

**WISDOM MARINE LINES CO., LIMITED (CAYMAN)**  
**AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH REPORT OF INDEPENDENT AUDITORS**  
**31 DECEMBER 2014 AND 2013**

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## STATEMENT BY DIRECTORS

This statement specifies the responsibility of the Board of Directors in compiling the Consolidated Financial Report of Wisdom Marine Lines Co., Limited (Cayman) (the "Company") and its subsidiaries (together the "Group").

The financial information has been extracted without material adjustment from the Company's published audited consolidated financial statements for the financial years ended December 31, 2014 and 2013. The Company's financial statements have been prepared and presented in accordance with IFRS issued by the IASB. The opinion on the Company's audited consolidated financial statements for the financial years ended December 31, 2014 and 2013 was not qualified.

In addition to the disclosure of accounting information, a complete consolidated financial report shall include the roles of each segment of the Group and their future development, so that the readers of the Financial Report can fully understand the future development and potential risk of the Group. In respect of the full and complete disclosure of accounting procedures and financial information, the Board has responsibility to review the Company's strategies, important business plans, and risk management policies, to set operational targets, and to monitor the results of operations, in order to comply with relevant regulations, protect company interests, and avoid potential fraud within the Company. We have provided the relevant financial information for every financial report year, and disclosed the consolidated assets, liabilities, financial structure and operating performance in a truthful, fair and objective manner. Our disclosure is based on the principles of consistency and going concern assumption, and we make fair judgments and estimations regarding accruals at the end of each year, in order to prevent erroneous information in the consolidated financial report.

The Board of Directors and management reviewed the consolidated financial report of the Company and its subsidiaries for 2014 and 2013 on February 26, 2015. The consolidated financial report have been prepared in accordance with International Financial Reporting Standards, and give a true and fair view of the consolidated financial position of the Group as at December 31, 2014 and 2013 and the consolidated results and changes in equity of the Group for the years then ended, and there is no fraudulent or concealed information.

The Board of Directors has, on the date of this statement, authorized these financial statements for issue.

Wisdom Marine Lines Co., Limited  
Director

26 February 2015

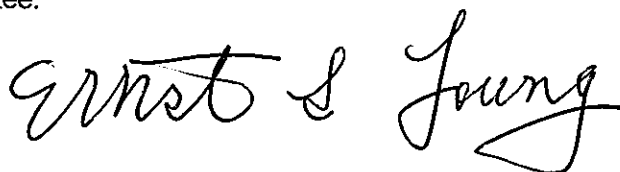
Audit Report of Independent Auditors  
English Translation of a Report Originally Issued in Chinese

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

We have audited the accompanying consolidated balance sheets of Wisdom Marine Lines Co., Limited (Cayman) (the "Company") and its subsidiaries (together the "Group") as of 31 December 2014 and 2013 and the related consolidated statements of comprehensive income for the financial years ended 31 December 2014 and 2013, and the related consolidated statements of changes in equity, and cash flows for the financial years ended 31 December 2014 and 2013. 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 audit.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China and "Guidelines for Certified Public Accountants' Examination and Reports on Financial Statements", which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits and the reports of other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above presented fairly, in all material respects, the financial position of Wisdom Marine Lines Co., Limited (Cayman) and subsidiaries as of 31 December 2014 and 2013 and the results of its operations and its cash flows for the years then ended, in conformity with requirements of International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee and Interpretations developed by the Standing Interpretations Committee.



26 February 2015  
Taipei, Taiwan  
Republic of China

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China 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**  
**31 December, 2014 and 2013**  
**(All Amounts Expressed in US Dollars)**

	Notes	31 December 2014	31 December 2013
<b>ASSETS</b>			
Cash and cash equivalents	6.1	\$15,389,501	\$81,859,833
Financial assets at fair value through profit or loss-current	6.2	226,005	169,739
Held to maturity financial assets -current	6.3 & 8	3,274,000	517,302
Hedge derivatives financial assets— current	6.4	13,444,055	10,558,591
Accounts receivable, net	6.5	5,052,860	5,116,665
Lease receivables	6.11	2,672,555	4,003,474
Other receivables	7	1,062,374	1,963,083
Inventories	6.6	1,813,848	4,551,865
Prepaid expenses		5,396,545	4,741,743
Other financial assets— current	6.1 & 8	21,155,325	18,429,736
Other current assets	7	10,902,923	9,538,379
<b>Total current assets</b>		<b>80,389,991</b>	<b>141,450,410</b>
Financial assets at fair value through profit or loss-noncurrent	6.2	1,783,685	703,523
Held to maturity financial assets-noncurrent	6.3 & 8	3,650,668	7,280,308
Hedge derivative financial assets -noncurrent	6.4	16,384,317	14,517,662
Property and equipment	6.7 & 8	2,077,692,135	1,915,391,090
Deferred income tax assets	6.18	46,282	57,076
Long-term lease receivables	6.11	18,084,608	27,749,573
Other financial assets— noncurrent		2,591,855	4,001,648
Other noncurrent assets— Other	6.8	154,650,379	81,829,526
<b>Total non-current assets</b>		<b>2,274,883,929</b>	<b>2,051,530,406</b>
<b>TOTAL ASSETS</b>		<b>\$2,355,273,920</b>	<b>\$2,192,980,816</b>

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS(CONT'D)**  
**31 December, 2014 and 2013**  
**(All Amounts Expressed in US Dollars)**

	Note	31 December 2014	31 December 2013
<b>LIABILITIES</b>			
Short-term borrowings	6.9	\$28,418,709	\$23,514,708
Financial liabilities at fair value through profit or loss	6.2& 6.10	29,783	1,669,080
-current			
Accounts payable		2,919,849	4,762,079
Accrued expenses		13,346,882	13,874,658
Advance receipts		26,968,687	26,286,878
Other current liabilities — others	7	5,479	2,237,895
		<u>71,689,389</u>	<u>72,345,298</u>
Current portion of corporate bonds payable	6.10	47,590,470	16,897,213
Current portion of long-term borrowings	6.9	136,634,091	112,507,128
Current portion of long-term accounts payable	6.11	8,938,250	7,925,000
Current portion of lease payables	6.11	2,108,928	5,229,783
		<u>195,271,739</u>	<u>142,559,124</u>
<b>Total current liabilities</b>		<u>266,961,128</u>	<u>214,904,422</u>
Financial liabilities at fair value through profit or loss	6.2&6.10	924,074	904,200
-noncurrent			
Corporate bonds payable	6.10	7,974,529	53,322,858
Long-term borrowings	6.9	1,123,615,175	1,116,988,768
Deferred income tax liabilities	6.18	12,179	2,952
Long-term accounts payable	6.11	25,293,000	38,730,500
Long-term lease payables-noncurrent	6.11	14,433,896	16,023,052
Long-term accounts payable-related parties	7	71,568,666	47,187,257
Accrued pension liabilities	6.12	237,628	295,411
Guaranteed deposits		-	1,000,000
<b>Total non-current liabilities</b>		<u>1,244,059,147</u>	<u>1,274,454,998</u>
<b>TOTAL LIABILITIES</b>		<u>1,511,020,275</u>	<u>1,489,359,420</u>
<b>EQUITY</b>			
	6.13&6.10		
Common stock		149,096,462	142,665,042
Capital surplus		89,624,676	117,672,896
Retained earnings		262,763,887	204,485,435
Cumulative translation adjustments		295,891,857	196,260,106
Effective portion of losses on hedging instrument in a cash flow hedge		41,799,123	37,952,452
		<u>839,176,005</u>	<u>699,035,931</u>
Total equity attributable to equity holders of the Company		839,176,005	699,035,931
Non-controlling interest		5,077,640	4,585,465
<b>TOTAL EQUITY</b>		<u>844,253,645</u>	<u>703,621,396</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>\$2,355,273,920</u>	<u>\$2,192,980,816</u>

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

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER, 2014 and 2013**  
**(All Amounts Expressed in US Dollars)**

	Notes	2014	2013
<b>Operating revenues</b>	6.14 & 7	\$298,847,748	\$280,491,874
<b>Operating costs</b>	6.7, 6.12, 6.15 & 7	237,093,868	223,675,025
Gross profit from operations		61,753,880	56,816,849
Operating expenses	6.7, 6.12, 6.15 & 7	4,675,729	4,985,858
Profit from operating activities		57,078,151	51,830,991
Interest income	6.11 & 6.16	2,700,158	2,695,182
Others income and gains	6.7, 6.10, 6.11, 6.16 & 7	32,001,404	10,764,593
Gain on disposal of fixed assets	6.7 & 6.16	321,666	2,778,522
Foreign exchange gain	6.16	9,439,963	10,968,424
Gain on valuation of financial instruments or liabilities at fair value through profit or loss	6.10 & 6.16	2,066,655	1,731,270
Interest expense	6.10, 6.11 & 7	(26,730,772)	(22,843,677)
Other expenses and losses	6.7 & 6.16	(17,353,477)	(7,444,786)
<b>Total other income and losses</b>		2,445,597	(1,350,472)
<b>Profit before income tax</b>		59,523,748	50,480,519
Income tax expense	6.18	17,614	6,577
<b>Profit for the year</b>		59,506,134	50,473,942
<b>Other Comprehensive income:</b>	6.17		
Cumulative translation adjustments		99,631,751	169,831,208
Effective portion of gains on hedging instrument in a cash flow hedge		3,846,671	26,064,930
Defined benefit plan actuarial losses		(15,507)	(72,191)
<b>Other Comprehensive income</b>		103,462,915	195,823,947
<b>Total Comprehensive income</b>		\$162,969,049	\$246,297,889
<b>Profit for the year attributable to:</b>			
— Owners of the Company		\$58,293,959	\$48,474,354
— Non-controlling interests		1,212,175	1,999,588
		\$59,506,134	\$50,473,942
<b>Total Comprehensive income attributable to:</b>			
— Owners of the Company		\$161,756,874	\$244,298,301
— Non-controlling interests		1,212,175	1,999,588
		\$162,969,049	\$246,297,889
<b>Primary Earnings per Share</b>			
— Current	6.19	\$0.13	\$0.11
<b>Diluted Earnings per Share</b>			
— Current	6.19	\$0.11	\$0.11

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

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 31 DECEMBER, 2014 and 2013**  
**(All Amounts Expressed in US Dollars)**

	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
<b>Balance, 1 January 2013</b>	\$123,512,549	\$92,176,096	\$179,037,275	\$26,428,898	\$11,887,522	\$433,042,340	\$3,305,877	\$436,348,217
Appropriations and distributions of 2012 earnings	-	-	(22,954,003)	-	-	(22,954,003)	-	(22,954,003)
Capitalization of capital surplus stock	6,558,286	(6,558,286)	-	-	-	-	-	-
<b>Profit for the year ended 31 December, 2013</b>	-	-	48,474,354	-	-	48,474,354	1,999,588	50,473,942
Other comprehensive income for the year ended 31 December, 2013	-	-	(72,191)	169,831,208	26,064,930	195,823,947	-	195,823,947
Comprehensive income for the year ended 31 December, 2013	-	-	48,402,163	169,831,208	26,064,930	244,298,301	1,999,588	246,297,889
<b>Exercise of convertible bonds</b>	415,587	1,282,180	-	-	-	1,697,767	-	1,697,767
Issue of global depositary shares	12,178,620	26,067,380	-	-	-	38,246,000	-	38,246,000
Issue of convertible bonds	-	4,705,526	-	-	-	4,705,526	-	4,705,526
Non-controlling interest	-	-	-	-	-	-	(720,000)	(720,000)
<b>Balance, 31 December 2013</b>	142,665,042	117,672,896	204,485,435	196,260,106	37,952,452	699,035,931	4,585,465	703,621,396
<b>Capitalization of capital surplus cash</b>	-	(30,159,398)	-	-	-	(30,159,398)	-	(30,159,398)
Capitalization of capital surplus stock	3,769,925	(3,769,925)	-	-	-	-	-	-
<b>Profit for the year ended 31 December, 2014</b>	-	-	58,293,959	-	-	58,293,959	1,212,175	59,506,134
Other comprehensive income for the year ended 31 December, 2014	-	-	(15,507)	99,631,751	3,846,671	103,462,915	-	103,462,915
Comprehensive income for the year ended 31 December, 2014	-	-	58,278,452	99,631,751	3,846,671	161,756,874	1,212,175	162,969,049
<b>Exercise of convertible bonds</b>	2,661,495	5,881,103	-	-	-	8,542,598	-	8,542,598
Non-controlling interest	-	-	-	-	-	-	(720,000)	(720,000)
<b>Balance, 31 December 2014</b>	\$149,096,462	\$89,624,676	\$262,763,887	\$295,891,857	\$41,799,123	\$839,176,005	\$5,077,640	\$844,253,645

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



**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER, 2014 and 2013**  
**(All Amounts Expressed in US Dollars)**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit from continuing operations before tax	\$59,523,748	\$50,480,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expenses	100,724,893	94,066,546
Amortization expenses	24,860	27,593
Bad debt expenses	128,791	203,779
Gain on financial assets or liabilities at fair value through profit or loss	(2,016,800)	1,115,647
Interest expense	26,730,772	22,843,677
Interest income	(2,700,158)	(2,695,182)
Gain on foreign currency exchange on corporate bond payable	(697,256)	(466,086)
Amortization of issuance costs on bond payable	(39,454)	29,223
Gain on disposal of property and equipment	(321,666)	(2,778,522)
Gain on disposal of other assets	-	(622,051)
Effective portion of income on hedging instrument in a cash flow hedge	-	-
Ineffective portion of income on hedging instrument in a cash flow hedge	-	-
Amortization of held to maturity financial assets	356,684	12,726
Charge fee	113	-
Amortization of issuance costs on bonds payable	226,488	(1,290,999)
Issuance costs on global depositary shares	-	(1,066,000)
Other loss (shipwreck loss)	15,767,873	7,187,653
Other items	252,115	-
<b>Change in assets and liabilities</b>		
Decrease (Increase) in accounts receivable	(64,986)	(542,646)
Decrease (Increase) in other receivables	870,932	(1,798,437)
Decrease (Increase) in inventories	2,722,210	(754,919)
Decrease (Increase) in prepaid expenses	(667,368)	242,191
Decrease (Increase) in other current assets	(1,387,037)	(835,673)
Decrease (Increase) in other operating assets	-	-
Increase (Decrease) in financial liabilities at fair value through profit or loss	-	(3,479,529)
Increase (Decrease) in accounts payable	(1,641,978)	1,119,354
Increase (Decrease) in income taxes payables	-	-
Increase (Decrease) in other payables	(1,629,409)	123,631
Increase (Decrease) in advance receipts	681,809	7,467,695
Increase (Decrease) in other current liabilities	(2,232,417)	852,871
Increase (Decrease) in accrued pension liabilities	(87,637)	(65,198)
<b>Cash generated from operating activities</b>	<b>194,525,122</b>	<b>169,377,863</b>
Interest received	2,761,725	2,754,192
Interest paid	(24,204,926)	(22,514,106)
Income taxes paid	(13,532)	(49,119)
<b>Net cash provided by operating activities</b>	<b>173,068,389</b>	<b>149,568,830</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Held-to-maturity financial assets	-	-
Proceeds from disposal of held-to-maturity financial assets	516,258	4,737,912
Proceeds from disposal of hedge derivative financial assets	10,725,691	12,876,199
Acquisition of property, plant and equipment	(12,469,832)	(35,791,923)
Proceeds from disposal of property, plant and equipment	18,140,800	12,935,435
Decrease (Increase) in long-term lease receivable	10,995,884	(4,262,301)
Other noncurrent assets	-	-
Increase in other noncurrent assets (prepaid expenses-vessel)	(369,112,444)	(267,021,261)
Decrease in other financial assets	(1,315,796)	(3,266,885)
<b>Net cash used in investing activities</b>	<b>(342,519,439)</b>	<b>(279,792,824)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in short-term borrowings	4,904,001	(3,661,844)
Increase (Decrease) in long-term borrowings	126,091,811	80,888,099
Repayment of bonds	(7,763,109)	-
Issuance of bonds payable	-	60,000,000
Issuance of global depositary shares	-	39,312,000
Repayment of bonds	-	-
Decrease in guarantee deposits received	(1,000,000)	(1,500,000)
Decrease in lease payables	(2,575,308)	(4,297,999)
The exercise of convertible corporate bonds	-	-
Increase in other finance liabilities	11,957,160	16,359,817
Distribution of cash dividend	(30,159,398)	(22,954,003)
Changes in non-controlling interests	(720,000)	(720,000)
<b>Net cash provided by financing activities</b>	<b>100,735,157</b>	<b>163,426,070</b>
<b>FOREIGN EXCHANGE RATE EFFECTS</b>	<b>2,245,561</b>	<b>19,520,087</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(66,470,332)</b>	<b>52,722,163</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>81,859,833</b>	<b>29,137,670</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$15,389,501</b>	<b>\$81,859,833</b>

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

**WISDOM MARINE LINES CO., LIMITED (CAYMAN)**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER, 2014 AND 2013**  
**(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.

As of 31 December, 2014 and 2013, the Company had 1,953 and 1,862 employees (including 1,824 and 1,744 crewmembers), respectively.

**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 26 February 2015.

**3. Newly issued or revised standards and interpretations**

- (1) Shown below are the standards and interpretations effective for annual reporting from 1 January 2014:

*A. IAS 36 “Impairment of Assets” (Amendment)”*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after 1 January 2014.

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

**B. *IFRIC 21 "Levies"***

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after 1 January 2014.

**C. *IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)***

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after 1 January 2014.

**D. *Improvements to International Financial Reporting Standards (2010-2012 cycle):***

***IFRS 13 "Fair Value Measurement"***

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

**E. *Improvements to International Financial Reporting Standards (2011-2013 cycle):***

***IFRS 1 "First-time Adoption of International Financial Reporting Standards"***

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

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 CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (2) New accounting standards and interpretations that were issued but are not yet effective are as follows:

A. *IAS 19 “Employee Benefits” (Defined benefit plans: employee contributions)*

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after 1 July 2014.

B. *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.

C. *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.

D. *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.

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

**E. 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 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. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The Standard is effective for annual periods beginning on or after 1 January 2017.

**F. 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.

**G. 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.

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**NOTES TO THE 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.

H. *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.

I. *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

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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 amendment is effective for annual periods beginning on or after 1 January 2016.

**J. *Improvements to International Financial Reporting Standards (2010-2012 cycles):***

*IFRS 2 "Share-based Payment"*

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

*IFRS 3 "Business Combinations"*

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

*IFRS 8 "Operating Segments"*

The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

*IAS 16 "Property, Plant and Equipment"*

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

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

*IAS 24 "Related Party Disclosures"*

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

*IAS 38 "Intangible Assets"*

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

**K. *Improvements to International Financial Reporting Standards (2011-2013 cycles):***

*IFRS 3 "Business Combinations"*

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

*IFRS 13 "Fair Value Measurement"*

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. The amendment is effective for annual periods beginning on or after 1 July 2014.

*IAS 40 "Investment Property"*

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after 1 July 2014.



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

**L. *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 CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

M. *IAS 1 "Presentation of Financial Statements" (Amendment):*

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.

N. *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.

The abovementioned standards and interpretations issued by IASB have not yet recognized at the date of issuance of the Group's financial statements, 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, D~E, G, J through to N, 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 CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**4. Summary of significant accounting policies**

**(1) Statement of compliance**

The consolidated financial statements of the Group for the year ended 31 December 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

**(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**

**Preparation principle of consolidated financial statements**

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee

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

- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Investee Company Name	2014.12.31 Ownership Percentage	2013.12.31 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%

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

Investor	Investee Company Name	2014.12.31 Ownership Percentage	2013.12.31 Ownership Percentage
WML	Amis Elegance S.A.	100%	100%
"	Amis Fortune S.A.	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 Marine S.A.	100%	100%
"	Bunun Navigation S.A.	100%	100%
"	Bunun Wisdom S.A.	100%	100%
"	Cosmic Wisdom S.A.	100%	100%
"	Daiwan Champion S.A.	100%	-
"	Daiwan Dolphin S.A.	100%	-
"	Daiwan Elegance S.A.	100%	-
"	Daiwan Fortune S.A.	100%	-
"	Daiwan Glory 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%

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

Investor	Investee Company Name	2014.12.31 Ownership Percentage	2013.12.31 Ownership Percentage
WML	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%
"	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%
"	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%

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

Investor	Investee Company Name	2014.12.31 Ownership Percentage	2013.12.31 Ownership Percentage
WML	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%	-
"	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%
"	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%

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

Investor	Investee Company Name	2014.12.31 Ownership Percentage	2013.12.31 Ownership Percentage
WML	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%

Subsidiaries excluded from consolidation: None.

**(4) Foreign currency transactions**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.



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

**(5) Translation of financial statements in foreign currency**

The assets and liabilities of foreign operations are translated at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

The following partial disposals are accounted for as disposals:

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

**(6) Current and non-current distinction**

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

**(7) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits which mature over three months are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, therefore they are reported as cash and cash equivalents.

**(8) Financial instruments**

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

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: *Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

**(a) Financial assets**

The Group accounts for regular way purchase or sales of financial assets on the trade date. Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

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

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account is reduced directly and the amount of the loss is recognized in profit or loss.

Loss events include:

- i. significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments; or
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv. the disappearance of an active market for that financial asset because of financial difficulties.

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

For loans and receivables, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

(b) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 *Financial Instruments: Recognition and Measurement*.

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

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

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

Gains or losses on the subsequent measurement of liabilities at fair value through profit or losses including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.



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

**(9) Derivative financial instrument**

The Group uses derivative financial instruments to hedge its foreign currency risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

**(10) Fair value measurement**

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

**(11) Inventories**

Inventories are bunker oil and are carried at the lower of cost or net realizable value. The cost of fuel is determined using the “weighted-average” cost method. Net realizable value is the determined based on the estimated selling price in the ordinary course of business, less the estimated selling expenses at the end of the period.

**(12) Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

All major components of the vessels are depreciated on a straight-line basis over the useful life of the assets. Depreciation is based on cost less the estimated residual value. The residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

The dry-docking cost, including acquisition of a new vessel, is separated from the remaining cost of the vessel. These two cost elements are recognized and depreciated separately. For the building of new vessels, the initial dry-docking cost is also segregated and capitalized separately.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
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The Group has a long-term plan for dry-docking of the vessels. Dry-docking cost is capitalized and depreciated until the next planned dry-docking. Other capitalized improvements are depreciated over the estimated economic life.

The carrying values of vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The residual values, useful lives, and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, except for those cases which are of little consequence.

A vessel or item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognized.

Expenditures on the building of new vessels are capitalized as vessels under construction as they are paid. Capitalized value is reclassified from vessel under construction to vessels upon delivery from the dock. The total acquisition cost of a vessel is determined based on the sum of installments paid plus the costs incurred during the construction period. Borrowing costs that are attributable to the construction of the vessels are capitalized as part of the vessel. The interest rate is based on the weighted-average borrowing costs for the Group, limited to the total borrowing costs incurred in the period.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

vessels	8-25 years
vessel equipment	3-5 years
dry-dockings	2-2.5 years
other	3-10 years

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

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**(13) Leases**

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

**(14) Impairment of non-financial assets**

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
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largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

**(15) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

**(16) Revenue recognition**

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

- (a) From freight, on a percentage of completion basis;
- (b) From chartering hire, on a time proportion basis over the lease term;
- (c) From vessel management, in the period in which the vessels are managed in accordance with the respective agreement;

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

- (d) Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer.

**(17) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(18) Post-employment benefits**

**(a) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss during which services are rendered by employees.

**(b) Defined benefit plans**

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

Past service costs are recognized in profit or loss on the earlier of:

- i. the date of the plan amendment or curtailment, and
- ii. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of

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

any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

**(c) Short-term benefits**

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(19) Income taxes**

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
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- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



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

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

In the preparation of consolidated financial statements, a number of estimates and associated assumptions have been made relating to the application of accounting policies and reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are assessed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates resources of the significant risk and the significant adjustment for the financial report's assets or liabilities carry amount in the following year consistent with the annual consolidated financial report for the years ended December 31, 2014 and 2013.

**(a) Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

**(b) Useful lives and depreciation of vessels**

Management determines the estimated useful lives and related depreciation charges for its vessels. This estimate is based on the historical experience of the actual useful lives of vessels of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write down technically obsolete or non-strategic assets that have been abandoned or sold. Management assesses the scrap value according to the characteristics of the Group's vessels and the market research from Clarkson and Demolition Market.

The Group determines the depreciation amount of vessels based on the estimated useful lives and residual values, which are reviewed at each reporting date. The principal assumptions for the Group's estimation of the useful lives and residual values include those related to the mode of operations, government regulations, and scrap value of vessels in future.

**(c) Provision for losses from accidents**

Provision for losses from accidents is made based on an assessment of the outcome of negotiations, arbitration or litigation, and the recoverability of losses from insurance companies, which requires management's judgment and estimates. Where the actual outcome or expectation in the future differs from the original estimate, such differences will have an impact on the carrying amount of the provisions and losses incurred in accidents/write-back in the period in which such estimate is changed.

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

**6. Contents of significant accounts**

**(1) Cash and cash equivalents**

	31 December 2014	31 December 2013
Cash on hand	\$4,483	\$4,191
Check deposits	16	17
Demand deposits	8,223,532	7,256,971
Time deposits	7,161,470	74,598,654
Total	<u>\$15,389,501</u>	<u>\$81,859,833</u>

As of 31 December, 2014 and 2013, cash and cash equivalents with carrying amounts of \$21,155,325 and \$18,429,736 respectively, were pledged to secure bank loans and were classified under other financial assets.

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

	31 December 2014	31 December 2013
Financial assets at fair value through profit or loss		
-Financial assets held for trading-current	<u>\$226,005</u>	<u>\$169,739</u>
-Financial assets held for trading-noncurrent	<u>\$1,783,685</u>	<u>\$703,523</u>
Financial liabilities at fair value through profit or loss		
-Financial liabilities held for trading-current	<u>\$(29,783)</u>	<u>\$(1,669,080)</u>
-Financial liabilities held for trading-noncurrent	<u>\$(924,074)</u>	<u>\$(904,200)</u>

- (a) As at 31 December, 2014 and 2013, the amount of the Group's bonds payable, including embedded derivative instruments—put right were \$953,857 and \$2,434,896, respectively. The bonds payable, including embedded derivative instruments—put right was recognized as financial liabilities held for trading-current/noncurrent. Please refer 6.(10) 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 31 December 2014 and 2013 were as follows:

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

31 December 2014

Derivatives financial instruments	Fair value	Expiration date	Amount	Settlement
Financial assets held for trading-current				
Forward contracts	\$44,730	2014/11~2015/01	\$1,870,350	€1,500,000
Forward contracts	43,965	2014/11~2015/02	\$1,870,050	€1,500,000
Forward contracts	43,845	2014/11~2015/03	\$1,870,350	€1,500,000
Forward contracts	46,755	2014/11~2015/04	\$1,873,800	€1,500,000
Forward contracts	46,710	2014/11~2015/05	\$1,874,250	€1,500,000
Total	<u>\$226,005</u>			

Financial assets held for trading-noncurrent

Forward contracts	\$492,066	2013/10~2016/07	\$2,500,000	¥237,500,000
Forward contracts	464,160	2013/10~2017/02	\$2,500,000	¥234,600,000
Forward contracts	413,064	2013/06~2016/01	\$2,090,000	¥197,233,300
Forward contracts	414,395	2013/06~2016/03	\$2,090,000	¥197,484,100
Total	<u>\$1,783,685</u>			

31 December 2013

Derivatives financial instruments	Fair value	Expiration date	Amount	Settlement
Financial assets held for trading-current				
Forward contracts	\$17,044	2012/09~2014/01	\$64,616	¥5,000,000
Forward contracts	17,032	2012/09~2014/02	\$64,616	¥5,000,000
Forward contracts	17,020	2012/09~2014/03	\$64,616	¥5,000,000
Forward contracts	17,005	2012/09~2014/04	\$64,616	¥5,000,000
Forward contracts	16,990	2012/09~2014/05	\$64,616	¥5,000,000
Forward contracts	16,973	2012/09~2014/06	\$64,616	¥5,000,000
Forward contracts	16,952	2012/09~2014/07	\$64,616	¥5,000,000
Forward contracts	16,932	2012/09~2014/08	\$64,616	¥5,000,000
Forward contracts	16,907	2012/09~2014/09	\$64,616	¥5,000,000
Forward contracts	16,884	2012/09~2014/10	\$64,616	¥5,000,000
Total	<u>\$169,739</u>			

Financial assets held for trading-noncurrent

Forward contracts	209,431	2013/10~2016/07	\$2,500,000	¥237,500,000
Forward contracts	150,941	2013/10~2017/02	\$2,500,000	¥234,600,000
Forward contracts	167,246	2013/06~2016/01	\$2,090,000	¥197,233,300
Forward contracts	175,905	2013/06~2016/03	\$2,090,000	¥197,484,100
Total	<u>\$703,523</u>			

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

31 December 2013

Derivatives financial instruments	Fair value	Expiration date	Amount	Settlement
Financial liabilities held for trading-current				
Forward contracts	\$(54,389)	2013/12~2014/01	¥434,784,000	\$4,200,000
Forward contracts	(8,125)	2013/12~2014/01	¥55,000,000	\$533,721
Forward contracts	(19,881)	2013/12~2014/01	¥112,000,000	\$1,086,957
Forward contracts	(34,200)	2013/12~2014/01	¥200,000,000	\$1,941,653
Forward contracts	(21,789)	2013/12~2014/03	¥127,500,000	\$1,238,068
Total	<u>\$(138,384)</u>			

**(3) Held-to-maturity financial assets**

	31 December 2014	31 December 2013
Held-to-maturity financial assets		
Current	<u>\$3,274,000</u>	<u>\$517,302</u>
Non-current	<u>\$3,650,668</u>	<u>\$7,280,308</u>

- a. As of 31 December, 2014 and 2013, the held-to-maturity financial assets had maturities during the period from October 2015 to February 2018 and from September 2014 to February 2018.
- b. As of 31 December, 2014 and 2013, financial assets with the carrying amounts of \$6,924,668 and \$5,496,508, respectively, were pledged for bank loans.

**(4) Derivatives as hedging instruments**

	31 December 2014	31 December 2013
Derivative financial assets(liabilities) for hedging		
Cash flow hedge - forward contracts		
Current	<u>\$13,444,055</u>	<u>\$10,558,591</u>
Non-current	<u>\$16,384,317</u>	<u>\$14,517,662</u>

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.

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Hedge accounting was applied to these forward contracts. The non-deliverable forward contracts on 31 December, 2014 and 2013 were as follows:

31 December 2014

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	\$2,725,310	2014/05~2015/01	2014/05~2015/01	\$17,880,000	¥1,814,641,200
Forward contracts	4,543,533	2012/10~2015/03	2012/10~2015/03	\$12,600,000	¥963,018,000
Forward contracts	4,552,384	2012/10~2015/05	2012/10~2015/05	\$12,600,000	¥961,254,000
Forward contracts	793,196	2013/01~2015/11	2013/01~2015/11	\$3,000,000	¥263,130,000
Forward contracts	80,934	2014/11~2015/04	2014/11~2015/04	\$4,146,000	¥484,169,880
Forward contracts	255,220	2014/11~2015/05	2014/11~2015/05	\$12,870,000	¥1,501,929,000
Forward contracts	97,187	2014/11~2015/01	2014/11~2015/01	\$4,146,000	¥484,501,560
Forward contracts	52,796	2014/11~2015/03	2014/11~2015/03	\$2,650,000	¥309,308,000
Forward contracts	343,495	2014/11~2015/06	2014/11~2015/06	\$17,550,000	¥2,045,979,000
Total	<u>\$13,444,055</u>				
Derivative financial assets(liabilities) for hedging -noncurrent					
Forward contracts	\$3,500,304	2013/10~2016/09	2013/10~2016/09	\$17,500,000	¥1,657,075,000
Forward contracts	3,246,607	2013/10~2017/03	2013/10~2017/03	\$17,500,000	¥1,640,450,000
Forward contracts	2,478,383	2013/06~2016/01	2013/06~2016/01	\$12,540,000	¥1,183,399,800
Forward contracts	2,486,372	2013/06~2016/03	2013/06~2016/03	\$12,540,000	¥1,184,904,600
Forward contracts	4,672,651	2013/01~2016/01	2013/01~2016/01	\$18,000,000	¥1,569,960,000
Total	<u>\$16,384,317</u>				

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

31 December 2013

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	\$3,345,467	2012/10~2014/06	2012/10~2014/06	\$12,600,000	¥969,444,000
Forward contracts	3,354,438	2012/10~2014/08	2012/10~2014/08	\$12,600,000	¥967,680,000
Forward contracts	3,858,686	2012/03~2014/10	2012/03~2014/10	\$16,500,000	¥1,324,455,000
Total	<u>\$10,558,591</u>				
Derivative financial assets(liabilities) for hedging -noncurrent					
Forward contracts	\$3,393,676	2012/10~2015/03	2012/10~2015/03	\$12,600,000	¥963,018,000
Forward contracts	3,405,878	2012/10~2015/05	2012/10~2015/05	\$12,600,000	¥961,254,000
Forward contracts	479,143	2013/01~2015/11	2013/01~2015/11	\$3,000,000	¥263,130,000
Forward contracts	1,003,479	2013/06~2016/01	2013/06~2016/01	\$12,540,000	¥1,183,399,800
Forward contracts	2,542,443	2013/01~2016/01	2013/01~2016/01	\$18,000,000	¥1,569,960,000
Forward contracts	1,055,428	2013/06~2016/03	2013/06~2016/03	\$12,540,000	¥1,184,904,600
Forward contracts	1,586,497	2013/10~2016/09	2013/10~2016/09	\$17,500,000	¥1,657,075,000
Forward contracts	1,051,118	2013/10~2017/03	2013/10~2017/03	\$17,500,000	¥1,640,450,000
Total	<u>\$14,517,662</u>				

**(5) Accounts receivable, net**

	31 December 2014	31 December 2013
Accounts receivable	\$5,052,860	\$5,320,444
Less: allowance for doubtful debts	-	(203,779)
Net accounts receivable	<u>\$5,052,860</u>	<u>\$5,116,665</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.

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

**(6) Inventories**

	<u>31 December 2014</u>	<u>31 December 2013</u>
Fuel	\$1,813,848	\$4,551,865
Less: allowance for inventory valuation losses	-	-
Net amount	<u>\$1,813,848</u>	<u>\$4,551,865</u>

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

**(7) Property and equipment**

	Beginning			Re -	Foreign	
31 December 2014	balance	Addition	Disposal	classification	exchange rate	Ending balance
					effects	
Cost						
Vessel	\$2,166,125,175	\$2,363,987	\$57,001,898	\$283,243,809	\$-	\$2,394,731,073
Vessel equipment	7,286,797	3,523,810	113,009	-	-	10,697,598
Dry-dock	16,128,097	6,241,510	8,431,400	1,390,000	-	15,328,207
Transportation equipment	184,533	-	-	-	(10,757)	173,776
Office equipment	182,946	30,245	-	-	(10,664)	202,527
Leased assets	41,264,296	310,280	261,935	-	-	41,312,641
Leasehold improvements	90,749	-	-	-	(5,291)	85,458
Total	<u>2,231,262,593</u>	<u>12,469,832</u>	<u>65,808,242</u>	<u>284,633,809</u>	<u>(26,712)</u>	<u>2,462,531,280</u>
Accumulated depreciation						
Vessel	298,565,702	89,095,105	24,027,796	-	-	363,633,011
Vessel equipment	1,719,940	1,976,301	113,009	-	-	3,583,232
Dry-dock	7,086,173	7,573,217	7,334,703	-	-	7,324,687
Transportation equipment	124,187	30,247	-	-	(8,524)	145,910
Office equipment	140,623	17,641	-	-	(8,947)	149,317
Leased assets	8,201,753	2,022,821	261,935	-	-	9,962,639
Leasehold improvements	33,125	9,561	-	-	(2,337)	40,349
Total	<u>315,871,503</u>	<u>100,724,893</u>	<u>31,737,443</u>	<u>-</u>	<u>(19,808)</u>	<u>384,839,145</u>
Net Balance	<u>\$1,915,391,090</u>	<u>\$(88,255,061)</u>	<u>\$34,070,799</u>	<u>\$284,633,809</u>	<u>\$(6,904)</u>	<u>\$2,077,692,135</u>

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

31 December 2013	Beginning balance	Addition	Disposal	Re - classification	Foreign exchange rate effects	Ending balance
<b>Cost</b>						
Vessel	\$1,881,945,721	\$23,448,566	\$23,812,964	\$284,543,852	\$-	\$2,166,125,175
Vessel equipment	4,097,979	4,221,072	1,032,254	-	-	7,286,797
Dry-dock	12,578,268	7,422,336	5,772,507	1,900,000	-	16,128,097
Transportation equipment	189,394	-	-	-	(4,861)	184,533
Office equipment	182,566	5,066	-	-	(4,686)	182,946
Leased assets	53,352,370	688,492	12,776,566	-	-	41,264,296
Leasehold improvements	86,580	6,391	-	-	(2,222)	90,749
<b>Total</b>	<b>1,952,432,878</b>	<b>35,791,923</b>	<b>43,394,291</b>	<b>286,443,852</b>	<b>(11,769)</b>	<b>2,231,262,593</b>
<b>Accumulated depreciation</b>						
Vessel	225,669,926	82,414,200	9,518,424	-	-	298,565,702
Vessel equipment	936,510	1,313,464	530,034	-	-	1,719,940
Dry-dock	5,651,096	6,882,946	5,447,869	-	-	7,086,173
Transportation equipment	95,893	30,876	-	-	(2,582)	124,187
Office equipment	120,843	22,971	-	-	(3,191)	140,623
Leased assets	9,756,938	3,392,420	4,947,605	-	-	8,201,753
Leasehold improvements	24,112	9,669	-	-	(656)	33,125
<b>Total</b>	<b>242,255,318</b>	<b>94,066,546</b>	<b>20,443,932</b>	<b>-</b>	<b>(6,429)</b>	<b>315,871,503</b>
<b>Net Balance</b>	<b>\$1,710,177,560</b>	<b>(58,274,623)</b>	<b>\$22,950,359</b>	<b>\$286,443,852</b>	<b>\$(5,340)</b>	<b>\$1,915,391,090</b>

(a) For the years ended 31 December, 2014 and 2013, the Group had amortization expenses as follows:

	2014	2013
Operating Cost	\$100,667,444	\$94,003,030
Operating Expenses	57,449	63,516



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

- (b) As of 31 December, 2014 and 2013, the residual value of the vessels amounted to \$258,033 thousand and \$229,763 thousand, respectively, and the estimated useful lives were both ranging from 8 to 25 years.
  
- (c) As of 31 December, 2014 and 2013, the Group had agreed to assign the chartering income of some vessels as security for loan repayment.
  
- (d) As of 31 December, 2014 and 2013, 85 and 82 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 values of these vessels were \$2,060,565 thousand and \$1,911,155 thousand, respectively.
  
- (e) As of 31 December 2014 and 2013, the Group has entered into certain shipbuilding contracts. Refer to Note 9.(a) for further details.
  
- (f) As of 31 December 2014 and 2013, the vessels of the Group were insured for \$2,283,500 thousand and \$2,079,300 thousand, respectively.
  
- (g) For the years ended 31 December 2014 and 2013, the Group disposed of certain vessels for \$18,140,800 and \$12,935,435, which resulted in a gain on disposal of property and equipment of \$321,666 and \$2,778,522, respectively.
  
- (h) As of 31 December 2014 and 2013, the Group reduced vessel equipment in the amount of ¥1,561,715,268 and ¥693,648,035, and the loss of other assets in book value recognized a loss of \$15,767,873 and \$7,187,653 which was charged to profit or loss under other expenses and losses, respectively. The Group has insured 128% and 110% of the vessel's carrying amount and as of 31 December 2014, received the insurance claim payment of \$20,000 thousand and \$9,000 thousand in full which was also charged to profit or loss under income and gains.
  
- (i) As of 31 December, 2014 and 2013, the amounts of total interest expense before capitalization of borrowing costs were \$26,867,018 and \$23,030,170; the capitalization of interest were \$136,246 and \$186,493, and the capitalization of interest will be paid annually at a rate of 1.91~3.42% and 1.05~2.85%, respectively.

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

**(8) Other noncurrent assets — Other**

	31 December 2014	31 December 2013
Prepayment for vessels	\$154,627,082	\$81,784,239
Deferred expenses	23,297	45,287
Total	<u>\$154,650,379</u>	<u>\$81,829,526</u>

**(9) Interest-bearing loans and borrowings**

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

	31 December 2014	31 December 2013
Bank loans — Short-term borrowings	<u>\$28,418,709</u>	<u>\$23,514,708</u>
Long-term borrowings (including current portion)	<u>\$1,260,249,266</u>	<u>\$1,229,495,896</u>

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

Loans	Currency	Nominal interest rate	Year of maturity	Amount
<b>31 December 2014</b>				
Unsecured	USD	1.30%~3.35%	2013.09.03~2016.12.19	\$24,133,333
	JPY	0.96%~1.34%	2014.08.19~2016.08.31	10,107,006
Secured	USD	0.55%~3.30%	2009.02.20~2026.06.30	518,226,145
	JPY	0.47%~3.27%	2005.12.12~2025.10.21	736,201,491
Total				<u>\$1,288,667,975</u>

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

<b>Loans</b>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>Amount</b>
<b>31 December 2013</b>				
Unsecured	USD	1.40%~2.20%	2010.06.17~2014.12.14	\$21,966,667
	JPY	0.98%~2.10%	2012.05.02~2014.08.31	9,773,290
Secured	USD	0.56%~2.85%	2009.02.20~2021.12.17	397,558,180
	JPY	0.50%~3.20%	2005.12.12~2025.10.21	823,712,467
Total				<u>\$1,253,010,604</u>

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

<b>Maturity Period</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Within one year	\$136,634,091	\$112,507,128
Beyond one year and up to five years	549,295,732	530,784,159
More than five years	574,319,443	586,204,609
Total	<u>\$1,260,249,266</u>	<u>\$1,229,495,896</u>

- (a) As of 31 December 2014 and 2013, WML had provided financing guarantees for its subsidiaries of \$1,105,865 thousand and \$1,130,003 thousand, respectively.
- (b) As of 31 December 2014 and 2013, the Group had unused credit facilities of \$113,754 thousand and \$85,395 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 of 31 December 2014 and 2013, WML and the Company had provided financial guarantees for the Company's subsidiaries. Please refer to Note 9.(c) for further details.

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
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**(10) Bonds Payable**

	31 December 2014	31 December 2013
Domestic convertible bonds	\$55,564,999	\$70,220,071
Less: current portion	47,590,470	16,897,213
Net	<u>\$7,974,529</u>	<u>\$53,322,858</u>

(a) The Group's overseas unsecured convertible bonds were as follows:

	31 December 2014	31 December 2013
First overseas unsecured convertible bonds issued in 2012		
Convertible bonds issued	\$20,387,360	\$20,387,360
Discounted on bonds payable	(431,035)	(1,172,343)
Accumulated converted amount	(3,382,336)	(2,098,568)
Accumulated redeemed amount	(7,682,967)	-
Valuation on bonds payable	<u>(916,493)</u>	<u>(219,236)</u>
Net	7,974,529	16,897,213
Less: Current portion of bonds payable	<u>-</u>	<u>(16,897,213)</u>
Subtotal	<u>7,974,529</u>	<u>-</u>
First overseas unsecured convertible bonds issued in 2013		
Convertible bonds issued	60,000,000	60,000,000
Discounted on bonds payable	(4,659,530)	(6,677,142)
Accumulated converted amount	<u>(7,750,000)</u>	<u>-</u>
Net	47,590,470	53,322,858
Less: Current portion of bonds payable	<u>(47,590,470)</u>	<u>-</u>
Subtotal	<u>-</u>	<u>53,322,858</u>
Total	<u>\$7,974,529</u>	<u>\$53,322,858</u>

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

	31 December 2014	31 December 2013
Embedded derivative instruments—put right, accounted under financial liabilities at fair value through profit or loss	<u>\$953,857</u>	<u>\$2,434,896</u>
Equity components—Capital surplus, accounted under capital surplus	<u>\$4,097,729</u>	<u>\$4,705,526</u>
Liability components—Financial liabilities reported at fair value through profit or loss	<u>\$(741,989)</u>	<u>\$(307,811)</u>
Interest expense	<u>\$2,455,072</u>	<u>\$632,913</u>

(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\$264,200 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.

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

Item	First overseas unsecured convertible bonds issued in 2012
9. Conversion	<p>(1) 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>(2) 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>

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\$52,250 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>

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

Item	First overseas unsecured convertible bonds issued in 2013
	(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.
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.</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>
	<p>(c) The bondholders exercised the right to repurchase within the period of repurchase (from 27 February 2014 to 29 March 2014) the first overseas unsecured convertible bonds issued by the Group in 2012 according to the issuance prospectus. The bondholders requested that the consolidated company redeem the convertible bonds at 101% face value, which amounts to NT\$234,100 thousands (US\$7,682,967). The Group recognized gain from redemption of corporate bonds in the amount of NT\$1,303 thousands (US\$39,454, under other income item) after deducting from the redemption price the book values of the corporate bond and the liabilities of conversion rights. The book value of the first overseas unsecured convertible bonds issued by the Group in 2012, less the accumulated conversion and accumulated reserve for redemption has been reclassified to non-current liabilities after the expiration of resale period.</p>

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

**(11) Leases**

**A. Lessors**

**(a) Finance leases**

(i) Future lease receivable under financing lease as of 31 December, 2014 and 2013:

	31 December 2014	
	Minimum Lease	
	Receivable	Interest income
Within one year	\$2,672,555	\$1,315,070
Beyond one year and up to five years	18,084,608	3,220,717
Total	<u>\$20,757,163</u>	<u>\$4,535,787</u>

	31 December 2013	
	Minimum Lease	
	Receivable	Interest income
Within one year	\$4,003,474	\$2,055,043
Beyond one year and up to five years	16,765,861	4,825,645
More than five years	10,983,712	576,120
Total	<u>\$31,753,047</u>	<u>\$7,456,808</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 December 2019.

**(b) Chartering**

(i) Future hiring receivables as of 31 December, 2014 and 2013 were as follows:

	31 December 2014	31 December 2013
Within one year	\$244,975,080	\$230,144,276
Beyond one year and up to five years	681,178,947	553,764,645
More than five years	529,140,215	452,427,400
Total	<u>\$1,455,294,242</u>	<u>\$1,236,336,321</u>

(ii) Due to early termination of contract by a lessee, the Group in 4 March 2014 and 18 December 2014 recognized compensation of \$7,975,800 and ¥450,000,000, and has been recovered in full, booked as other revenue.



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

**(a) Finance leases**

- (i) Future non-cancellable lease payments under financing lease as of 31 December, 2014 and 2013:

	31 December 2014		31 December 2013	
	Minimum Lease Payment	Interest expense	Minimum Lease Payment	Interest expense
Within one year	\$2,108,928	\$503,950	\$5,229,783	\$608,180
Beyond one year and up to five years	14,433,896	638,472	16,023,052	1,250,330
Total	<u>\$16,542,824</u>	<u>\$1,142,422</u>	<u>\$21,252,835</u>	<u>\$1,858,510</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.

**(b) Bareboat Hire and Purchase (BBHP)**

- (i) For the year ended 31 December, 2014, 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	5 years from 2010.01	<u>\$278,250/quarter</u>	<u>\$7,950,000</u>	3m Libor + 1.65%
B	5 years from 2010.09	<u>\$300,000/quarter</u>	<u>\$7,500,000</u>	"
C	5 years from 2012.04	<u>\$276,000/quarter</u>	<u>\$6,900,000</u>	"
D	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%)
E	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%)

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

- (ii) Future non-cancellable chartering payments as of 31 December, 2014 and 2013 were as follows:

	31 December 2014	31 December 2013
Within one year	\$8,938,250	\$7,925,000
Beyond one year and up to five years	17,293,000	24,096,500
More than five years	-	6,634,000
Total	<u>\$26,231,250</u>	<u>\$38,655,500</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 of 31 December, 2014 and 2013, the Group has issued promissory notes of \$30,721,000 and \$45,777,000, respectively, for these lease agreements.
- (v) For the year ended December 31, 2013, the Group had recognized a loss of \$511,223 on disposal of fixed assets due to the termination of financing lease contract resulting from the lessor's disposal of leased vessel. Not applicable for the year ended December 31, 2014.

**(12)Employee benefits**

Retirement benefits

- (a) WELL and WII have a defined benefit retirement 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 for the first 15 years and one unit thereafter for each year of service. However, the total units shall not exceed 45. 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.
- (b) WELL and WII also 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.

(c)Information on pension liabilities

	31 December 2014	31 December 2013
Pension fund status	<u>\$34,827</u>	<u>\$48,367</u>
Contribution to defined benefit plan	<u>\$20,835</u>	<u>\$82,913</u>
Contribution to defined contribution plan	<u>\$154,992</u>	<u>\$137,111</u>
Accrued pension liability	<u>\$237,628</u>	<u>\$295,411</u>

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

**(13) 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 of 31 December, 2014 and 2013, the total outstanding capital of the Company amounted to NT\$4,705,131 thousand and NT\$4,511,092 thousand, consisting of 470,513 thousand and 451,109 thousand shares with a par value of NT \$10 per share.

- (b) On 27 June 2014, the shareholders resolved at their meeting to distribute the 2013 capital surplus as cash at NT\$2.00 per share and increase capital by capitalizing its capital surplus of NT\$ 112,777 thousand, comprising 11,278 thousand shares with a par value of NT\$10. The record date of this capital increase was 2 August 2014.
- (c) For the year ended 31 December, 2014, convertible bonds were converted into common stock and capital surplus of \$2,661,495 and \$5,881,103, respectively.
- (d) For the purpose of raising future working capital, the Company's shareholders had approved the offering and the issuance of Global Depositary Receipts (GDRs) during the extraordinary shareholders' meeting on 22 March 2013. The offering was approved by the Financial Supervisory Commission, Executive Yuan on 15 May 2013. The pricing date was 4 November 2013, and the offer price was \$5.46 per GDR with each GDR represents 5 common shares. On 12 November 2013, the Company issued 7,200 thousand GDRs, representing 36,000 thousand common shares, on the main market through the International Order Book of London Stock Exchange.

As of 31 December, 2014, the Company has listed, in total, 0 unit of GDR on the main market through the International Order Book of London Stock Exchange. Major terms and conditions for GDRs were as follows:

**(i) Voting rights**

Holders of GDRs may exercise voting rights with respect to the common shares in the manner set out in "Terms and Conditions of the Global Depositary Shares—Voting Rights," as such provisions may be amended from time to time to comply with applicable ROC law.

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

(ii) Dividend distribution, pre-emptive rights, and other rights

Holders of GDRs have the same rights on dividend distribution and share distribution as the Company's existing common shareholders.

**B. Capital Surplus**

The components of the capital surplus were as follows:

	31 December 2014	31 December 2013
From issuance of share capital	\$85,412,522	\$112,852,945
Employee share options	114,425	114,425
Stock option from convertible bonds	4,097,729	4,705,526
Total	<u>\$89,624,676</u>	<u>\$117,672,896</u>

**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 June 2014 and 21 June 2013, the Company's shareholders resolved at the shareholder's meeting to appropriate the 2013 and 2012 earnings, respectively. These earnings were distributed as dividends and remuneration to directors and supervisors as follows:

Item	Unit: NTD For the Years Ended 31 December	
	2013	2012
Cash dividends-per share	\$-	\$1.75
Capital surplus Cash -per share	\$2.00	\$-
Capital surplus Stock -per share	\$0.25	\$0.5

**WISDOM MARINE LINES CO., LIMITED (CAYMAN) AND ITS SUBSIDIARIES**  
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Item	For the Years Ended 31 December	
	2013	2012
Directors' and supervisors' remuneration	\$255,400	\$320,306

(c) The differences between the actual appropriations of 2013 and 2012 earnings for directors and supervisors' remunerations as approved at the shareholders' meeting and the amounts recognized in the financial statements were as follows:

	2013		
	The actual appropriation according to the shareholders meeting	The amount recognized in the financial report	Difference
Directors' and supervisors' remuneration	\$255,400	\$262,078	\$(6,678)

	2012		
	The actual appropriation according to the shareholders meeting	The amount recognized in the financial report	Difference
Directors' and supervisors' remuneration	\$320,306	\$316,165	\$4,141

The above-mentioned difference for the years ended 31 December 2013 and 2012 was accounted for as a change in accounting estimates and was charged to profit or loss for the years ended 31 December, 2014 and 2013. Management is expecting that the difference for the year ended 31 December 2013 will be treated as a change in accounting estimates and will be charged to profit or loss for the years ended 31 December 2014 and 2013.

Directors' and supervisors' remuneration amounted to \$275,259 and \$262,078 for the years ended 31 December, 2014 and 2013, respectively. These amounts were calculated based on the Company's net profit for the years ended 31 December, 2014 and 2013, 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 operating expenses during the years ended 31 December, 2014 and 2013.

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

**(14) Operating revenues**

	For the Years Ended 31 December	
	2014	2013
Hire revenue	\$269,464,026	\$247,492,090
Freight revenue	19,694,522	23,202,691
Vessel management revenue	4,299,915	3,446,775
Other operating revenue	5,389,285	6,350,318
Total	<u>\$298,847,748</u>	<u>\$280,491,874</u>

**(15) Operating costs**

	For the Years Ended 31 December	
	2014	2013
Depreciation expense	\$100,667,444	\$94,003,030
Cost of materials	43,086,632	46,908,635
Expenses for chartering services	15,126,627	12,079,057
Wages and personnel expenses	68,221,173	63,254,910
Other operating costs	9,991,992	7,429,393
Total	<u>\$237,093,868</u>	<u>\$223,675,025</u>

**(a) Cost of materials**

	For the Years Ended 31 December	
	2014	2013
Fuel oil	\$12,762,509	\$16,333,352
Lubricants	8,662,134	8,745,138
Materials	4,965,043	5,054,100
Spare parts	6,030,609	5,794,372
Survey fees	3,345,780	3,452,035
Repairs and maintenance	1,898,035	2,249,888
Postage and international communication	1,861,781	1,747,232
Paints	857,384	922,473
Other	2,703,357	2,610,045
Total	<u>\$43,086,632</u>	<u>\$46,908,635</u>

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

(b) Expenses for chartering services

	For the Years Ended 31 December	
	2014	2013
Commissions	\$8,923,800	\$7,437,127
Expenses at ports	2,237,054	2,852,017
Agency costs	553,402	671,211
Chartering expenses	3,070,289	746,025
Dispatch expenses	342,082	372,677
Total	<u>\$15,126,627</u>	<u>\$12,079,057</u>

(c) Wages and personnel expenses

	For the Years Ended 31 December	
	2014	2013
Crew wages	\$51,215,893	\$48,169,502
Insurance fees	7,321,635	6,024,755
Food and meals	4,593,197	4,397,849
Crew travel fees	3,603,201	3,420,078
Bonus	1,380,143	1,143,170
Pension cost	107,104	99,556
Total	<u>\$68,221,173</u>	<u>\$63,254,910</u>

(d) Other operating costs

	For the Years Ended 31 December	
	2014	2013
Hull and machinery insurance	\$7,843,450	\$5,589,705
Compensation	1,096,941	867,342
Lease payments	320,732	353,973
Other	730,869	618,373
Total	<u>\$9,991,992</u>	<u>\$7,429,393</u>

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

- (e) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended 31 December 2014 and 2013:

	For the years ended 31 December					
	2014			2013		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$52,596,036	\$1,664,436	\$54,260,472	\$49,312,672	\$1,568,537	\$50,881,209
Insurance expenses	7,321,635	108,532	7,430,167	6,024,755	89,336	6,114,091
Pension	107,104	68,723	175,827	167,420	52,604	220,024
Other employee benefits expense	4,596,101	51,810	4,647,911	4,400,026	50,621	4,450,647
Depreciation	100,667,444	57,449	100,724,893	94,003,030	63,515	94,066,545
Amortization	-	24,860	24,860	-	27,593	27,593

**(16) Other income and losses**

(a) Other income

	For the years ended 31 December	
	2014	2013
Interest income	\$2,700,158	\$2,695,182
Insurance claim income	20,000,000	9,000,000
Other income-Others	12,001,404	1,764,593
Total	<u>\$34,701,562</u>	<u>\$13,459,775</u>

(b) Other gains and losses

	For the years ended 31 December	
	2014	2013
Gains on disposal of property, plant and equipment	\$321,666	\$2,778,522
Foreign exchange losses (gains), net	9,439,963	10,968,424
Gains (losses) on financial assets / financial liabilities at fair value through profit or loss	2,066,655	1,731,270
Shipwreck loss	(15,767,873)	(7,187,653)
Other expenses	(1,585,604)	(257,133)
Total	<u>\$(5,525,193)</u>	<u>\$8,033,430</u>



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

**(17) Components of other comprehensive income**

	Foreign exchange differences arising from foreign operation	Cash flow hedge
Balance, 1 January 2014	\$196,260,106	\$37,952,452
Foreign exchange differences (tax effect \$0)		
The Group	99,631,751	-
Cash flow hedge, effective portion (tax effect \$0)		
The Group	-	3,846,671
Balance, 31 December 2014	\$295,891,857	\$41,799,123

	Foreign exchange differences arising from foreign operation	Cash flow hedge
Balance, 1 January 2013	\$26,428,898	\$11,887,522
Foreign exchange differences (net of taxes)		
The Group	169,831,208	-
Cash flow hedge, effective portion (net of taxes)		
The Group	-	26,064,930
Balance, 31 December 2013	\$196,260,106	\$37,952,452

**(18) 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.

B. For the years ended 31 December, 2014 and 2013, the components of income tax expenses (benefits) of WELL and WII were as follows:

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

	For the years ended 31	
	December	
	2014	2013
Current income tax expense (income):		
Current income tax charge	\$-	\$20,710
Deferred tax expense (income)	17,614	(14,133)
Total income tax expense (income)	<u>\$17,614</u>	<u>\$6,577</u>

The effective income tax rate for WELL and WII is 17%. These two companies are also subject to the "Income Basic Tax Act" for purposes of calculating their basic income tax for the years ended December 31, 2014 and 2013.

	For the years ended 31	
	December	
	2014	2013
Tax at the domestic rates applicable to profits in the country concerned	\$ (15,604)	\$22,522
Tax effect of revenues exempt from taxation and expenses not deductible for tax purposes	15,732	(9,680)
Tax effect of deferred tax assets/liabilities	16,551	(5,146)
Adjustments of other income tax	935	(1,119)
Total income tax expense (income) recognized in profit or loss	<u>\$17,614</u>	<u>\$6,577</u>

Deferred tax assets (liabilities) relate to the following:

(a) Unrecognized deferred tax assets

Unrecognized deferred tax assets of the Group are as follows:

	31 December 2014	31 December 2013
Deductible temporary difference		
Tax loss	<u>\$146,781</u>	<u>\$54,272</u>

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

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

The Group's estimated unused tax effects of the loss carry-forwards as of 31 December 2014:

Year	Unused Amount	Expiration Year
2011	\$9,910	2021
2012	11,996	2022
2014	124,875	2024
	<u>\$146,781</u>	

(b) Recognized deferred tax assets

For the years ended 31 December, 2014 and 2013, changes in deferred tax assets and liabilities are as follows:

	Defined benefit plans	Other	Total
Deferred tax assets (liabilities):			
Balance, 1 <sup>st</sup> January 2014	\$40,438	\$13,686	\$54,124
Debit(Credit) in income statement	2,420	(20,034)	(17,614)
Exchange rate effects	(2,461)	54	(2,407)
Balance, 31 December 2014	<u>\$40,397</u>	<u>\$(6,294)</u>	<u>\$34,103</u>
Balance, 1 <sup>st</sup> January 2013	\$35,951	\$5,149	\$41,100
Debit(Credit) in income statement	5,430	8,703	14,133
Exchange rate effects	(943)	(166)	(1,109)
Balance, 31 December 2013	<u>\$40,438</u>	<u>\$13,686</u>	<u>\$54,124</u>

(c) The assessment of income tax returns

As of 31 December 2014, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
Wisdom Marine International Inc. (WII)	Assessed and approved up to 2012
Well Shipmanagement and Maritime Consultant Co., Ltd.(WELL)	Assessed and approved up to 2012

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

**(19) 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.

	2014	2013
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders	\$58,293,959	\$48,474,354
Weighted-average number of ordinary shares	464,218,834	429,835,353
	\$0.13	\$0.11
 <b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders(diluted)	\$58,293,959	\$48,474,354
Interest expenses on convertible notes, net of tax	2,455,072	632,913
Foreign exchange Gain	(697,256)	(466,087)
Amortization of deferred issuance costs	226,488	29,223
Gain on valuation on convertible notes, net of tax	(741,989)	(307,811)
Profit attributable to ordinary shareholders (diluted)	\$59,536,274	\$48,362,592
Weighted average number of ordinary shares(diluted)	464,218,834	429,835,353
Effect of conversion of convertible notes	61,213,884	21,648,979
Weight average number of ordinary shares (diluted)	525,432,718	451,484,332
	\$0.11	\$0.11

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

**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 year ended 31 December	
	2014	2013
Other related parties	\$2,664,124	\$386,131

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 years ended 31 December, 2014 and 2013, the Group received service from (rendered service to) related parties as follows:

Related party	Item	Amount
For the year Ended 31 December 2014		
Other related parties	Vessel management service	\$(2,977,925)
"	Commissions	919,912
"	Commissions and agency fees	1,390,531
"	Business travel expenses and entertainment exp.	305,035
"	Entertainment expenses and miscellaneous expenses	48,552
"	Management revenue	(7,165)
"	Other expenses	20,565
"	Commission income	(30,450)
"	Port charges 、 Agency fees 、 Travel	61,597
"	Other losses	200,000

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

Related party	Item	Amount
For the year Ended 31 December 2013		
Other related parties	Vessel management service	\$(2,185,000)
"	Commissions	533,738
"	Commissions and agency fees	1,529,699
"	Examination/appraisal revenue	(120,408)
"	Business travel expenses and entertainment expenses	264,255
"	Entertainment expenses and miscellaneous expenses	45,439
"	Management revenue	(6,769)
"	Port charges 、 Agency fees 、 Travel	9,516

(c) Receivables and payables

Related party	31 December 2014	31 December 2013
Other current assets / other receivables		
Other related parties	\$6,333	\$488,169

Related party	31 December 2014	31 December 2013
Accrued expense		
Other related parties	\$43,165	\$-
Key management	14,622	-
Total	\$57,787	\$-

(d) Financing

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

31 December 2014		
Name of related party	Max balance	Ending balance
Other related parties	\$72,930,889	\$71,568,666

31 December 2013		
Name of related party	Max balance	Ending balance
Other related parties	\$50,412,114	\$47,187,257

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

Interest Expenses	For the year Ended 31 December	
Name of related party	2014	2013
Other related parties	\$1,229,395	\$843,020

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 years ended 31 December, 2014 and 2013, the Group incurred other related parties and key management transactions as follows:

	For the years Ended 31 December	
	2014	2013
Key management	\$183,251	\$187,059
Other related parties	146,242	149,281
	\$329,493	\$336,340

The above leases are paid monthly, and do not involve rental deposits. Lease conditions agreed by both parties do not have any significant difference from those of nonrelated parties.

(f) Guarantee

As of 31 December, 2014 and 2013, key management had provided a time deposit guarantee for the Group's financing loan of \$33,889 thousand and \$36,532 thousand, respectively.

(g) Others

- (i) For the years ended December 31, 2013, the Group signed Bareboat Hire and Purchase (BBHP) agreements with other related parties as lease amortization of \$5,952,000 and interest expenses of \$78,892. Not applicable for the year ended December 31, 2014.
- (ii) On 9 November 2013, the Group recognized other income of \$622,051 for charter period change due to amended lease contracts. For the year ended 31 December 2013, the Group recognized interest expense of \$293,323. Not applicable for the year ended December 31, 2014.
- (iii) For the year ended December 31, 2013, the Company's subsidiary signed a three party agreement with other related party and ship building company, under which, the other related party assigns the right to the Company's subsidiary to purchase the vessel that the other related party originally contracted with the ship building company. The total construction price of this ship was \$33,000 thousand. As of December 31, 2013, the Group had fully paid the entire construction price.

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

**C. Salaries and compensation for key management**

The Group paid salaries to key management as follows:

	For the years Ended 31 December	
	2014	2013
Salary and bonus (including BODS remunerations)	\$766,389	\$813,846
Post-employment benefits	10,240	10,809
Retirement benefits	73,649	61,235
	<u>\$850,278</u>	<u>\$885,890</u>

**8. Pledged assets**

The carrying values of pledged assets were as follows:

Pledged assets	Object	31 December 2014	31 December 2013
Property and equipment	Bank Loans	\$2,060,565,000	\$1,911,155,000
Held-to-maturity investments	"	6,924,668	5,496,508
Other financial assets	"	21,155,325	18,429,736
		<u>\$2,088,644,993</u>	<u>\$1,935,081,244</u>

**9. Significant commitments and contingencies**

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

	31 December 2014	31 December 2013
Vessels	36	31
Contract price	¥7,606,600 thousand	¥15,713,200 thousand
	\$931,322 thousand	\$704,082 thousand
Prepaid	¥1,854,340 thousand	¥1,854,340 thousand
	\$135,350 thousand	\$60,619 thousand

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



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

Year of delivery	Contract Price		Number of vessels
	Yen(thousand)	USD(thousand)	
2015	¥7,606,600	\$368,002	16
2016	-	199,980	8
2017	-	339,640	11
2018	-	23,700	1
Total	¥7,606,600	\$931,322	36

- (b) As of 31 December 2014, the Group has signed six vessel disposal contracts with total contract amount of \$186,500,000. The Group has received the deposit amount of \$37,300,000 as agreed in the contracts.

- (c) Endorsement Guarantee

Guarantee	Name of relative party guarantee	31 December 2014	Period	Purpose
The Company	WML	\$5,146 thousand ¥ -	2013.09~2015.09	Operating fund and line of financial instruments
WML	Subsidiaries	\$529,950 thousand ¥91,686,537 thousand	2005.12~2025.10	Borrowings
The Company	Subsidiaries	\$492,226 thousand ¥88,438,790 thousand	2009.05~2026.06	Borrowings and Operating fund

Guarantee	Name of relative party guarantee	31 December 2013	Period	Purpose
The Company	WML	\$4,350 thousand ¥ -	2012.09~2015.11	Operating fund and line of financial instruments
WML	Subsidiaries	\$451,770 thousand ¥89,789,268 thousand	2005.12~2025.10	Borrowings
The Company	Subsidiaries	\$380,860 thousand ¥80,240,421 thousand	2006.02~2025.10	Borrowings and Operating fund

**10. Losses due to major disasters: None.**

**11. Significant subsequent events**

- A. The group resold the vessel built by Imabari Shipbuilding to a European ship owner on 23 January 2015. The gain from reselling the vessel was \$5,218,000 which included the proceeds of the forward contracts.
- B. For the purpose of securing long-term liquidity and to meet the Company's upcoming financing obligations, a US\$80 million worth of Second overseas unsecured convertible bonds will be issued during 2015, in accordance with the resolution reached in the board meeting on February 26, 2015.

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

**12. Others**

**A. Categories of financial instruments**

Financial assets

	31 December 2014	31 December 2013
Financial assets at fair value through profit or loss:		
Held for trading	\$2,009,690	\$873,262
Held-to-maturity investments	6,924,668	7,797,610
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	15,385,018	81,855,642
Trade receivables and other receivables( include from related parties)	6,115,234	7,079,748
Lease Receivables	20,757,163	31,753,047
Subtotal	42,257,415	120,688,437
Derivative financial assets for hedging	29,828,372	25,076,253
Other financial assets	23,747,180	22,431,384
Total	<u>\$104,767,325</u>	<u>\$176,866,946</u>

Financial liabilities

	31 December 2014	31 December 2013
Financial liabilities at amortized cost:		
Short-term borrowings	\$28,418,709	\$23,514,708
Trade payables	2,919,849	4,762,079
Bonds payable( include current portion)	55,564,999	70,220,071
Long-term borrowings( include current portion)	1,260,249,266	1,229,495,896
Long-term payable( include from related parties)	105,799,916	93,842,757
Lease payables( include current portion)	16,542,824	21,252,835
Subtotal	<u>1,469,495,563</u>	<u>1,443,088,346</u>
Financial liabilities at fair value through profit or loss:		
Financial liabilities held for trading	-	138,384
Embedded derivative instruments — put right	953,857	2,434,896
Total	<u>\$1,470,449,420</u>	<u>\$1,445,661,626</u>

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

**B. 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.

**C. 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:

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When USD strengthens/weakens against foreign currency Yen by 10%, the profit for the years ended 31 December 2014 and 2013 increases/decreases by \$5,984,447 and \$4,730,103, respectively; the equity increases/decreases by \$13,796,844 and \$11,421,088, respectively.

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 years ended 31 December 2014 and 2013 to increase/decrease by \$3,527,527 and \$3,420,766, 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(h) 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.

**D. 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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	31 December 2014	31 December 2013
Cash and cash equivalents	\$15,385,018	\$81,855,642
Financial assets at fair value through profit or loss	2,009,690	873,262
Accounts receivables and other receivables	6,115,234	7,079,748
Lease receivables	20,757,163	31,753,047
Held to maturity financial assets	6,924,668	7,797,610
Derivatives as hedging financial assets	29,828,372	25,076,253
Other financial assets	23,747,180	22,431,384
	<u>\$104,767,325</u>	<u>\$176,866,946</u>

**E. Liquidity risk management**

The Group maintains financial flexibility by cash and cash equivalents, bank borrowings, Euro-convertible bonds and finance leases. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

As at 31 December 2014:

	Carrying amount	Contractual cash flow	1 year	2 years	3 to 5 years	> 5 years
<b>Non-derivative financial instruments</b>						
Short-term borrowings	\$28,418,709	\$28,857,082	\$28,857,082	\$-	\$-	\$-
Accounts payables	2,919,849	2,919,849	2,919,849	-	-	-
Accrued expenses	13,346,882	13,346,882	13,346,882	-	-	-
Corporate bonds payable	55,564,999	62,718,901	54,371,350	-	8,347,551	-
Long-term borrowings	1,260,249,266	1,354,780,991	156,687,663	147,116,515	460,566,785	590,410,028
Long-term Accounts payable	34,231,250	36,093,761	9,444,541	4,211,183	14,264,537	8,173,500
Long-term Accounts payable-related parties	71,568,666	76,890,324	1,545,282	25,399,439	49,945,603	-
Lease payables	16,542,824	17,736,582	2,621,447	2,566,287	12,548,848	-
	<u>\$1,482,842,445</u>	<u>\$1,593,344,372</u>	<u>\$269,794,096</u>	<u>\$179,293,424</u>	<u>\$545,673,324</u>	<u>\$598,583,528</u>

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As at 31 December 2013:

	Carrying amount	Contractual cash flow	1 year	2 years	3 to 5 years	> 5 years
<b>Non-derivative financial instruments</b>						
Short-term borrowings	\$23,514,708	\$23,927,292	\$23,927,292	\$-	\$-	\$-
Accounts payables	4,762,079	4,762,079	4,762,079	-	-	-
Accrued expenses	13,874,658	13,874,658	13,874,658	-	-	-
Corporate bonds payable	70,220,071	80,667,169	18,231,169	62,436,000	-	-
Long-term borrowings	1,229,495,896	1,324,034,328	131,189,187	157,418,653	421,099,616	614,326,872
Long-term Accounts payable	46,655,500	49,384,428	8,944,505	12,501,177	21,159,577	6,779,169
Long-term Accounts payable-related parties	47,187,257	49,718,050	1,017,507	3,727,529	44,973,014	-
Lease payables	21,252,835	23,094,653	5,860,168	2,511,193	14,723,292	-
Other liabilities	1,000,000	1,000,000	1,000,000	-	-	-
	<u>\$1,457,963,004</u>	<u>\$1,570,462,657</u>	<u>\$208,806,565</u>	<u>\$238,594,552</u>	<u>\$501,955,499</u>	<u>\$621,106,041</u>

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

**F. 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:

(i) 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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(ii) 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.)

(iii) 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.H for fair value measurement hierarchy for financial instruments of the Group.

**G. 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 31 December 2014 and 31 December 2013 is as follows:

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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.

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.(10) 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.

H. 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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(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 is as follows:

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets	\$-	\$29,828,372	\$-	\$29,828,372
Financial assets at fair value through profit or loss	\$-	\$2,009,690	\$-	\$2,009,690
Financial liabilities at fair value through profit or loss	\$-	\$-	\$953,857	\$953,857
As at 31 December 2013	Level 1	Level 2	Level 3	Total
Derivative financial assets	\$-	\$25,076,253	\$-	\$25,076,253
Financial assets at fair value through profit or loss	\$-	\$873,262	\$-	\$873,262
Financial liabilities at fair value through profit or loss	\$-	\$138,384	\$2,434,896	\$2,573,280

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2014 and 2013, 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:

For the period of 1 January to 31 December 2014, the adjustment of the Group's financial assets at fair value measurement adjustment of Level 3: the gain of recognized profit was \$781,442 and the redemption was \$699,597. The above total gains of recognized profit associated with derivative instruments as of 31 December 2014 were \$585,242.

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For the period of 1 January to 31 December 2013, the adjustment of the Group's financial assets at fair value measurement adjustment of Level 3: the gain of recognized profit was \$307,811, acquisition and issuance cost was \$864,000 and the redemption was \$169,269. The above total gains of recognized profit associated with derivative instruments as of 31 December 2013 were \$305,805.

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 31 December 2014

	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 – First overseas unsecured convertible bonds issued in 2013	Option pricing model	Volatility	11.34%	The higher the volatility, the higher the fair value of the embedded derivatives	10% increase in the volatility would result in decrease in the Group's profit by \$13,063; 10% decrease in the volatility would result increase in the Group's profit by \$29,783
Embedded derivatives – First overseas unsecured convertible bonds issued in 2012	Option pricing model	Volatility	11.03%	The higher the volatility, the higher the fair value of the embedded derivatives	10% increase in the volatility would result in decrease in the Group's profit by \$357,997; 10% decrease in the volatility would result in increase in the Group's profit by \$227,166

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As at 31 December 2013

	Valuation	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
	techniques				
Financial liabilities:					
At fair value through profit or loss					
Embedded derivatives – First overseas unsecured convertible bonds issued in 2013	Option pricing model	Volatility	15.04%	The higher the volatility, the higher the fair value of the embedded derivatives	10% increase in the volatility would result in increase in the Group's profit by \$271,800; 10% decrease in the volatility would result in increase in the Group's profit by \$418,200
Embedded derivatives – First overseas unsecured convertible bonds issued in 2012	Option pricing model	Volatility	14.64%	The higher the volatility, the higher the fair value of the embedded derivatives	10% increase in the volatility would result in decrease in the Group's profit by \$1,131,777; 10% decrease in the volatility would result in increase in the Group's profit by \$745,492

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.

**I. 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:

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	31 December 2014			31 December 2013		
	Foreign currency	Exchange rate	USD	Foreign currency	Exchange rate	USD
	(Note1)	(Note2)		(Note1)	(Note2)	
<b>Financial assets</b>						
Derivatives financial assets						
Sell JPY: Buy USD	¥16,930,537,440	0.0084~0.0086	\$174,702,000	¥13,601,587,800	0.0095~0.01	\$157,806,162
Sell USD: Buy JPY	-	-	-	¥929,284,000	104.65~104.96	\$9,000,400
Sell EUR: Buy USD	€7,500,000	1.2171~1.2184	\$9,358,800	-	-	-
<b>Financial liabilities</b>						
Monetary item						
USD : JPY	\$19,736,768	119.62	\$19,736,768	\$20,283,276	104.98	\$20,283,276
JPY : USD	¥7,502,734,924	0.0084	\$62,721,409	¥7,768,776,729	0.01	\$74,002,446

Note1: The amounts under the derivatives financial assets and monetary items are the carrying amounts of forward foreign exchange contract and financial liabilities, respectively.

Note2: The exchange rates under the derivatives financial assets and monetary items are the forward exchange rate and spot rate, respectively.

**J. 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.

**K. 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 .**

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L. Certain accounts in the consolidated financial statements as of and for the years ended 31 December 2013 were reclassified to conform to the presentation adopted in the consolidated financial statements as of and for the year ended 31 December 2014.

M. List of the Group vessels as of 31 December, 2014

No.	Name of Vessel	Construction	D.W.T.	Vessel type
		year		
1	Amis Ace	2013	60,000	Supramax
2	Amis Champion	2014	60,400	Supramax
3	Amis Wisdom I	2010	61,611	Supramax
4	Amis Wisdom II	2010	61,611	Supramax
5	Amis Wisdom III	2011	61,527	Supramax
6	Amis Wisdom VI	2011	61,456	Supramax
7	Arikun	2007	8,763	Logger
8	Atayal Ace	2013	16,805	Handy / Logger
9	Atayal Brave	2012	16,811	Handy / Logger
10	Atayal Mariner	2012	16,813	Handy / Logger
11	Atayal Star	2012	16,806	Handy / Logger
12	Babuza Wisdom	2009	18,969	Handy / Logger
13	Beagle I	2005	17,224	Multi-purpose
14	Beagle II	2007	17,224	Multi-purpose
15	Beagle VI	2001	18,320	Handy
16	Beagle VII	2007	16,822	Handy / Logger
17	Bizen	2008	8,721	Logger
18	Blue Horizon	2012	207,867	Cape Size
19	Bunun Ace	2013	37,300	Handy
20	Bunun Brave	2014	45,400	Handy
21	Bunun Champion	2014	45,400	Handy
22	Bunun Dynasty	2014	38,000	Handy
23	Bunun Elegance	2014	45,400	Handy
24	Bunun Wisdom	2012	37,300	Handy
25	Caribbean ID	1996	28,748	Handy
26	Clear Horizon	2012	207,947	Cape Size
27	Copenship Wisdom	2013	61,000	Supramax

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No.	Name of Vessel	Construction	D.W.T.	Vessel type
		year		
28	Coral Hero	1997	9,520	General
29	Daiwan Ace	2014	34,000	Handy
30	Daiwan Brave	2014	34,000	Handy
31	Daiwan Wisdom	2010	31,967	Handy / Logger
32	Del Sol	1998	11,410	General / RoRo
33	Dumun	2010	58,107	Handymax
34	Frontier Bonanza	2010	179,435	Cape Size
35	Genius Star I	2004	10,977	Multi-purpose
36	Genius Star II	2005	10,977	Multi-purpose
37	Genius Star III	2006	13,567	Multi-purpose
38	Genius Star IX	2009	12,005	Multi-purpose
39	Genius Star VII	2007	12,005	Multi-purpose
40	Genius Star VIII	2007	12,005	Multi-purpose
41	Genius Star X	2010	12,005	Multi-purpose
42	Genius Star XI	2012	13,500	Multi-purpose
43	Genius Star XII	2013	13,400	Multi-purpose
44	Global Faith	2010	28,386	Handy / Logger
45	Golden Kiku	2005	29,858	Handy / Logger
46	Guma	2010	58,107	Handymax
47	Hibiscus	2002	48,610	Handymax
48	Hoanya Wisdom	2008	21,119	Handy / Logger
49	ID North Sea	2009	28,367	Handy
50	Itami	2009	20,140	Multi-purpose / RoRo
51	Izumo	2007	20,150	Multi-purpose / RoRo
52	Jasmine Ace	1997	8,704	General / RoRo
53	Katagalan Wisdom	2012	98,697	Panamax
54	Katagalan Wisdom III	2012	98,697	Panamax
55	LBC Energy	2011	71,066	Panamax
56	Ligulao	2010	5,295	PCTC
57	Magnate	2004	18,828	Handy / Logger
58	Mercy Wisdom	2003	12,764	Logger
59	Mimasaka	2010	14,117	Multi-purpose

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

No.	Name of Vessel	Construction	D.W.T.	Vessel type
		year		
60	Mino	2007	14,117	Multi-purpose
61	Naluhu	2010	58,107	Handymax
62	Ocean Victory	2011	28,386	Handy
63	Pacific Venus	2001	18,712	Handy
64	Paiwan Wisdom	2010	31,967	Handy / Logger
65	Papora Wisdom	2009	28,050	Handy / Logger
66	Pazeh Wisdom	2009	18,969	Handy / Logger
67	Poavosa Ace	2013	28,000	Handy
68	Poavosa Wisdom	2009	28,324	Handy / Logger
69	Poavosa Wisdom III	2011	28,232	Handy / Logger
70	Poavosa Wisdom VI	2011	28,213	Handy / Logger
71	Poavosa Wisdom VII	2012	28,208	Handy / Logger
72	Poavosa Wisdom VIII	2013	28,208	Handy / Logger
73	Sakizaya Ace	2013	74,936	Panamax
74	Sakizaya Brave	2013	75,000	Panamax
75	Sakizaya Champion	2014	77,000	Panamax
76	Sakizaya Wisdom	2011	76,457	Panamax
77	Scarlet Eagle	2014	81,700	Panamax
78	Scarlet Falcon	2014	82,000	Panamax
79	Siraya Wisdom	2007	21,119	Handy / Logger
80	Taikli	2011	13,139	General / RoRo
81	Tao Ace	2013	25,037	Handy
82	Tao Brave	2011	25,065	Handy / Logger
83	Tao Mariner	2010	25,065	Handy / Logger
84	Tao Star	2010	25,065	Handy / Logger
85	Tao Treasure	2013	25,000	Handy
86	Taokas Wisdom	2008	31,943	Handy / Logger
87	Unicorn Bravo	2007	8,759	Logger
88	Unicorn Dolphin	2000	7,528	Logger
89	Unicorn Emerald	1999	10,122	General
90	Unicorn Logger	2008	8,732	Logger
91	Wisdom Grace	1998	18,193	Container

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

**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.

The Group's chief operating decision maker 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 years ended 31 December	
	2014	2013
Revenue from external customers:		
Japan	\$95,946,859	\$116,036,625
Singapore	34,135,725	24,009,944
Denmark	31,100,483	25,377,756
The Netherlands	25,934,125	12,314,149
Hong Kong	18,697,141	14,682,858
Others	93,033,415	88,070,542
Total	<u>\$298,847,748</u>	<u>\$280,491,874</u>
	For the years ended 31 December	
	2014	2013
Non-current assets:		
Panama	\$2,114,484,498	\$1,981,941,036
Hong Kong	117,708,534	15,074,000
Taiwan	126,185	160,293
Total	<u>\$2,232,319,217</u>	<u>\$1,997,175,329</u>

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



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

(3) Major customers

Individual customers accounting for at least 10% of net sales for the years ended 31 December, 2014 and 2013 were as follows:

	For the years ended 31 December	
	2014	2013
Customer A:	<u>\$37,289,129</u>	<u>\$36,509,841</u>