(d) Financing

The details of financing provided by a related party to the Group were as follows:

30 June 2016		
Name of related party	Max balance	Ending balance
Other related parties	\$85,516,066	\$85,516,066
31 December 2015		
Name of related party	Max balance	Ending balance
Other related parties	\$78,679,122	\$78,521,491
Interest Expenses	For the Three Months Ended 30 June	
Name of related party	2016	2015
Other related parties	\$480,990	\$393,249

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Interest Expenses	For the Six Months Ended 30 June	
Name of related party	2016	2015
Other related parties	\$956,547	\$778,099

The financing interest expenses were calculated based on the rate of LIBOR plus 2% per month commencing from 24 October 2011.

(e) Leases

For the three months ended 30 June and for the six months ended 30 June 2016 and 2015, the Group incurred other related parties and key management transactions as follows:

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2016	2015	2016	2015
Key management	\$42,809	\$45,017	\$84,700	\$89,062
Other related parties	34,164	35,925	67,595	71,075
	<u>\$76,973</u>	<u>\$80,942</u>	<u>\$152,295</u>	<u>\$160,137</u>

The above leases are paid monthly, and do not involve rental deposits. Lease conditions are agreed by both parties. There was no significant difference in the price and payment terms from those with third parties.

(f) Guarantee

As at 30 June 2016 and 31 December 2015, key management had provided a time deposit guarantee for the Group's financing loan of \$32,430 thousand and \$32,232 thousand, respectively.

C. Salaries and compensation for key management

The Group paid salaries to key management as follows:

	For the Three Months Ended 30 June	
	2016	2015
Salary and bonus (including BODS remunerations)	\$152,297	\$167,174
Post-employment benefits	1,989	2,028
	<u>\$154,286</u>	<u>\$169,202</u>

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

	For the Six Months Ended 30 June	
	2016	2015
Salary and bonus (including BODS remunerations)	\$287,736	\$301,895
Post-employment benefits	3,884	3,928
	<u>\$291,620</u>	<u>\$305,823</u>

8. Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	30 June 2016	31 December 2015
Property, plant and equipment	Bank Loans	\$2,337,793,000	\$2,301,306,000
Available-for-sale financial assets	"	994,896	-
Held-to-maturity investments	"	586,011	3,577,592
Other financial assets	"	24,601,618	23,819,537
		<u>\$2,363,975,525</u>	<u>\$2,328,703,129</u>

9. Significant commitments and contingencies

(1) The Group had entered into shipbuilding contracts as follows:

	30 June 2016	31 December 2015
Vessels	25	28
Contract price	¥4,845,000 thousand	¥-
	\$642,170 thousand	\$770,220 thousand
Prepaid	¥-	¥-
	\$101,260 thousand	\$104,296 thousand

The remaining balance of the contract price is payable upon keel-laying, launching, and delivery.

The ship building contracts categorized by year of delivery were as follows:

Year of delivery	Contract Price		Number of vessels
	Yen(thousand)	USD(thousand)	
2016	¥2,575,000	\$135,260	6
2017	-	362,310	12
2018	2,270,000	144,600	7
Total	<u>¥4,845,000</u>	<u>\$642,170</u>	<u>25</u>

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**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (2) As at 30 June, 2016, the Group had confiscated the deposit of \$10,500,000 from Arabian Gas & Oil Development Company for breaching the contract in the purchase of two undelivered vessels for \$52,500,000. Aforementioned deposit was charged to profit or loss under other income after deducted commission \$157,500.
- (3) On 19 March 2015, based on the approval of the board of directors, the Group settled the default payment of \$5,550,000 from SBI Merengue Shipping Company Limited for breaching the contract in the purchase of Vessel Tsuneishi SS179. Aforementioned default payment has been recovered in full after deducted commission \$390,000 and charged to profit or loss under other income.
- (4) Based on the resolution of the board of directors on 24 June, 2016, the Group settled the contract with Tiger Gate Holding S.A. in purchase of operating leases vessel Ocean Victory on 27 June 2016 for ¥2,524,000,000. The aforementioned vessel is expected to be delivered in July, 2016.
- (5) Endorsement Guarantee

Guarantee	Name of relative		Period	Purpose
	party guarantee	30 June 2016		
The Company	WML	\$26,550 thousand ¥ -	2014.07~2018.06	Operating fund
WML	Subsidiaries	\$560,593 thousand ¥91,180,373 thousand	2005.12~2030.04	Borrowings
The Company	Subsidiaries	\$ 564,017 thousand ¥93,740,299 thousand	2009.11~2030.04	Borrowings and Operating fund

Guarantee	Name of relative		Period	Purpose
	party guarantee	31 December 2015		
The Company	WML	\$2,250 thousand ¥ -	2013.09~2017.07	Operating fund
WML	Subsidiaries	\$469,750 thousand ¥95,909,829 thousand	2005.12~2030.04	Borrowings
The Company	Subsidiaries	\$459,300 thousand ¥94,547,202 thousand	2009.05~2030.04	Borrowings and Operating fund

10. Losses due to major disasters: None.

11. Significant subsequent events: None.

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**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

12. Others

(1) Categories of financial instruments

Financial assets

	30 June 2016	31 December 2015
Financial assets at fair value through profit or loss:		
Held for trading	\$378,163	\$1,463,009
Available- for-sale financial assets	994,896	-
Held-to-maturity investments	586,011	3,577,592
Loans and receivables:		
Cash and cash equivalents(exclude cash on hand)	61,716,653	58,242,893
Trade receivables and other receivables (include from related parties)	8,648,060	6,100,892
Lease receivables	3,625,043	4,223,891
Subtotal	73,989,756	68,567,676
Derivative financial assets for hedging	1,343,773	9,829,689
Other financial assets	36,513,626	30,566,229
Total	<u>\$113,806,225</u>	<u>\$114,004,195</u>

Financial liabilities

	30 June 2016	31 December 2015
Financial liabilities at amortized cost:		
Short-term borrowings	\$33,721,032	\$26,055,662
Trade payables (include from related parties)	4,070,568	3,273,245
Bonds payable (include current portion)	85,975,204	85,159,074
Long-term borrowings (include current portion)	1,507,507,222	1,358,107,894
Long-term payable (include from related parties)	106,387,566	103,814,491
Lease payables (include current portion)	73,805,035	41,379,501
Subtotal	1,811,466,627	1,617,789,867
Financial liabilities at fair value through profit or loss:		
Financial liabilities held for trading	-	8,819
Embedded derivative instruments — put right	835,798	1,394,446
Total	<u>\$1,812,302,425</u>	<u>\$1,619,193,132</u>

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(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Group's board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD and Japanese Yen.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency Yen. The information of the sensitivity analysis is as follows:

When USD strengthens/weakens against foreign currency Yen by 10%, the profit for the six months ended 30 June 2016 and 2015 decreases/increases by \$6,854,660 and \$4,230,192, respectively; the equity decreases/increases by \$1,630,007 and \$8,510,990, respectively.

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Interest rate risk

Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's cash and cash equivalents, bank deposits, and bank borrowings. The Group does not use financial derivatives to hedge against interest rate risk.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.25% of interest rate in a reporting period could cause the profit for the six months ended 30 June 2016 and 2015 to decrease/increase by \$4,303,552 and \$3,858,877, respectively.

Equity price risk

The fair value of the Group's conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. Please refer to Note 12.(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

- A. Management has a credit policy in place, and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date, management is not expecting significant concentrations of credit risk.
- B. The risk exposure of credit risk

The book value of financial assets represents the maximum amount of credit risk exposure. On the reported date, the maximum amount of credit risk exposure is as follows:

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	30 June 2016	31 December 2015
Cash and cash equivalents	\$61,716,653	\$58,242,893
Financial assets at fair value through profit or loss	378,163	1,463,009
Accounts receivables and other receivables		
(include from related parties)	8,648,060	6,100,892
Lease receivables	3,625,043	4,223,891
Available-for-sale financial assets	994,896	-
Held to maturity financial assets	586,011	3,577,592
Derivative financial assets for hedging	1,343,773	9,829,689
Other financial assets	36,513,626	30,566,229
	<u>\$113,806,225</u>	<u>\$114,004,195</u>

(5) Liquidity risk management

The Group maintains financial flexibility by cash and cash equivalents, bank borrowings, Euro-convertible bonds and finance leases. The Group's liquidity risk did not change significantly from those disclosed in the 2015 annual consolidated financial statements. Please refer to the Note 12.(5) to the 2015 annual consolidated financial report for more information.

(6) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

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**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (b) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for fixed rate commercial paper published by Reuters and credit risk, etc).
- (c) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the counterparty prices or appropriate option pricing model (for example, Binomial Tree model) or other valuation method (for example, Monte Carlo Simulation).

**B. Fair value of financial instruments measured at amortized cost**

The carrying amount of the Group's financial assets (including held-to-maturity investments, loans and receivables) and liabilities measured at amortized cost approximate their fair value.

**C Fair value measurement hierarchy for financial instruments**

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

**(7) Derivative financial instruments**

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 30 June 2016 and 31 December 2015 is as follows:

**Forward currency contracts**

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. Please refer to Note 6.(2) for forward currency contracts of the Group.

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Embedded derivatives

The embedded derivatives arising from issuing convertible bonds have been separated from the host contract and carried at fair value through profit or loss. Please refer to Note 6.(12) for further information on this transaction.

The counterparties for the aforementioned derivatives transactions are well known local or overseas banks, as they have sound credit ratings, the credit risk is insignificant.

With regard to the forward foreign exchange contracts, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1– Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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**NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**B. Fair value measurement hierarchy of the Group's assets and liabilities**

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis was as follows:

As at 30 June 2016	Level 1	Level 2	Level 3	Total
Derivative financial assets	\$-	\$1,343,773	\$-	\$1,343,773
Financial assets at fair value through profit or loss	\$-	\$378,163	\$-	\$378,163
Financial liabilities at fair value through profit or loss	\$-	\$-	\$835,798	\$835,798
Available-for-sale financial assets	\$994,896	\$-	\$-	\$994,896
As at 31 December 2015	Level 1	Level 2	Level 3	Total
Derivative financial assets	\$-	\$9,829,689	\$-	\$9,829,689
Financial assets at fair value through profit or loss	\$-	\$1,463,009	\$-	\$1,463,009
Financial liabilities at fair value through profit or loss	\$-	\$8,819	\$1,394,446	\$1,403,265
Available-for-sale financial assets	\$-	\$-	\$-	\$-

Transfers between Level 1 and Level 2 during the period

During the six months ended 30 June 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Liabilities At fair value through profit or loss Derivatives
Beginning balances as at 1 January 2016	\$1,394,446
Total gains and losses recognized for the six-month period ended 30 June 2016:	
Amount recognized in (profit) or loss (presented in "other profit or loss")	(523,844)
Acquisition/issues for the six-month period ended 30 June 2016	-
Disposal/settlements for the six-month period ended 30 June 2016	(34,804)
Transfer in/(out) of Level 3	-
Ending balances as at 30 June 2016	\$835,798

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Total gains and losses recognized for the six-month period ended 30 June 2016 in the table above contain gains and losses related to derivatives on hand as at 30 June 2016 in the amount of \$522,768.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at 30 June 2016

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives – Second overseas unsecured convertible bonds issued in 2015	Option pricing model	Volatility	11.74%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase in the volatility would result in increase in the Group's profit by \$330,720; 5% decrease in the volatility would result in decrease in the Group's profit by \$973,680
Embedded derivatives – First overseas unsecured convertible bonds issued in 2012	Option pricing model	Volatility	13.15%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase in the volatility would result in decrease in the Group's profit by \$6,021; 5% decrease in the volatility would result in increase in the Group's profit by \$2,363

As at 31 December 2015

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives – Second overseas unsecured convertible bonds issued in 2015	Option pricing model	Volatility	13.15%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase in the volatility would result in increase in the Group's profit by \$329,040; 5% decrease in the volatility would result in decrease in the Group's profit by \$709,120

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Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The external evaluation institute ensures the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The group's accounting department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

The Group is mainly affected by the impact of fluctuation in the currency exchange rate for US Dollar or Japanese Yen. The Group's significant exposure to foreign currency risk was as follows:

	30 June 2016			31 December 2015		
	Foreign currency	Exchange rate		Foreign currency	Exchange rate	
	(Note1)	(Note2)	USD	(Note1)	(Note2)	USD
<u>Financial assets</u>						
Derivatives financial assets						
Sell JPY: Buy USD	¥2,112,550,000	0.0097~0.0098	\$22,500,000	¥5,201,233,700	0.0083~0.0085	\$55,030,000
<u>Financial liabilities</u>						
Monetary item						
JPY : USD	¥8,888,047,095	0.0097	\$86,543,789	¥7,707,228,379	0.0083	\$64,029,479

Note 1 : The amounts under the derivatives financial assets and monetary items are the carrying amounts of forward foreign exchange contract and financial liabilities, respectively.

Note 2 : The exchange rates under the derivatives financial assets and monetary items are the forward exchange rate and spot rate, respectively.

For the six months ended 30 June 2016 and 2015, the Group had foreign exchange gains (losses) of \$(7,673,485) and \$49,949, respectively.

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(10) Capital management

The capital risk management is established to ensure the Group's ability to continue to operate as a going concern. Under this risk management, the Group may adjust dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, adjust capital expenditure plan and dispose assets to settle any liabilities in order to maintain or adjust capital structure according to operating needs, investment purpose and market environment.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital. To meet these capital structure objectives, the Company will review annually with its board any proposed dividends as well as any needs to raise additional equity for future business opportunities or to reduce debt.

(11) Accounting policy differences as referred to in Article 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers with respect to the Group's balance sheet and statement of comprehensive income for the periods: None.

(12) Certain accounts in the consolidated financial statements as at and for the six months ended 30 June 2015 were reclassified to conform to the presentation adopted in the consolidated financial statements as at and for the six months ended 30 June 2016.

(13) List of the Group vessels as at 30 June, 2016

No.	Name of Vessel	Construction		Vessel type
		year	D.W.T.	
1	Amis Ace	2013	60,830	Supramax
2	Amis Brave	2013	61,467	Supramax
3	Amis Champion	2014	60,830	Supramax
4	Amis Dolphin	2015	60,830	Supramax
5	Amis Elegance	2015	55,404	Supramax
6	Amis Fortune	2015	55,468	Supramax
7	Amis Glory	2016	55,474	Supramax
8	Amis Wisdom I	2010	61,611	Supramax
9	Amis Wisdom II	2010	61,611	Supramax

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No.	Name of Vessel	Construction		Vessel type
		year	D.W.T.	
10	Amis Wisdom III	2011	61,527	Supramax
11	Amis Wisdom VI	2011	61,456	Supramax
12	Arikun	2007	8,763	Small Handy
13	Atayal Ace	2013	16,805	Small Handy
14	Atayal Brave	2012	16,805	Small Handy
15	Atayal Mariner	2012	16,805	Small Handy
16	Atayal Star	2012	16,805	Small Handy
17	Babuza Wisdom	2009	18,969	Small Handy
18	Beagle II	2007	17,224	Small Handy
19	Beagle VI	2001	18,320	Small Handy
20	Beagle VII	2007	16,822	Small Handy
21	Bizen	2008	8,721	Small Handy
22	Blue Horizon	2012	207,867	Cape
23	Bunun Ace	2013	37,744	Handy
24	Bunun Brave	2014	45,556	Handy
25	Bunun Champion	2014	45,556	Handy
26	Bunun Dynasty	2014	37,795	Handy
27	Bunun Elegance	2014	45,556	Handy
28	Bunun Fortune	2015	37,790	Handy
29	Bunun Glory	2015	37,046	Handy
30	Bunun Hero	2015	37,811	Handy
31	Bunun Wisdom	2012	38,168	Handy
32	Caribbean ID	1996	28,748	Handy
33	Clear Horizon	2012	207,947	Cape
34	Daiwan Ace	2014	34,358	Handy
35	Daiwan Brave	2014	34,358	Handy
36	Daiwan Champion	2015	34,393	Handy
37	Daiwan Dolphin	2015	34,393	Handy
38	Daiwan Elegance	2015	35,331	Handy
39	Daiwan Fortune	2015	34,893	Handy
40	Daiwan Glory	2015	35,531	Handy
41	Daiwan Justice	2016	34,327	Handy
42	Daiwan Kalon	2016	34,327	Handy
43	Daiwan Wisdom	2010	31,967	Handy
44	Del Sol	1998	11,410	Small Handy
45	Dumun	2010	58,107	Supramax

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No.	Name of Vessel	Construction		Vessel type
		year	D.W.T.	
46	Frontier Bonanza	2010	179,435	Cape
47	Genius Star I	2004	10,977	Small Handy
48	Genius Star II	2005	10,977	Small Handy
49	Genius Star III	2006	13,567	Small Handy
50	Genius Star IX	2009	12,005	Small Handy
51	Genius Star VII	2007	12,005	Small Handy
52	Genius Star VIII	2007	12,005	Small Handy
53	Genius Star X	2010	12,005	Small Handy
54	Genius Star XI	2012	13,663	Small Handy
55	Genius Star XII	2013	13,077	Small Handy
56	Global Faith	2010	28,050	Handy
57	Golden Kiku	2005	29,858	Handy
58	Guma	2010	58,107	Supramax
59	Hibiscus	2002	48,610	Handy
60	Hoanya Wisdom	2008	21,119	Handy
61	Izumo	2007	20,150	Handy
62	Jasmine Ace	1997	8,704	Small Handy
63	Katagalan Wisdom	2012	98,697	Panamax
64	Katagalan Wisdom III	2012	98,697	Panamax
65	LBC Energy	2011	71,066	Panamax
66	Ligulao	2010	5,296	Other-PCTC
67	Magnate	2004	18,828	Small Handy
68	Mimasaka	2010	14,062	Small Handy
69	Mino	2007	14,118	Small Handy
70	Naluhu	2010	58,107	Supramax
71	Ocean Victory	2011	28,386	Handy
72	Pacific Venus	2001	18,712	Small Handy
73	Paiwan Wisdom	2010	31,967	Handy
74	Papora Wisdom	2009	28,050	Handy
75	Pazeh Wisdom	2009	18,969	Small Handy
76	Pescadores	1999	198	Other-Passenger
77	Poavosa Ace	2013	28,208	Handy
78	Poavosa Brave	2009	28,367	Handy
79	Poavosa Wisdom	2009	28,050	Handy
80	Poavosa Wisdom III	2011	28,232	Handy
81	Poavosa Wisdom VI	2011	28,050	Handy

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No.	Name of Vessel	Construction			Vessel type
		year	D.W.T.		
82	Poavosa Wisdom VII	2012	28,208		Handy
83	Poavosa Wisdom VIII	2013	28,208		Handy
84	Sakizaya Ace	2013	74,936		Panamax
85	Sakizaya Brave	2013	74,940		Panamax
86	Sakizaya Champion	2014	78,080		Panamax
87	Sakizaya Diamond	2015	81,938		Panamax
88	Sakizaya Elegance	2015	81,938		Panamax
89	Sakizaya Future	2016	81,938		Panamax
90	Sakizaya Glory	2016	84,883		Panamax
91	Sakizaya Wisdom	2011	76,457		Panamax
92	Scarlet Eagle	2014	81,842		Panamax
93	Scarlet Falcon	2014	82,260		Panamax
94	Scarlet Rosella	2015	82,235		Panamax
95	Siraya Wisdom	2007	21,119		Handy
96	Taikli	2011	13,139		Small Handy
97	Tao Ace	2013	25,037		Handy
98	Tao Brave	2011	25,065		Handy
99	Tao Mariner	2010	25,065		Handy
100	Tao Star	2010	25,065		Handy
101	Tao Treasure	2013	25,036		Handy
102	Taokas Wisdom	2008	31,943		Handy
103	Timu	2005	17,224		Small Handy
104	Unicorn Bravo	2007	8,759		Small Handy
105	Unicorn Dolphin	2000	7,528		Small Handy
106	Unicorn Logger	2008	8,700		Small Handy
107	Wisdom Grace	1998	18,193		Other-Container

### 13. Segment information

#### (1) General information

The Group operates in a single industry. According to the global management nature of the ship management industry, the Group determined each business unit as an operating segment and was disclosed according to their operating types, operating assets and the Group's operating structure. The Group was identified as a single reportable segment.

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The board of directors allocates the profit and assesses performance of the segments based on the financial information used in internal management which is based on each vessel's operating result. The financial information is not different from the consolidated statement of comprehensive income therefore no further segmental information was disclosed.

(2) Geographic information

Revenue from external customers is classified according to the location of customers and non-current assets are classified according to the registry of assets. The Group's geographic information is as follows:

	For the six months ended 30 June	
	2016	2015
Revenue from external customers:		
Japan	\$43,919,545	\$44,664,620
The Netherlands	23,324,240	19,978,091
Singapore	22,301,903	24,415,620
Hong Kong	12,236,684	13,046,000
Denmark	11,992,925	15,358,848
Others	49,900,379	51,789,441
Total	<u>\$163,675,676</u>	<u>\$169,252,620</u>
	30 June 2016	31 December 2015
Non-current assets:		
Panama	\$2,357,314,141	\$2,316,445,541
Hong Kong	111,865,031	114,149,596
Taiwan	2,451,301	2,443,499
Total	<u>\$2,471,630,473</u>	<u>\$2,433,038,636</u>

Note: non-current assets are property, plant and equipment and prepaid expenses-vessel.

(3) Major customers

Individual customers accounting for at least 10% of net sales for the years ended 30 June, 2016 and 2015 were as follows:

	For the six months ended 30 June	
	2016	2015
Customer A:	<u>\$23,324,240</u>	<u>\$19,978,091</u>
Customer B:	<u>\$17,204,180</u>	<u>\$17,996,577</u>