

Stock Code : 2609



Handbook for 2017 Shareholders Meeting

YANG MING MARINE TRANSPORT CORP.

June 22, 2017

This is a translation of the Chinese text and for reference only. If there is any discrepancy, the Chinese text governs.

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YANG MING MARINE TRANSPORT CORP.

Procedure for 2017 Annual Meeting of Shareholders

- I. To Call the Meeting to Order
- II. Chairperson's Remarks
- III. Management Presentation
- IV. Matters for Recognition
- V. Matters for Discussion
- VI. Election
- VII. Other Matters
- VIII. Extempore Motions
- IX. Adjournment

Agenda for 2017 Annual Meeting of Shareholders

YANG MING MARINE TRANSPORT CORP.

- I. Time : 09:00 a.m. on Thursday, June 22, 2017
- II. Venue : No.142, Yanping S. Rd., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.)
(the Victoria Hall of Armed Forces Officer's Club)
- III. To Call the Meeting to Order
- IV. Chairperson's Remarks
- V. Management Presentation
 1. 2016 Business Report
 2. Audit Committee's Review Report on the 2016 Financial Statements
 3. Report on the Execution Status of Capital Reduction Plan in 2016
 4. Report on the Execution Status of Private Placement Common Shares
- VI. Matters for Recognition
 1. Adoption of the 2016 Business Report and Financial Statements
 2. Adoption of the Proposal for 2016 Deficit Compensation
- VII. Matters for Discussion
 1. Amendment to the Handling Procedures for Acquisition and Disposal of Assets
- VIII. Election
 1. The Election of Independent Director
- IX. Other Matters
 1. Proposal for Relieving the Prohibition on Directors from Participation in Competitive Business
- X. Extempore Motions
- XI. Adjournment

Management Presentation

Report No.1

2016 Business Report

Explanation:

The 2016 Business Report is attached as pp. 5-7.

Yang Ming Marine Transport Corporation's 2016 Business Report

OUR STRATEGY

The 2017 prospects of global economic and trade growth remain a worry as unstable political and economic situations in the three major economies exist. Uncertainties brought by the policy stance of the new U.S. administration, the disruptive effects of Brexit on Euro zone's political and economic development, the rise of trade protectionism, together with China's rebalancing and a reversal in the development of global value chains would not only aggravate international trade, but also create potential risks in world economy and against trade growth.

Shipping industry has faced the challenge of global shipping market downturn. Carriers' consolidations, alliances reconfiguration, and Hanjin's demise (Hanjin was the world's seventh-largest container carrier), reflected the chaotic situation in the shipping industry.

For the sake of company's sustainability, Yang Ming sets its 2017 annual strategies as "Turn Adversity into Advantage." In the midst of continuing oversupply and greater competition in the container shipping industry, Yang Ming has announced a number of intense cost optimization measures to weather the prolonged shipping industry downturn. The group is also determined to improve its business strategy by optimizing internal operational processes to reduce operating cost and enhance operational efficiencies.

IMPLEMENTATION

Since 2008, shipping industry has faced the disequilibrium between supply and demand. According to Drewry's Global Supply/Demand Index provided by Drewry Maritime Research, the index for 2016 had fallen to 88.6 compared to 89.1 in 2015, indicating that improving oversupply is not an easy task. (Source: Container Forecaster, 2016 Q4 set the index 100 as equilibrium. Index smaller than 100 refers to oversupply in capacity.) Amid long-term supply and demand imbalance, operators and ship owners reduced ship orders, deferred delivery schedules, and scrapped more vessels at the same time. The growth rate of 2.0% for supply in 2016 reflected the market perception and that the gap between the growth rates of supply and demand was narrowing down to as low as 0.6 percentage point.

Yang Ming deployed three additional 14,000TEU vessels in 2016. Besides, seven 14,000TEU vessels will be delivered from 2017 through 2019. With these newly-built megaships and the commencement of THE Alliance in April 2017, Yang Ming is equipped for providing comprehensive service coverage and competitive products. Meantime, we'll stick to the strategies of implementing delicate cost-saving management and other operational improvement plans.

PERFORMANCE

In 2016, our consolidated revenue reached TWD115.4 billion, while consolidated expenditure (combination of operating costs and expenses) was TWD130.56 billion. Our net loss came to TWD14.91 billion.

REVENUE AND EXPENDITURE

1. Operating Revenue

Notwithstanding an 8% annual growth in container business volume, owing to weakened spot rates, our consolidated revenue in 2016 was TWD115.4 billion, a decrease of TWD12.16 billion or 9.53% in comparison to TWD127.56 billion in 2015.

2. Operating Expenditure

Due to the offset between fallen oil prices and expanded operational scale, our consolidated expenditure was TWD130.56 billion, decreasing by 2.84% compared to the previous year.

ANALYSIS OF PROFITABILITY

Confronting with dismal global economy, imbalance between supply and demand and continued drop in spot rates, Yang Ming suffered a net loss of TWD14.91 billion in 2016. However, the loss in the fourth quarter had been substantially reduced due to our strenuous effort to execute the policy of cost saving and revenue expansion.

RESEARCH AND DEVELOPMENT

In response to the trust and support from our valued stakeholders and the public, the group is determined to provide the best service to our customers, boost operation efficiency and profitability by sticking to following medium and long-term strategies:

1. Tightening up cooperation among alliance members

Hapag-Lloyd, “K”Line, Mitsui O.S.K. Lines, Nippon Yusen Kaisha and Yang Ming officially formed “THE Alliance” on May 13, 2016, which is scheduled to begin operation in April 2017. By consolidating and strengthening collaboration within the alliance, and offering premium service quality in East-West trade framework, Yang Ming is resolved to remain competitive to cope with prevalent fierce environment.

2. Intensifying regional network

In response to gloomy global trade outlook in East-West trade and in the wake of the employment of 14,000 TEU vessels, we consider Intra-Asia routes as tremendously potential markets and therefore persistently intensify regional service network through slot exchange among carriers’ partners. Meanwhile, in harmony with the direct services to those ports in the emerging markets THE Alliance East-West trade network offers, we proactively adjust our intra-Asia services and continue our partnership with regional carriers to reinforce our regional network. Moreover, we fully adopted the service multi-utilization policy and deepened global hub-spoke strategy, which effectively optimized vessel utilization on the east-west trade lanes, in order to augment our medium and long-term yield and create the niche to our business.

3. Managing fleet with flexibility

We continued proceeding with vessel upgrade and old vessel phase-out plans with a view to manage our fleet and services flexibly, including strengthening less competitive services, implementing blank sailings, and withdrawing loss-making services. In the meantime, considering market seasonality, blank sailings and vessel dry dock plans, agile vessel deployment has been applied to reduce vessel cost.

4. Developing and upgrading systems

As centralized global agent IT and control systems (such as cargo marginal contribution management, monitoring and managing vessel sailing efficiency and energy) are scheduled to be set up in the near future, we expect to aggressively elevate our income, set up more effective cost

control mechanism and accelerate integration. Operational efficiency is also expected to improve through cloudification, big data, business intelligence and related measures.

5. Reinforcing operational strategies

Affairs among groups will be mastered by Headquarters and five principles are set up for centralized management.

(1) Business

New guidelines had been issued, under which we strictly control loss-making shipments, detention and demurrage, and request to complete rate negotiation before the shipment is on board.

(2) Planning

Centralized management and KPI mechanism for global agents would be set up, and service performance evaluation would be improved in order to timely modify service planning with partners and optimize space utilization.

(3) Operation

Transship hub function would be greatly reinforced to further reduce terminal cost.

(4) Administration

Personnel rotation system would be put into practice to cultivate comprehensive and outstanding employees. To act in consistency, both vertical and horizontal communication between the headquarters and the subsidiaries of the group and departments would be enhanced.

(5) IT System

A new integrated information technology system would be established to unify our information system globally. All information between subsidiaries and agents is to be made more centralized and consistent to improve operating efficiency.

6. Diversifying business

We are committed to expanding the coverage of liner services across global markets, including Middle East, Red Sea, South Asia, Australia and South America. Moreover, with the aim of achieving comprehensive profitability and creating synergy, we are dedicated to logistic, bulk and terminal business to disperse the risks in the liner segment.

Report No.2

Audit Committee's Review Report on the 2016 Financial Statements

Explanation:

The 2016 Audit Committee's Review Report is attached as page 9.

Audit Committee's Review Report

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2016 Business Report, individual and consolidated Financial Statements, and Deficit Compensation Proposal of the year ending on December 31, 2016. The CPA firm of Deloitte & Touche, Taiwan, was retained to audit Yang Ming Marine Transport Corporation's Financial Statements and has issued an Independent Auditors' Report relating to the Financial Statements. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, the undersigned hereby certifies the Business Report, Financial Statements, and Deficit Compensation Proposal of the year ending on December 31, 2016 after thorough examination.

To: 2017 Shareholders Meeting
YANG MING MARINE TRANSPORT CORP.

Independent director: Chen, Kuen-Mu

Independent director: Yen, Jin-Ru

Independent director: Chou, Heng-Chih

March 24, 2017

Report No.3

Report on the Execution Status of Capital Reduction Plan in 2016

Explanation:

1. The Company's capital reduction plan to offset company losses was approved by 2016 1st special shareholders' meeting on December 22, 2016.
 - (1) Reason for capital reduction: For the purpose of strengthening financial structure, and business development.
 - (2) Total shares and amount of capital reduction: 1,600,498,786 shares, and NT\$16,004,987,860.
 - (3) Capital reduction ratio: 53.271115%.
 - (4) Common capital after reduction: NT\$14,039,413,490.
2. The execution status of capital reduction plan:
 - (1) The capital reduction plan was approved by the Financial Supervisory Commission with the document number 1050054452 on January 18, 2017.
 - (2) The record date of the capital reduction is February 20, 2017. The Company got the approval for the capital amendment registration from the Ministry of Economic Affairs with the document number 10601027640 on March 16, 2017. The Company's book value per share has been enhanced after the capital reduction.
 - (3) To enhance working capital and capital needs, the issuance of common shares in private placement was approved by 2016 1st special shareholders' meeting on December 22, 2016. The Company has issued 161,330,000 common shares in private placement on February 21, 2017. The Company would issue common shares in private placement in terms of actual needs and market conditions continually by December 22, 2017.
 - (4) In order to improve the operation performance, the Company adopted measures and cost-saving plans including business, planning, operation, information technology, and administration. To make sure the Company could achieve the annual budget guideline, the operation performance has been improved since 2016 Q4.

Report No.4

Report on the Execution Status of Private Placement Common Shares

Explanation:

To enrich working capital, improve financial structure and enhance net value, the 1st special shareholders' meeting has mandated the Company to issue private placement common shares on December 22, 2016. Please refer to the related terms and conditions listed in the tables as pp. 12-13.

Item	The first private placement common shares in 2017. Issue date (Stock issue date): April 10, 2017 Stock shares: 161,330,000 shares
Type of private placement security	Common shares
The date and amount determined by the Shareholders' Meeting	The 1 st special shareholders' meeting on December 22, 2016 approved the Company to issue common shares no more than 1,000,000,000 in private placement, which shall be processed once or in batches within one year from the date of the determination of the 1 st special shareholders' meeting.
Basis and reasonableness for determination of the price	<p>The date of pricing is February 7, 2017. According to the resolution of the 1st special shareholders' meeting on December 22, 2016, the basis for the calculation of reference price is based on the higher one of the following two reference prices:</p> <p>A. the simple arithmetical average closing price of the common shares of the Company for either one, three or five consecutive business days before pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction, of which the price is NT\$13.10.</p> <p>B. the simple arithmetical average closing price of the common shares of the Company for the thirty consecutive business days before pricing date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction, of which the price is NT\$11.06.</p> <p>According to the above-mentioned calculations, the reference price is NT\$13.10, the subscription price per share is set at NT\$10.48, which is 80.00% of the reference price and in the range resolved by the 1st special shareholders' meeting, and the total amount is NT\$1,690,738,400.</p> <p>In compliance with Securities and Exchange Act, there is a three-year transfer limit for private placement securities and the qualification of the applicant is also regulated. In addition, the subscription price should be reasonable in favor of the Company's future operation, consideration of the effect of shareholders' equity and the recognition of the applicant.</p>
The method to determine specific parties	In accordance with Article 43-6 of the Securities and Exchange Law.
The necessity of the private placement	Considering the time, convenience and cost of issue of raised capital, the Company intends to adopt private placement.
Payment date	February 21, 2017

(continued)

	Investor	Qualification	Amount (NT\$)	Relationship with the Company	Business situation of participated company
Investors' data	National Development Fund, Executive Yuan	Article 43-6, paragraph 1, subparagraph 2 of the Securities and Exchange Law.	1,048,000,000	Government related party	N.A.
	Taiwan Navigation Co., Ltd.	Article 43-6, paragraph 1, subparagraph 2 of the Securities and Exchange Law.	199,989,840	Government related party	N.A.
	Taiwan Chinachem Investment Co Ltd.	Article 43-6, paragraph 1, subparagraph 3 of the Securities and Exchange Law.	266,998,960	The director of the Company	N.A.
	T3EX Global Holdings Corp.	Article 43-6, paragraph 1, subparagraph 2 of the Securities and Exchange Law.	104,800,000	N.A.	N.A.
	Mercuries Life Insurance Co., Ltd.	Article 43-6, paragraph 1, subparagraph 1 of the Securities and Exchange Law.	49,989,600	N.A.	N.A.
	Superstar Investment Co.,Ltd.	Article 43-6, paragraph 1, subparagraph 2 of the Securities and Exchange Law.	20,960,000	N.A.	N.A.
Actual subscription (or conversion) price	NT\$10.48				
The difference between the actual subscription (or conversion) price and reference price	The subscription price per share is set at NT\$10.48, which is 80.00% of the reference price NT\$13.10.				
The impact of shareholders' equity in private placement	In compliance with Securities and Exchange Act, there is a three-year transfer limit for private placement securities and the qualification of the applicant is also regulated, so there is certain protection for shareholders. After the Company increases capital, the financial structure will be improved, and it is beneficial to the Company's long-term development and is positive to shareholders' equity.				
The use of fund and progress of project implementation	NT\$ 1,690,738,400 has been fully used to replenish working capital.				
Benefit in private placement	It will increase the cash position of the Company, effectively improve the Company's financial structure and enhance net value.				

Matters for Recognition

Proposal No.1

Proposed by the Board

Adoption of the 2016 Business Report and Financial Statements

Explanation:

Yang Ming Marine Transport Corporation's 2016 consolidated and individual Financial Statements have been duly audited by the Certified Public Accountants, Cheng Chin Tsung and Chen Chin Hsiang of Deloitte & Touche. Also, the Business Report and the aforementioned Financial Statements have been examined by the audit committees. (Please refer to pp. 5-7 and pp. 15-38 of the Handbook)

Resolution:

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yang Ming Marine Transport Corporation

Opinion

We have audited the accompanying financial statements of Yang Ming Marine Transport Corporation (the Company), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the financial statements of the Company are as follows:

Assessment of the impairment of tangible (not including investment properties) and intangible assets

The carrying value of tangible (not including investment properties) and intangible assets in the aggregate is NT\$37,790,152 thousand. Not only is the amount material to the financial statements, but also the economic trend of the industry influences the assessment of impairment reached by the management of the Company. The Company's management evaluates amount of impairment by taking the profitability, expected cash flows, economic benefits, cost of equity and cost of debt into consideration of the basis of assessment. Since the impairment involves judgment of critical estimation from the Company's management, we deemed that the assessment of impairment of the tangible (not including investment properties) and intangible assets is a key audit matter.

The assessment of impairment of the tangible (not including investment properties) and intangible

assets is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5.

We took indicators of impairment of the tangible and intangible assets into consideration and focused on the performance of each component. When the indicators of impairment exists, we will test the assumption of impairment assessment model used by the Company's management – the test covers the forecast of cash flow and the discount rate.

We measured the accuracy of the Company's historical forecast by verifying the data, together with the documentation, provided by the Company's management in comparison with those of the industry.

Evaluation of the impairment of deferred tax assets generated from tax loss carryforward

The carrying value of deferred tax assets generated from tax loss carryforward is NT\$3,198,319 thousand. Not only is amount material for the financial statements, but also the recognition of deferred tax assets is based on the prediction of future taxable income. Since the impairment involves judgment of critical estimation from the Company's management, we deemed that the impairment of deferred tax assets generated from tax loss carryforward is a key audit matter.

The evaluation of impairment of deferred tax assets generated from tax loss carryforward is included in the critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 28.

We gained the understanding on the assumption and obtained related data for the estimation of the future realized taxable income, assessed the appropriateness of the prediction and assumption, and evaluated the calculation of the recoverable amount of deferred tax assets.

We tested the prediction of future profit stream, compared the forecast data with historical data, and assessed whether the prediction would reflect the plan of management of the Company.

Evaluation of the provisions for onerous contracts from subsidiaries using the equity method

According to IAS 37, the subsidiaries using the equity method have to estimate the provisions for onerous contracts based on the unavoidable costs of meeting the obligations under the contract in excess of the economic benefits expected to be received from irrevocable contracts of charter-in hire. The supply and demand market of the charter-in hire affects the rental revenue. Since the provisions involves judgment of critical estimation from the Company's management, we deemed that the evaluation of provisions for onerous contracts from subsidiaries using the equity method is a key audit matter.

The evaluation of provisions for onerous contracts from subsidiaries accounted for by the equity method is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5.

We gained understanding of the rationale of the evaluation of the Company's management, reviewed the documentation of the assumption used, and verified the details on rental to assess the appropriateness of the rental revenue recognition.

Audit of the percentage-of-completion

Since the recognition of the cargo revenue is material and complex, we deemed that the percentage-of-completion is a key audit matter.

The recognition depends on the expected completed voyage. The judgment of the percentage-of-completion estimation may lead to incorrect calculation or different methodology for the revenue recognition.

The judgment of cargo revenue is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 26.

We tested the accuracy of the timing of the revenue recognition. Through the subsequent information of voyage, berthing report, sailing schedule, bill of lading and documentation regarding freight rate, we verified the validity of the voyage date calculated by Company's management and of the revenue resulting from voyage.

Other Matter

We did not audit the financial statements of some subsidiaries, associates and joint ventures of Yang Ming Line (Singapore) Pte. Ltd, Yang Ming Line Holding Co., some subsidiaries, associates and joint ventures of Yes Logistics Company Ltd., and some subsidiaries and associates of Yang Ming Line (B.V.I) Holding Co. Ltd. as of and for the year ended December 31, 2016; and some subsidiaries, associates and joint ventures of Yang Ming Line (Singapore) Pte. Ltd, Yang Ming Line Holding Co., and some subsidiaries, associates and joint ventures of Yes Logistics Company Ltd. as of and for the year ended December 31, and 2015. The financial statements of these subsidiaries, associates and joint ventures were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries, associates and joint ventures included in the accompanying financial statements, is based solely on the reports of other auditors. The carrying values of these investments were 3.05% (NT\$3,344,553 thousand) and 2.57% (NT\$3,233,303 thousand) of the total assets as of December 31, 2016 and December 31, 2015 respectively. The comprehensive income recognized by investments accounted for using equity method was (0.20%) (NT\$29,435 thousand) and (3.05%) (NT\$259,027 thousand) of the total comprehensive income, for the years ended December 31, 2016 and 2015, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chin-Tsung Cheng and Chin-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March, 24, 2017

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 7,376,749	7	\$ 16,439,781	13
Financial assets at fair value through profit or loss - current	2,975	-	170,442	-
Trade receivable, net	3,663,726	3	3,043,385	3
Trade receivable from related parties	2,948,863	3	2,211,666	2
Other receivable from related parties	169,477	-	224,715	-
Shipping fuel	1,677,948	2	1,432,976	1
Prepayments	538,925	1	514,745	-
Prepayments to shipping agents	307,233	-	918,134	1
Other financial assets - current	-	-	12,000	-
Other current assets	355,194	-	175,843	-
Total current assets	<u>17,041,090</u>	<u>16</u>	<u>25,143,687</u>	<u>20</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	870,326	1	976,464	1
Financial assets measured at cost - non-current	477,188	-	477,188	-
Debt investments with no active market - non-current	1,000,000	1	1,000,000	1
Investments accounted for using equity method	18,078,465	17	21,873,700	17
Property, plant and equipment	37,071,633	34	39,648,516	32
Investment properties	6,635,170	6	8,363,761	7
Other intangible assets	102,742	-	32,943	-
Deferred tax assets	3,609,273	3	2,743,448	2
Refundable deposits	317,910	-	1,450,368	1
Long-term prepayments for lease	536,561	-	568,133	-
Long-term receivables from related parties	23,749,554	22	23,657,081	19
Other non-current assets	52,551	-	61,994	-
Total non-current assets	<u>92,501,373</u>	<u>84</u>	<u>100,853,596</u>	<u>80</u>
TOTAL	<u>\$ 109,542,463</u>	<u>100</u>	<u>\$ 125,997,283</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 3,110,000	3	\$ 2,410,000	2
Short-term bills payable	1,299,829	1	-	-
Financial liabilities at fair value through profit or loss - current	-	-	89,105	-
Trade payables	10,489,128	10	10,520,380	9
Trade payables to related parties	4,881,132	5	5,195,555	4
Payables on equipment	7,096	-	615,616	1
Other payables	1,798,541	2	1,688,850	1
Other payables to related parties	352,631	-	200,205	-
Current tax liabilities	4,540	-	14,182	-
Current portion of long-term liabilities	11,956,467	11	11,386,948	9
Advance from customers	203,055	-	167,368	-
Other current liabilities	177,471	-	172,168	-
Total current liabilities	<u>34,279,890</u>	<u>32</u>	<u>32,460,377</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Bonds payable	13,299,123	12	19,891,948	16
Long-term borrowings	41,343,939	38	37,027,266	29
Deferred tax liabilities	1,606,338	1	1,887,173	1
Finance lease payables - non-current	43,512	-	173,298	-
Advance from customers - non-current	1,100,788	1	1,029,248	1
Other financial liabilities - non-current	66,463	-	117,481	-
Net defined benefit liabilities - non-current	1,945,727	2	2,257,398	2
Other non-current liabilities	47,845	-	114,384	-
Total non-current liabilities	<u>59,453,735</u>	<u>54</u>	<u>62,498,196</u>	<u>49</u>
Total liabilities	<u>93,733,625</u>	<u>86</u>	<u>94,958,573</u>	<u>75</u>
EQUITY				
Share capital - ordinary shares	30,044,401	27	30,044,401	24
Capital surplus	4,425,139	4	5,500,037	4
Accumulated deficits	-	-	-	-
Legal reserve	-	-	41,137	-
Special reserve	-	-	4,098,535	3
Accumulated deficits	(17,657,109)	(16)	(8,005,152)	(6)
Total accumulated deficits	<u>(17,657,109)</u>	<u>(16)</u>	<u>(3,865,480)</u>	<u>(3)</u>
Other equity	(1,003,593)	(1)	(640,248)	-
Total equity	<u>15,808,838</u>	<u>14</u>	<u>31,038,710</u>	<u>25</u>
TOTAL	<u>\$ 109,542,463</u>	<u>100</u>	<u>\$ 125,997,283</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Years Ended December 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE	\$96,844,267	100	\$ 106,245,724	100
OPERATING COSTS	<u>108,326,363</u>	<u>112</u>	<u>110,564,175</u>	<u>104</u>
GROSS LOSS	<u>(11,482,096)</u>	<u>(12)</u>	<u>(4,318,451)</u>	<u>(4)</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,454,631	2	1,513,306	2
General and administrative expenses	<u>348,805</u>	<u>-</u>	<u>366,601</u>	<u>-</u>
Total operating expenses	<u>1,803,436</u>	<u>2</u>	<u>1,879,907</u>	<u>2</u>
OTHER OPERATING INCOME AND EXPENSES	<u>341,152</u>	<u>-</u>	<u>340,618</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(12,944,380)</u>	<u>(14)</u>	<u>(5,857,740)</u>	<u>(5)</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses	586,912	-	191,543	-
Share of profits or loss of subsidiaries and associates	(2,825,158)	(3)	(1,859,294)	(2)
Other income	622,459	1	706,933	1
Finance costs	<u>(1,323,894)</u>	<u>(1)</u>	<u>(1,203,868)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(2,939,681)</u>	<u>(3)</u>	<u>(2,164,686)</u>	<u>(2)</u>
LOSS BEFORE INCOME TAX	(15,884,061)	(17)	(8,022,426)	(7)
INCOME TAX BENEFIT	<u>(972,001)</u>	<u>(1)</u>	<u>(300,670)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(14,912,060)</u>	<u>(16)</u>	<u>(7,721,756)</u>	<u>(7)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	238,383	-	(413,336)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	39,044	-	(25,717)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	For the Years Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ (40,525)	-	\$ 72,256	-
	236,902	-	(366,797)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(272,341)	-	264,526	-
Unrealized loss on available-for-sale financial assets	(106,138)	-	(562,528)	(1)
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method	(6,891)	-	(40,147)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	22,025	-	(64,851)	-
	(363,345)	-	(403,000)	(1)
Other comprehensive income (loss) for the year, net of income tax	(126,443)	-	(769,797)	(1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ (15,038,503)	(16)	\$ (8,491,553)	(8)
LOSS PER SHARE				
From continuing operation				
Basic	\$ (9.22)		\$ (4.80)	
Diluted	\$ (9.22)		\$ (4.80)	

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings (Accumulated Deficits)			Other Equity		Total Equity
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for Foreign Assets	
BALANCE AT JANUARY 1, 2015	2,856,380	\$ 28,563,800	\$ 4,899,288	\$ -	\$ -	\$ 4,223,073	\$ 490,379	\$ (727,627)	\$ 37,448,913
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	3,719,463	(3,719,463)	-	-	-
Appropriation of 2014 earnings									
Legal reserve	-	-	-	41,137	-	(41,137)	-	-	-
Special reserve	-	-	-	-	379,072	(379,072)	-	-	-
Convertible bonds converted to ordinary shares	148,060	1,480,601	515,288	-	-	-	-	-	1,995,889
Arising from donations	-	-	50,308	-	-	-	-	-	50,308
Net loss for the year ended December 31, 2015	-	-	-	-	-	(7,721,756)	-	-	(7,721,756)
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(366,797)	199,675	(602,675)	(769,797)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	(8,088,553)	199,675	(602,675)	(8,491,553)
Change in percentage of ownership interest in subsidiaries	-	-	35,153	-	-	-	-	-	35,153
BALANCE AT DECEMBER 31, 2015	3,004,440	30,044,401	5,500,037	41,137	4,098,535	(8,005,152)	690,054	(1,330,302)	31,038,710
Legal reserve used to offset accumulated deficits	-	-	-	(41,137)	-	41,137	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	-	(4,098,535)	4,098,535	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(1,074,898)	-	-	1,074,898	-	-	-
Net loss for the year ended December 31, 2016	-	-	-	-	-	(14,912,060)	-	-	(14,912,060)
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	236,902	(250,316)	(113,029)	(126,443)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(14,675,158)	(250,316)	(113,029)	(15,038,503)
Change in percentage of ownership interest in subsidiaries	-	-	-	-	-	(191,369)	-	-	(191,369)
BALANCE AT DECEMBER 31, 2016	3,004,440	\$ 30,044,401	\$ 4,425,139	\$ -	\$ -	\$ (17,657,109)	\$ 439,738	\$ (1,443,331)	\$ 15,808,838

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (15,884,061)	\$ (8,022,426)
Adjustments for:		
Depreciation expenses	2,790,038	2,858,235
Amortization expenses	30,336	19,608
Impairment loss recognized on trade receivables	5,051	1,258
Net (gain) loss on fair value change of financial assets/liabilities at fair value through profit and loss	(74,383)	166,653
Finance costs	1,323,894	1,203,868
Interest income	(472,370)	(540,971)
Dividend income	(16,231)	(46,732)
Share of loss of subsidiaries and associates	2,825,158	1,859,294
Gain on disposal of property, plant and equipment	(211,891)	(277,773)
Gain on disposal of available-for-sale financial assets	(6,055)	(9,327)
Write-down (reversal) of shipping fuel	129,400	(25,714)
Net loss on repurchase of bonds payable	58,970	-
Gain on change in fair value of investment properties	(390,458)	(64,785)
Amortization of long-term prepayments for lease	31,572	31,572
Amortization of advance from customers	(167,141)	(47,872)
Changes in operating assets and liabilities		
Financial assets held for trading	(42,373)	(158,815)
Trade receivable	(625,392)	926,497
Trade receivable from related parties	(737,197)	438,707
Other receivable from related parties	55,238	(114,208)
Shipping fuel	(374,372)	1,045,933
Prepayments	(121,053)	3,427
Prepayments to shipping agents	610,901	(224,009)
Other current assets	194,469	223,333
Trade payables	(31,252)	(693,687)
Trade payables to related parties	(314,423)	1,833,016
Other payables	83,203	135,212
Other payables to related parties	152,426	105,547
Advance from customers	274,368	(23,218)
Other current liabilities	74,970	(2,309)
Net defined benefit liabilities	(73,288)	6,943
Cash generated from (used in) operations	(10,900,011)	607,257
Dividend received	554,751	762,205
Interest received	100,086	193,615
Interest paid	(1,400,351)	(1,127,037)
Income tax paid	(204,337)	(137,478)
Net cash generated from (used in) operating activities	<u>(11,851,797)</u>	<u>298,562</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended	
	December 31	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	\$ (390,914)	\$ (2,407,456)
Proceeds from sale of financial assets designated as at fair value through profit or loss	586,032	3,278,715
Purchase of available-for-sale financial assets	(23,684,000)	(19,200,000)
Proceeds from sale of available-for-sale financial assets	23,690,055	19,209,327
Payments for property, plant and equipment	(911,392)	(3,628,839)
Proceeds from disposal of property, plant and equipment	328,814	373,910
Proceeds from disposal of investment properties	2,119,049	-
(Increase) decrease in refundable deposits	1,132,458	(908,288)
Increase in long-term receivables from related parties	(92,473)	(714,873)
Payments for intangible assets	(100,135)	(35,506)
Decrease in other financial assets	12,000	973,696
(Increase) decrease in other non-current assets	9,443	(14,923)
Net cash generated from (used in) investing activities	<u>2,698,937</u>	<u>(3,074,237)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	700,000	2,410,000
Proceeds from short-term bills payable	1,300,000	-
Proceeds from issuance of bonds	-	4,000,000
Repurchase of bonds payable	(1,807,900)	-
Repayments of bonds payable	(6,559,000)	(5,924,000)
Proceeds from long-term borrowings	24,822,764	24,465,153
Repayments of long-term borrowings	(18,125,114)	(18,899,148)
Payments for obligations under finance leases	(124,880)	(101,260)
Decrease in other financial liabilities	(49,503)	(48,201)
Decrease in other non-current liabilities	(66,539)	(93,582)
Acquisition of subsidiaries	-	(1,943,491)
Net cash generated from financing activities	<u>89,828</u>	<u>3,865,471</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (9,063,032)	\$ 1,089,796
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,439,781</u>	<u>15,349,985</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,376,749</u>	<u>\$ 16,439,781</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yang Ming Marine Transport Corporation

Opinion

We have audited the accompanying consolidated financial statements of Yang Ming Marine Transport Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group are as follows:

Assessment of the impairment of tangible (not including investment properties) and intangible assets

The carrying value of tangible (not including investment properties) and intangible assets in the aggregate is NT\$87,065,689 thousand. Not only is the amount material to the consolidated financial statements, but also the economic trend of the industry influences the assessment of impairment reached by the management of the Group. The Group's management evaluates the amount of impairment by taking the profitability, expected cash flows, economic benefits, cost of equity and cost of debt into consideration for forming the basis of assessment. Since the impairment involves judgment of critical estimation from the Group's management, we deemed that the assessment of impairment of the tangible (not including investment properties) and intangible assets is a key audit matter.

The assessment of the impairment of the tangible (not including investment properties) and intangible assets is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Note 5.

We took the indicators of impairment of the tangible and intangible assets into consideration and focused on the performance of each component. When the indicators of impairment exists, we will test the assumption of impairment assessment model used by the Group's management – the test covers the forecast of cash flow and the discount rate.

We measured the accuracy of the Group's historical forecast by verifying the data, together with the documentation, provided by the Group's management in comparison with those of the industry.

Evaluation of the impairment of deferred tax assets generated from tax loss carryforward

The carrying value of deferred tax assets generated from tax loss carryforward is NT\$3,198,319 thousand. Not only is the amount material to the consolidated financial statements, but also the recognition of deferred tax assets is based on the prediction of future taxable income. Since the impairment involves judgment of critical estimation from the Group's management, we deemed that the impairment of deferred tax assets generated from tax loss carryforward is a key audit matter.

The evaluation of the impairment of deferred tax assets generated from tax loss carryforward is included in the critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 29.

We gained the understanding on the assumption and obtained related data for the estimation of the future realized taxable income, assessed the appropriateness of the prediction and assumption, and evaluated the calculation of the recoverable amount of deferred tax assets.

We tested the prediction of future profit stream, compared the data of the forecast with historical data, and assessed whether the prediction would reflect the plan of the management of the Group.

Evaluation of the provisions for onerous contracts

According to IAS 37, the Group has to estimate the provisions for onerous contracts based on the unavoidable costs of meeting the obligations under the contract in excess of the economic benefits expected to be received from irrevocable contracts of charter-in hire. The supply and demand market of the charter-in hire affects the rental revenue. Since the provisions involves judgment of critical estimation from the Group's management, we deemed that the evaluation of provisions for onerous contracts is a key audit matter.

The evaluation of provisions for onerous contracts is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 23.

We gained understanding of the rationale of the evaluation of the Group's management, reviewed the documentation of the assumption used, and verified the details on rental to assess the appropriateness of the rental revenue recognition.

Audit of the percentage-of-completion

Since the recognition of the cargo revenue is material and complex, we deemed that the percentage-of-completion is a key audit matter.

The recognition depends on the expected completed voyage. The judgment of the percentage-of-completion estimation may lead to incorrect calculation or inconsistency for the revenue recognition.

The judgment of cargo revenue is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 27.

We tested the accuracy of the timing of the revenue recognition. Through the subsequent information of voyage, berthing report, sailing schedule, bill of lading and documentation regarding freight rate, we verified the validity of the voyage date calculated by Group's management and of the revenue resulting from voyage.

Other Matter

We did not audit the financial statements of some subsidiaries of Yes Logistics Company Ltd., Yang Ming Line Holding Co., Yang Ming Line (Singapore) Pte. Ltd., and Yang Ming Line B.V. as of and for the year ended December 31, 2016; and some subsidiaries of Yes Logistics Company Ltd., Yang Ming Line Holding Co., Yang Ming Line (Singapore) Pte. Ltd. as of and for the year ended December 31, and 2015. The financial statements of these subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries included in the accompanying financial statements, is based solely on the reports of other auditors. The combined total assets of these subsidiaries were 3.58% (NT\$4,873,184 thousand) and 2.87% (NT\$4,449,056 thousand) of the total consolidated assets as of December 31, 2016 and 2015 respectively. The combined total operating revenues of these subsidiaries were 1.02% (NT\$1,175,242 thousand) and 0.81% (NT\$1,031,866 thousand) of the total consolidated operating revenues for the years ended December 31, 2016 and 2015, respectively. Also, we did not audit the financial statements of the associates and joint ventures accounted for by the equity-method as follows: Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E, West Basin Container Terminal LLC, United Terminal Leasing

LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited, Sino-YES Tianjin Cold Chain Logistics Company Limited, YES LIBERAL Logistics Corp. and LogiTrans Technology Private Limited for the year ended December 31, 2016, and Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E, West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited, ANSHIP-YES Logistics Corporation Limited, Sino-YES Tianjin Cold Chain Logistics Company Limited, YES LIBERAL Logistics Corp. and LogiTrans Technology Private Limited for the year ended December 31, 2015; these associates and joint ventures had been audited by other auditors. The carrying values of these associates and joint ventures were 1.12% (NT\$1,519,483 thousand) and 1.14% (NT\$1,761,049 thousand) of the total consolidated assets as of December 31, 2016 and 2015 respectively. The amounts of profit or loss recognized on investments accounted for by the equity method was 1.26% (NT\$(189,084) thousand) and (1.37%) (NT\$117,764 thousand) of the total comprehensive income for the years ended December 31, 2016 and 2015, respectively. The financial statements of these associates and joint ventures were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amount of these associates and joint ventures included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

We have also audited the parent company only financial statements of Yang Ming Marine Transport Corporation Company as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to

fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters,

the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chin-Tsung Cheng and Chin-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 35)	\$ 11,937,376	9	\$ 23,749,249	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	687,130	1	847,046	1
Available-for-sale financial assets - current (Notes 4 and 8)	1,148	-	2,365	-
Notes receivable, net (Notes 4 and 10)	214,020	-	218,416	-
Trade receivables, net (Notes 4 and 10)	7,298,578	5	5,967,345	4
Trade receivables from related parties (Notes 4, 10 and 35)	295,378	-	319,935	-
Shipping fuel (Notes 4 and 11)	1,988,651	2	1,730,036	1
Prepayments (Notes 5, 16 and 35)	783,813	1	754,290	-
Prepayments to shipping agents (Note 35)	299,404	-	780,717	1
Other financial assets - current (Notes 4, 17 and 36)	533,205	-	82,700	-
Other current assets (Notes 29 and 35)	1,250,539	1	1,119,364	1
Total current assets	25,289,242	19	35,571,463	23
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	870,326	1	976,464	1
Financial assets measured at cost - non-current (Notes 4 and 9)	492,082	-	494,597	-
Investments accounted for using equity method (Notes 4 and 13)	8,243,086	6	8,630,101	6
Property, plant and equipment (Notes 4, 5, 14, 35 and 36)	85,713,353	63	90,573,485	58
Investment properties (Notes 4, 15 and 36)	6,205,216	5	7,942,862	5
Other intangible assets (Notes 4 and 5)	118,595	-	50,623	-
Deferred tax assets (Notes 4, 5 and 29)	3,698,372	3	2,813,823	2
Prepayments for equipment (Notes 5 and 35)	665,608	-	1,065,059	1
Refundable deposits (Notes 32 and 36)	401,341	-	1,556,487	1
Other financial assets - non-current (Notes 4, 17, 24, 35 and 36)	3,758,242	3	4,719,728	3
Long-term prepayments for lease (Notes 5 and 16)	536,561	-	568,133	-
Other non-current assets	51,402	-	13,276	-
Total non-current assets	110,754,184	81	119,404,638	77
TOTAL	\$ 136,043,426	100	\$ 154,976,101	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	\$ 5,786,088	4	\$ 4,949,787	3
Short-term bills payable (Note 18)	1,399,769	1	99,872	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	89,105	-
Notes payable	54,282	-	53,624	-
Trade payables (Note 20)	13,927,633	10	13,561,068	9
Trade payables to related parties (Notes 20 and 35)	895,899	1	1,165,804	1
Payables on equipment	7,141	-	624,378	-
Other payables (Notes 22 and 35)	3,139,883	2	3,063,322	2
Current tax liabilities (Notes 4 and 29)	191,052	-	149,392	-
Provisions-current (Notes 4, 5 and 23)	1,260,418	1	741,512	1
Current portion of long-term liabilities (Notes 18, 19, 21, 24, 35 and 36)	15,149,025	11	15,176,994	10
Advance from customers	267,533	-	245,709	-
Other current liabilities	471,412	1	553,471	-
Total current liabilities	42,550,135	31	40,474,038	26
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 19 and 35)	13,299,123	10	19,891,948	13
Long-term borrowings (Notes 4, 18, 35 and 36)	50,642,222	37	47,389,835	31
Provisions - non-current (Notes 4 and 23)	103,710	-	158,425	-
Deferred tax liabilities (Notes 4 and 29)	1,778,163	1	2,039,154	1
Finance lease payables - non-current (Notes 4 and 21)	4,687,524	3	5,183,473	3
Advance from customers - non-current	1,100,788	1	1,029,248	1
Other financial liabilities - non-current (Notes 4, 19 and 24)	3,355,599	3	4,399,379	3
Net defined benefit liabilities - non-current (Notes 4 and 25)	2,160,622	2	2,522,877	2
Other non-current liabilities	87,035	-	156,392	-
Total non-current liabilities	77,214,786	57	82,770,731	54
Total liabilities	119,764,921	88	123,244,769	80
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital - ordinary shares	30,044,401	22	30,044,401	19
Capital surplus	4,425,139	3	5,500,037	4
Accumulated deficits	-	-	41,137	-
Legal reserve	-	-	4,098,535	2
Special reserve	-	-	(8,005,152)	(5)
Accumulated deficits	(17,657,109)	(13)	(3,865,480)	(3)
Total accumulated deficits	(17,657,109)	(13)	(3,865,480)	(3)
Other equity	(1,003,593)	-	(640,248)	-
Total equity attributable to owners of the Company	15,808,838	12	31,038,710	20
NON-CONTROLLING INTERESTS				
Total equity	469,667	-	692,622	-
Total equity	16,278,505	12	31,731,332	20
TOTAL	\$ 136,043,426	100	\$ 154,976,101	100

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 27 and 35)	\$115,400,150	100	\$127,559,424	100
OPERATING COSTS (Notes 4, 11, 28 and 35)	<u>124,463,909</u>	<u>108</u>	<u>128,350,817</u>	<u>100</u>
GROSS LOSS	<u>(9,063,759)</u>	<u>(8)</u>	<u>(791,393)</u>	<u>-</u>
OPERATING EXPENSES (Notes 28 and 35)				
Selling and marketing expenses	5,229,841	4	5,164,866	4
General and administrative expenses	<u>862,716</u>	<u>1</u>	<u>856,882</u>	<u>1</u>
Total operating expenses	<u>6,092,557</u>	<u>5</u>	<u>6,021,748</u>	<u>5</u>
OTHER OPERATING INCOME AND EXPENSES (Note 28)	<u>434,887</u>	<u>-</u>	<u>352,347</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(14,721,429)</u>	<u>(13)</u>	<u>(6,460,794)</u>	<u>(5)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 28 and 35)				
Other gains and losses	851,218	1	(186,336)	-
Share of profit or loss of associates and joint ventures	(113,451)	-	134,045	-
Other income	278,145	-	383,434	-
Finance costs	<u>(1,990,057)</u>	<u>(2)</u>	<u>(1,812,876)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(974,145)</u>	<u>(1)</u>	<u>(1,481,733)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(15,695,574)	(14)	(7,942,527)	(6)
INCOME TAX BENEFIT (Notes 4, 5 and 29)	<u>(806,075)</u>	<u>(1)</u>	<u>(154,036)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(14,889,499)</u>	<u>(13)</u>	<u>(7,788,491)</u>	<u>(6)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	286,445	-	(442,817)	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	(491)	-	(450)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2016		2015	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>\$ (48,696)</u>	<u>-</u>	<u>\$ 75,279</u>	<u>-</u>
	<u>237,258</u>	<u>-</u>	<u>(367,988)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(305,124)	-	245,015	-
Unrealized loss on available-for-sale financial assets	(105,508)	-	(562,811)	(1)
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	(7,521)	-	(39,864)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>22,025</u>	<u>-</u>	<u>(64,851)</u>	<u>-</u>
	<u>(396,128)</u>	<u>-</u>	<u>(422,511)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(158,870)</u>	<u>-</u>	<u>(790,499)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (15,048,369)</u>	<u>(13)</u>	<u>\$ (8,578,990)</u>	<u>(7)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (14,912,060)	(13)	\$ (7,721,756)	(6)
Non-controlling interests	<u>22,561</u>	<u>-</u>	<u>(66,735)</u>	<u>-</u>
	<u>\$ (14,889,499)</u>	<u>(13)</u>	<u>\$ (7,788,491)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Company	\$ (15,038,503)	(13)	\$ (8,491,553)	(7)
Non-controlling interests	<u>(9,866)</u>	<u>-</u>	<u>(87,437)</u>	<u>-</u>
	<u>\$ (15,048,369)</u>	<u>(13)</u>	<u>\$ (8,578,990)</u>	<u>(7)</u>
LOSS PER SHARE (Note 30)				
From continuing operations				
Basic	<u>\$ (9.22)</u>		<u>\$ (4.80)</u>	
Diluted	<u>\$ (9.22)</u>		<u>\$ (4.80)</u>	

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests (Note 26)	Total Equity
	Share Capital (Notes 4 and 26)		Capital Surplus (Notes 4 and 26)	Retained Earnings (Accumulated Deficits) (Note 26)			Exchange Differences on Translating Foreign Operations (Notes 4 and 26)	Unrealized Loss on Available-for-sale Financial Assets (Notes 4 and 26)			
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)					
BALANCE AT JANUARY 1, 2015	2,856,380	\$ 28,563,800	\$ 4,899,288	\$ -	\$ -	\$ 4,223,073	\$ 490,379	\$ (727,627)	\$ 37,448,913	\$ 997,493	\$ 38,446,406
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	3,719,463	(3,719,463)	-	-	-	-	-
Appropriation of 2014 earnings											
Legal reserve	-	-	-	41,137	-	(41,137)	-	-	-	-	-
Special reserve	-	-	-	-	379,072	(379,072)	-	-	-	-	-
Convertible bonds converted to ordinary shares	148,060	1,480,601	515,288	-	-	-	-	-	1,995,889	-	1,995,889
Arising from donations	-	-	50,308	-	-	-	-	-	50,308	-	50,308
Net loss for the year ended December 31, 2015	-	-	-	-	-	(7,721,756)	-	-	(7,721,756)	(66,735)	(7,788,491)
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(366,797)	199,675	(602,675)	(769,797)	(20,702)	(790,499)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	(8,088,553)	199,675	(602,675)	(8,491,553)	(87,437)	(8,578,990)
Changes in percentage of ownership interest in subsidiaries (Note 31)	-	-	35,153	-	-	-	-	-	35,153	(35,153)	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(182,281)	(182,281)
BALANCE AT DECEMBER 31, 2015	3,004,440	30,044,401	5,500,037	41,137	4,098,535	(8,005,152)	690,054	(1,330,302)	31,038,710	692,622	31,731,332
Legal reserve used to offset accumulated deficits	-	-	-	(41,137)	-	41,137	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	-	(4,098,535)	4,098,535	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(1,074,898)	-	-	1,074,898	-	-	-	-	-
Net profit (loss) for the year ended December 31, 2016	-	-	-	-	-	(14,912,060)	-	-	(14,912,060)	22,561	(14,889,499)
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	236,902	(250,316)	(113,029)	(126,443)	(32,427)	(158,870)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(14,675,158)	(250,316)	(113,029)	(15,038,503)	(9,866)	(15,048,369)
Change in percentage of ownership interest in subsidiaries (Note 31)	-	-	-	-	-	(191,369)	-	-	(191,369)	(59,442)	(250,811)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(153,647)	(153,647)
BALANCE AT DECEMBER 31, 2016	3,004,440	\$ 30,044,401	\$ 4,425,139	\$ -	\$ -	\$ (17,657,109)	\$ 439,738	\$ (1,443,331)	\$ 15,808,838	\$ 469,667	\$ 16,278,505

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$(15,695,574)	\$ (7,942,527)
Adjustments for:		
Depreciation expenses	6,425,913	6,330,124
Amortization expenses	45,238	29,414
Impairment loss recognized on trade receivables	60,054	7,030
Net (gain) loss on fair value change of financial assets/liabilities at fair value through profit and loss	(70,905)	165,423
Finance costs	1,990,057	1,812,876
Interest income	(123,105)	(218,342)
Dividend income	(21,117)	(50,915)
Share of (profit) loss of associates and joint ventures	113,451	(134,045)
Gain on disposal of property, plant and equipment	(254,081)	(290,484)
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	(7,896)	(9,327)
Write-down of shipping fuel	124,580	24,675
Net (gain) loss on foreign currency exchange	(177,541)	462,318
Net loss on repurchase of bonds payable	58,970	-
Gain on change in fair value of investment properties	(381,403)	(46,040)
Amortization of long-term prepayments for lease	31,572	31,572
Amortization of advance from customers	(167,141)	(47,872)
Provision for liabilities	1,263,957	854,579
Changes in operating assets and liabilities		
Financial assets held for trading	(56,179)	(303)
Notes receivable	4,022	146,214
Trade receivable	(1,389,908)	1,512,322
Trade receivable from related parties	24,557	47,521
Shipping fuel	(383,195)	1,444,552
Prepayments	3,709	73,223
Prepayments to shipping agents	481,313	(180,999)
Other current assets	(119,209)	(34,021)
Notes payable	658	3,473
Trade payables	366,565	(523,127)
Trade payables to related parties	(269,905)	81,297
Other payables	76,582	184,383
Provisions	(786,195)	(700,699)
Advance from customers	260,505	(147,168)
Other current liabilities	(12,392)	146,799
Net defined benefit liabilities	<u>(75,810)</u>	<u>727</u>
Cash generated from (used in) operations	(8,659,853)	3,032,653
Dividend received	207,926	245,912
Interest received	125,255	224,834

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
Interest paid	\$ (2,090,838)	\$ (1,782,876)
Income tax paid	<u>(376,555)</u>	<u>(351,269)</u>
Net cash generated from (used in) operating activities	<u>(10,794,065)</u>	<u>1,369,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(1,625,755)	(2,407,456)
Proceeds from sale of financial assets designated as at fair value through profit or loss	1,809,843	3,278,715
Purchase of available-for-sale financial assets	(23,684,000)	(20,079,606)
Proceeds from disposal of available-for-sale financial assets	23,691,427	20,088,933
Proceeds from disposal of financial assets measured at cost	4,831	-
Purchase of associates and joint ventures accounted for using equity method	-	(25,000)
Payments for property, plant and equipment	(1,808,962)	(9,844,229)
Proceeds from disposal of property, plant and equipment	376,564	393,106
Proceeds from disposal of investment properties	2,119,049	-
(Increase) decrease in refundable deposits	1,155,146	(920,291)
Payments for intangible assets	(109,705)	(40,982)
(Increase) decrease in other financial assets	(239,975)	1,028,336
(Increase) decrease in other non-current assets	(42,179)	10,455
Increase in prepayments for equipment	<u>(410,783)</u>	<u>(558,008)</u>
Net cash generated from (used in) investing activities	<u>1,235,501</u>	<u>(9,076,027)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	836,301	4,002,762
Proceeds from short-term bills payable	1,300,000	99,872
Proceeds from issuance of bonds	-	4,000,000
Repurchase of bonds payable	(1,807,900)	-
Repayments of bonds payable	(6,559,000)	(5,924,000)
Proceeds from long-term borrowings	26,593,042	30,109,509
Repayments of long-term borrowings	(21,333,240)	(21,798,660)
Payments for obligations under finance leases	(378,902)	(347,692)
Decrease in other financial liabilities	(321,043)	(153,460)
Decrease in other non-current liabilities	(69,357)	(79,164)
Acquisition of subsidiaries (Note 31)	(250,811)	-
Net change in non-controlling interests	<u>(153,647)</u>	<u>(182,281)</u>
Net cash generated from (used in) financing activities	<u>(2,144,557)</u>	<u>9,726,886</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016	2015
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>\$ (108,752)</u>	<u>\$ 45,581</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,811,873)	2,065,694
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>23,749,249</u>	<u>21,683,555</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,937,376</u>	<u>\$ 23,749,249</u>

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

(With Deloitte & Touche auditors' report dated March 24, 2017)

(Concluded)

Proposal No.2**Proposed by the Board**

Adoption of the Proposal for 2016 Deficit Compensation

Explanation:

1. The beginning balance of accumulated deficits of the Company is NT\$ 2, after plus the actuarial gain arising from defined benefit plans NT\$236,902,034, and the net loss NT\$1,889,022,340 (FY2016 net loss NT\$14,912,059,720 deducted NT\$13,023,037,380, the accumulated loss of the first three quarters of 2016, which has been written off), the ending balance of accumulated deficits is NT\$1,652,120,308. The 2016 statement of Deficit Compensation is attached as page 40.
2. It is proposed not to distribute dividend for 2016.

Resolution:

YANG MING MARINE TRANSPORT CORP.
Statement of Deficit Compensation
2016

Item	Amount	Unit : NT\$
Beginning deficit to be compensated ^{R1}	(2)	
Actuarial gain (loss) arising from defined benefit plans	236,902,034	
Beginning deficit to be compensated after adjusted	236,902,032	
Net Loss after tax for 2016 ^{R2}	(1,889,022,340)	
Deficit to be compensated	(1,652,120,308)	

R1: After the deficit compensation and capital reduction were approved by the 1st special shareholders' meeting on December 22, 2016.

R2: Net loss after tax in fourth quarter.

Matters for Discussion

Proposal No.1

Proposed by the Board

Amendment to the Handling Procedures for Acquisition and Disposal of Assets, please proceed to discuss.

Explanation:

1. In order to comply with the revisions of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the Company’s business requirement, the company here by proposed to amend the Handling Procedures for Acquisition and Disposal of Asset.
2. The amended articles has been approved by the 319th meeting of the board of directors, please refer to pp. 42-58 for details.

Resolution:

The Amendment to the Handling Procedures for Acquisition and Disposal of Assets of Yang Ming Marine Transport Corporation

New	Now	Remark
<p><u>Article 5 Operation procedures for acquiring or disposing assets</u></p> <p>The Company acquires or disposes assets defined in Article 3 shall be assessed by department in charge, report to the management for authorization or pass by audit committee and report to the board of directors for approval according to the following authorized quota and then be executed by related departments.</p> <p>1. Authorized quota for the Company</p> <p>(1). The total amount of purchasing non-business real estate shall not exceed 30% of the Company's paid-in capital.</p> <p>(2). The total amount of investments in securities shall not exceed 200% of the Company's paid-in capital and the total amount of investments in each security shall not exceed 100% of the Company's paid-in capital.</p> <p>2. Authorized quota for the management</p> <p>(1). Investments in securities The total amount is within TWD3 billion. However, acquiring or disposing bond funds, monetary funds and repurchase or reverse repo of bonds or bills for the purpose of funds dispatching is not subject to this limit.</p> <p>(2). Real estate, equipment and other assets for the purpose of conducting business The amount for each transaction is within TWD100 million.</p> <p>(3). Non-business real estate</p>	<p><u>Article 5 Operation procedures for acquiring or disposing assets</u></p> <p>The Company acquires or disposes assets defined in Article 3 shall be assessed by department in charge, report to the management for authorization or pass by audit committee and report to the board of directors for approval according to the following authorized quota and then be executed by related departments.</p> <p>1. Authorized quota for the Company</p> <p>(1). The total amount of purchasing non-business real estate shall not exceed 30% of the Company's paid-in capital.</p> <p>(2). The total amount of investments in securities shall not exceed 200% of the Company's paid-in capital and the total amount of investments in each security shall not exceed 50% of the Company's paid-in capital.</p> <p>2. Authorized quota for the management</p> <p>(1). Investments in securities The total amount is within TWD3 billion. However, acquiring or disposing bond funds, monetary funds and repurchase or reverse repo of bonds or bills for the purpose of funds dispatching is not subject to this limit.</p> <p>(2). Real estate, equipment and other assets for the purpose of conducting business The amount for each transaction is within TWD100 million.</p> <p>(3). Non-business real estate</p>	<p>Adjust authorized quota for the Company to comply with business requirements</p>

New	Now	Remark
<p>The amount for each transaction is within TWD10 million.</p> <p>(4). Memberships and intangible assets The amount for each transaction is within TWD10 million.</p> <p>3. Once the amount for acquisition or disposal of assets exceeds the authorized quota for the management or the Company acquires or disposes long-term equity investments whether the amount is compiled in annual budget, should be passed by audit committee and reported to board of directors for approval and then implement.</p>	<p>The amount for each transaction is within TWD10 million.</p> <p>(4). Memberships and intangible assets The amount for each transaction is within TWD10 million.</p> <p>3. Once the amount for acquisition or disposal of assets exceeds the authorized quota for the management or the Company acquires or disposes long-term equity investments whether the amount is compiled in annual budget, should be passed by audit committee and reported to board of directors for approval and then implement.</p>	
<p><u>Article 7 Related Party Transactions</u></p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised in compliance with the provisions of Article 6 and Article7, if the transaction amount is over and above 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6; the calculation of the transaction amount as used herein refers to shall be made in accordance with paragraph 4 of Article 6 herein.</p> <p>The Company that intends to acquire or dispose of real estate(regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real estate from or to related parties and the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million, except in trading of government bonds or</p>	<p><u>Article 7 Related Party Transactions</u></p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised in compliance with the provisions of Article 6 and Article7, if the transaction amount is over and above 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6; the calculation of the transaction amount as used herein refers to shall be made in accordance with paragraph 4 of Article 6 herein.</p> <p>The Company that intends to acquire or dispose of real estate(regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real estate from or to related parties and the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million, except in trading of government bonds or</p>	<p>Amend wording according to February 9, 2017 Order No. Financial-Supervisory-Securities-Corporate-1060001296 of the Financial Supervisory Commission</p>

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<p>bonds under repurchase and resale agreements, or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises</u>, may not proceed with the transaction until the followings were passed by audit committee and reported to board of directors for approval; the calculation of the transaction amounts referred to this paragraph shall be made in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The purpose, necessity and predetermined benefits of the acquisition or disposal of assets. 2. Reasons for choosing related parties as counterparties. 3. With respect to the acquisition of real property from a related party, related documents for evaluating the rationality of transaction terms according to the fourth and the fifth paragraphs of this Article. 4. The original date and price for related parties acquiring real estate the original counterparties and its relationship between the Company and related parties. 5. Monthly cash flow forecasts for a year commencing from the predetermined-signed month and evaluation of the necessity of the transaction and rationality of funds utilization. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the paragraph 1 of this 	<p>bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds</u>, may not proceed with the transaction until the followings were passed by audit committee and reported to board of directors for approval; the calculation of the transaction amounts referred to this paragraph shall be made in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The purpose, necessity and predetermined benefits of the acquisition or disposal of assets. 2. Reasons for choosing related parties as counterparties. 3. With respect to the acquisition of real property from a related party, related documents for evaluating the rationality of transaction terms according to the fourth and the fifth paragraphs of this Article. 4. The original date and price for related parties acquiring real estate the original counterparties and its relationship between the Company and related parties. 5. Monthly cash flow forecasts for a year commencing from the predetermined-signed month and evaluation of the necessity of the transaction and rationality of funds utilization. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the paragraph 1 of this Article. 	

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<p>Article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real estate from related parties.</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or</p>	<p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real estate from related parties. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below:</p> <p>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised</p>	

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<p>more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the counterparties.</p> <p>The Company shall follow the preceding provisions regarding appraising the transaction cost and engage a CPA to check the appraisal and render a specific opinion when acquiring real estate from related parties.</p> <p>If one of the following circumstances exists when the Company acquiring real estates from related parties, the acquisition shall be conducted in accordance with the provisions of the second paragraph of this Article instead of the fourth and fifth paragraphs.</p> <ol style="list-style-type: none"> 1. Related party acquires the real estate through inheritance or as a gift. 2. The time when the related party signs the contract to obtain the real estate is more than five years earlier than the date for signing the transaction. 3. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. <p>When the appraisal results conducted in accordance with the fourth paragraph of this Article 7 are uniformly lower than the transaction price, the matters shall be handled in compliance with the eighth paragraph of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality from a professional real estate</p>	<p>loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the counterparties.</p> <p>The Company shall follow the preceding provisions regarding appraising the transaction cost and engage a CPA to check the appraisal and render a specific opinion when acquiring real estate from related parties.</p> <p>If one of the following circumstances exists when the Company acquiring real estates from related parties, the acquisition shall be conducted in accordance with the provisions of the second paragraph of this Article instead of the fourth and fifth paragraphs.</p> <ol style="list-style-type: none"> 1. Related party acquires the real estate through inheritance or as a gift. 2. The time when the related party signs the contract to obtain the real estate is more than five years earlier than the date for signing the transaction. 3. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. <p>When the appraisal results conducted in accordance with the fourth paragraph of this Article 7 are uniformly lower than the transaction price, the matters shall be handled in compliance with the eighth paragraph of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality from a professional real estate appraiser and a CPA have been obtained, this</p>	

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<p>appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1). Where undeveloped land is appraised in accordance with the means in the fourth paragraph of this Article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(3). Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable</p>	<p>restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1). Where undeveloped land is appraised in accordance with the means in the fourth paragraph of this Article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(3). Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in</p>	

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<p>price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>2. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>3. Completed transactions for neighboring or closely valued parcels of land in the preceding two subparagraphs in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in the Government Assessed Current Land Price; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property.</p> <p>Where the Company acquires real estate from related parties and the appraisal results conducted in accordance with the provisions of the fourth to the seventh paragraphs of this Article are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken:</p> <p>1. A special reserve shall be set aside in accordance with the provisions of the first paragraph of Article 41 of Securities and Exchange Act against the difference between the transaction price and the appraised cost, and may not be distributed or used for</p>	<p>accordance with standard property leasing market practices.</p> <p>2. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>3. Completed transactions for neighboring or closely valued parcels of land in the preceding two subparagraphs in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in the Government Assessed Current Land Price; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property.</p> <p>Where the Company acquires real estate from related parties and the appraisal results conducted in accordance with the provisions of the fourth to the seventh paragraphs of this Article are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken:</p> <p>1. A special reserve shall be set aside in accordance with the provisions of the first paragraph of Article 41 of Securities and Exchange Act against the difference between the transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.</p>	

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<p>capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the provisions of the first paragraph of Article 41 of Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.</p> <p>2. Audit committee shall comply with the provisions of Article 218 of Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>4. The Company that has set aside a special reserve under the subparagraph 1 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p>	<p>Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the provisions of the first paragraph of Article 41 of Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.</p> <p>2. Audit committee shall comply with the provisions of Article 218 of Company Act.</p> <p>3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>4. The Company that has set aside a special reserve under the subparagraph 1 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p>	
<p><u>Article 9 Procedures for merger, split-up, tender offer or transfer of shares</u></p> <p>The Company that conducts a merger, split-up, tender offer or transfer of shares, prior to the board of directors resolution, shall engage a CPA, attorney, or securities underwriter to give an opinion on the rationality of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders and submit it to the board of directors for deliberation and passage. However, the</p>	<p><u>Article 9 Procedures for merger, split-up, tender offer or transfer of shares</u></p> <p>The Company that conducts a merger, split-up, tender offer or transfer of shares, prior to the board of directors resolution, shall engage a CPA, attorney, or securities underwriter to give an opinion on the rationality of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders and submit it to the board of directors for deliberation and passage.</p>	<p>Amend wording according to February 9, 2017 Order No. Financial-Supervisory-Securities-Corporate-1060001296 of the</p>

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<p><u>requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.</u></p> <p>The Company participating in a merger, split-up, tender offer or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, split-up or tender offer prior to the shareholders' meeting and include it along with the experts' opinion referred to in preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, split-up or tender offer. Provided, where a provision of another act exempts the Company from convening the shareholders' meeting to approve the merger, split-up or tender offer, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, split-up or tender offer fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, split-up or tender offer shall immediately publicly explain the reason, the follow-up measures and the preliminary date of the next shareholders' meeting.</p> <p>The Company participating in a merger, split-up</p>	<p>The Company participating in a merger, split-up, tender offer or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, split-up or tender offer prior to the shareholders' meeting and include it along with the experts' opinion referred to in preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, split-up or tender offer. Provided, where a provision of another act exempts the Company from convening the shareholders' meeting to approve the merger, split-up or tender offer, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, split-up or tender offer fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, split-up or tender offer shall immediately publicly explain the reason, the follow-up measures and the preliminary date of the next shareholders' meeting.</p> <p>The Company participating in a merger, split-up or tender shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, split-up or tender off, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act</p>	<p>Financial Supervisory Commission</p>

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<p>or tender shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, split-up or tender off, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>Every person participating in or privy to the plan for merger, split-up, tender offer or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, split-up, tender offer or transfer of shares.</p> <p>The Company participating in a merger, split-up, tender offer or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances and shall stipulate the circumstances permitting alteration in the contract for the merger, split-up, tender offer or transfer of shares:</p> <ol style="list-style-type: none"> 1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants or other equity based securities. 	<p>provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent.</p> <p>Every person participating in or privy to the plan for merger, split-up, tender offer or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, split-up, tender offer or transfer of shares.</p> <p>The Company participating in a merger, split-up, tender offer or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances and shall stipulate the circumstances permitting alteration in the contract for the merger, split-up, tender offer or transfer of shares:</p> <ol style="list-style-type: none"> 1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants or other equity based securities. 2. An action such as a disposal of major assets that affects the Company's financial operations. 3. An event such as a major disaster or major change in technology that affects shareholders equity or share prices. 4. An adjustment where any of the companies participating in the merger, split-up, tender offer or transfer of shares from another company buys back treasury stocks. 	

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<p>2. An action such as a disposal of major assets that affects the Company's financial operations.</p> <p>3. An event such as a major disaster or major change in technology that affects shareholders equity or share prices.</p> <p>4. An adjustment where any of the companies participating in the merger, split-up, tender offer or transfer of shares from another company buys back treasury stocks.</p> <p>5. An increase or decrease in the number of entities or companies participating in the merger, split-up, tender offer or transfer of shares.</p> <p>6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</p> <p>The contract for participation by the Company in a merger, split-up, tender offer or transfer of shares shall record the rights and obligations of the companies participating in the merger, split-up, tender offer or transfer of shares and shall also record the following:</p> <ol style="list-style-type: none"> 1. Handling of breach of contract. 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is split-up. 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio and the principles for handling thereof. 4. The manner of handling changes in the number of participating entities or companies. 5. Preliminary progress schedule for plan execution and anticipated completion date. 	<p>5. An increase or decrease in the number of entities or companies participating in the merger, split-up, tender offer or transfer of shares.</p> <p>6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.</p> <p>The contract for participation by the Company in a merger, split-up, tender offer or transfer of shares shall record the rights and obligations of the companies participating in the merger, split-up, tender offer or transfer of shares and shall also record the following:</p> <ol style="list-style-type: none"> 1. Handling of breach of contract. 2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is split-up. 3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio and the principles for handling thereof. 4. The manner of handling changes in the number of participating entities or companies. 5. Preliminary progress schedule for plan execution and anticipated completion date. 6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion and relevant procedures. <p>After public disclosure of the information, if the Company participating in the merger, split-up, tender offer or transfer of shares intends further to carry out a merger, split-up, tender offer or transfer of shares with another</p>	

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<p>6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion and relevant procedures.</p> <p>After public disclosure of the information, if the Company participating in the merger, split-up, tender offer or transfer of shares intends further to carry out a merger, split-up, tender offer or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, split-up, tender offer or transfer of shares; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.</p> <p>When participating in a merger, split-up, tender offer or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:</p> <ol style="list-style-type: none"> 1. Basic identification data for personnel including the occupational titles, names and national ID numbers(or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, split-up, tender offer or transfer shares prior to disclosure of the information. 2. Dates of material events including the signing of any letter of intent or memorandum of understanding, the hiring 	<p>company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, split-up, tender offer or transfer of shares; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.</p> <p>When participating in a merger, split-up, tender offer or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:</p> <ol style="list-style-type: none"> 1. Basic identification data for personnel including the occupational titles, names and national ID numbers(or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, split-up, tender offer or transfer shares prior to disclosure of the information. 2. Dates of material events including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract and the convening of a board of directors meeting. 3. Important documents and minutes including merger, split-up, tender offer and plans for transfer of shares, any letter of intent or memorandum of understanding, material contracts and minutes of board of directors meetings. 	

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<p>of a financial or legal advisor, the execution of a contract and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes including merger, split-up, tender offer and plans for transfer of shares, any letter of intent or memorandum of understanding, material contracts and minutes of board of directors meetings.</p> <p>When participating in a merger, split-up, tender offer or transfer of shares, the Company shall, within two days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in the first and second subparagraphs of the preceding paragraph to FSC for recordation.</p> <p>Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such companies whereby the latter is required to abide by the provisions of the eighth and ninth paragraphs of this Article.</p> <p>Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of the third, fourth, seventh, eighth and ninth paragraphs of this Article.</p>	<p>When participating in a merger, split-up, tender offer or transfer of shares, the Company shall, within two days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in the first and second subparagraphs of the preceding paragraph to FSC for recordation.</p> <p>Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such companies whereby the latter is required to abide by the provisions of the eighth and ninth paragraphs of this Article.</p> <p>Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of the third, fourth, seventh, eighth and ninth paragraphs of this Article.</p>	
<p><u>Article 10 Public disclosure of information</u></p> <p>Under any of the following circumstances, the Company acquiring or disposing assets shall</p>	<p><u>Article 10 Public disclosure of information</u></p> <p>Under any of the following circumstances, the Company acquiring or disposing assets shall</p>	<p>Amend wording according to</p>

New	Now	Remark
<p>publicly announce and report the relevant information on FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real estate from or to related parties (regardless transaction amounts), or acquisition or disposal of assets other than real estate from or to related parties where the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises.</u> 2. Merger, split-up, tender offer or transfer of shares. 3. Losses from derivatives are over and above the authorized quota set out in the Procedures. 4. <u>Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount reaches TWD1 billion or more.</u> 5. <u>Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches TWD500 million or more.</u> 	<p>publicly announce and report the relevant information on FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real estate from or to related parties (regardless transaction amounts), or acquisition or disposal of assets other than real estate from or to related parties where the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or <u>redemption of domestic money market funds.</u> 2. Merger, split-up, tender offer or transfer of shares. 3. Losses from derivatives are over and above the authorized quota set out in the Procedures. 4. Where an asset transaction other than any of those referred to in the preceding <u>three</u> subparagraphs, a disposal of receivables by financial institutions, or an investment in the mainland China area is over and above 20% of the Company's paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances: <ol style="list-style-type: none"> (1). Trading of government bonds. (2). Securities trading by investment professionals on foreign or domestic securities exchanges or OTC markets. (3). Trading of bonds under repurchase/resale agreements, or subscription or <u>redemption of domestic money market funds.</u> 	<p>February 9, 2017 Order No. Financial-Supervisory-Securities-Corporate-1060001296 of the Financial Supervisory Commission</p>

New	Now	Remark
<p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by financial institutions, or an investment in the mainland China area is over and above 20% of the Company's paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:</p> <p>(1). Trading of government bonds.</p> <p>(2). Securities trading by investment professionals on foreign or domestic securities exchanges or OTC markets, <u>or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market.</u></p> <p>(3). Trading of bonds under repurchase/resale agreements, or subscription or <u>repurchase of money market funds issued by domestic securities investment trust enterprises.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of each transaction.</p> <p>2. The cumulative transaction amounts of acquisitions and disposals of the same type of underlying assets with the same counterparty within one year.</p> <p>3. The cumulative transaction amounts of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</p> <p>4. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</p>	<p>(4). <u>The amount of acquiring or disposing business equipment that the counterparties are not related parties is less than TWD500 million.</u></p> <p>(5). <u>Where land is acquired under an arrangement for commissioned construction on self-owned land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale and the amount the Company expects to invest in the transaction is less than TWD500 million.</u></p> <p>The amount of transactions above shall be calculated as follows:</p> <p>1. The amount of each transaction.</p> <p>2. The cumulative transaction amounts of acquisitions and disposals of the same type of underlying assets with the same counterparty within one year.</p> <p>3. The cumulative transaction amounts of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</p> <p>4. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.</p> <p>Within one year as used in the second paragraph refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.</p> <p>Where any of the following circumstances</p>	

New	Now	Remark
<p>Within one year as used in the second paragraph refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.</p> <p>Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the first paragraph of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing immediately from the date from the day of occurrence of the fact:</p> <ol style="list-style-type: none"> 1. Change, termination or rescission of a contract signed in regard to the original transaction. 2. The merger, split-up, tender offer or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information. <p>The Company shall compile monthly reports on the status of derivatives engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days counting inclusively from the date of knowing</u></p>	<p>occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the first paragraph of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing immediately from the date from the day of occurrence of the fact:</p> <ol style="list-style-type: none"> 1. Change, termination or rescission of a contract signed in regard to the original transaction. 2. The merger, split-up, tender offer or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information. <p>The Company shall compile monthly reports on the status of derivatives engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.</p>	

New	Now	Remark
<p><u>of such error or omission.</u></p> <p>The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.</p>		

Election

Proposal No.1

Proposed by the Board

The Election of Independent Director, please proceed to elect.

Explanation:

1. The term of 18th Board is from June 22, 2016 to June 21, 2019. Independent director Mr. Kuen-Mu Chen resigned on March 15, 2017 with effective from June 21, 2017. Accordingly, the company proposes to elect a new independent director at this year's annual meeting of shareholders, the term of new independent director is from June 22, 2017 to June 21, 2019.
2. There are no shareholders who hold more than 1% shares of the Company nominating the independent director's nominee during the nomination period from April 14, 2017 to April 24, 2017.
3. The Board election proposal has been approved by the 319th meeting of the board of directors, and the nomination list has been reviewed by the 320th meeting of the board of directors. Please refer to page 60 for the nomination list.

Voting Results:

The nomination list of independent director

Name	Holding Shares
Ming-Sheu Tsai	123,275

Other Matters

Proposal No.1

Proposed by the Board

Proposal for Relieving the Prohibition on Directors from Participation in Competitive Business, please proceed to discuss.

Explanation:

1. According to Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Under the circumstance that there is no harm to the company, the Board proposes for relieving the prohibition on directors from participation in competitive business if the director does anything for himself or on behalf of another person as the provision.
3. Please refer to page 62 for the list of relieve the prohibition on directors.

Resolution:

List of relieve the prohibition on directors

Name	Company	Job Title
Chih-Chien Hsieh	Young-Carrier Company Ltd.	Director
Ming-Sheu Tsai	T3EX Global Holdings	Independent Director

Extempore Motions

Adjournment

Appendix

- A. Article of Incorporation
- B. Rules of Procedure for Shareholders Meetings
- C. Handling Procedures for Acquisition and Disposal of Assets
- D. Rules for Election of Directors
- E. Current Shareholding of Directors

Appendix A.

Article of Incorporation
of
Yang Ming Marine Transport Corporation
(The 29th Amendment)

Chapter 1 General Provisions

- Article 1 This company is organized according to the provisions for a limited liability company set forth in the Company Act of the Republic of China and is named Yang Ming Marine Transport Corporation.
- Article 2 The line of business of this company is as follows:
- A. Domestic and overseas marine shipment service
 - B. Domestic and overseas marine passenger service
 - C. Warehouse, pier, tug boat, barge, container freight station and terminal operations
 - D. Maintenance and repairs, chartering, sales and purchase of ships
 - E. Maintenance and repairs, lease, sales and purchase of containers as well as chassis
 - F. Shipping agency
 - G. G402011 Ocean freight forwarding service
 - H. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval .
- Article 3 The head office of this company is located in Keelung City, Taiwan, Republic of China. If necessary, it may establish branch or representative offices at other domestic or overseas locations.
- Article 4 This company may provide guarantee for other entities.
- The total amount of investment made by this company is not restricted by Clause 13 of the Company Act of the Republic of China.

Chapter 2 Shares and Certificate

- Article 5 The total capitalization of this company is NT\$ 45 billion, divided into 4.5 billion shares, NT\$10 each, to be issued in installments.
- Article 6 The share certificates of this company shall carry the holder's full name and the the way of their printing shall abide by the provisions of the Company Act of the Republic of China. The company may be exempted from printing any share certificate but the shares must be registered with Central Securities Depository Institution.
- The securities affairs of this company shall be handled pursuant to the "Rules Governing Securities-related Matters of Publicly Listed Companies" promulgated by the competent

authority, and other related laws and regulations of the Republic of China.

Chapter 3 Shareholders' Meeting

- Article 7 Shareholder's meetings of this company consist of regular and special meetings. Unless otherwise stipulated in the Company Act or the relevant laws and regulations of the Republic of China, such meetings shall all be convened by the board of directors.
- Article 8 Shareholders of this company shall have one vote for each share they hold, except non-vote stipulated by Laws of the Republic of China or exercise restrict by Laws of the Republic of China.

Chapter 4 Directors and managers

- Article 9 This company shall have 7 to 11 directors to be elected by the shareholders' meeting according to the laws and regulations of the Republic of China. The aforesaid Board of Directors shall have three independent directors.
- This company adopts candidates' nomination system, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The nomination and election of the directors shall comply with Company Act and related laws and regulations of Republic of China. The election of independent directors and non-independent directors shall be held together, however, the number of independent directors and non-independent directors elected shall be calculated respectively and those candidates receiving more voting rights shall be elected as independent directors and non-independent directors.
- Article 10 All capable persons are eligible to be elected directors.
- In case the government or a juristic person is a shareholder, it may be elected director, provided that a natural person be designated as its proxy for the exercise of duties. In case the government or juristic person is a shareholder, its representative may be elected director on its behalf. In case there are several representatives, all of them may be separately elected.
- The representatives referred to in the preceding two paragraphs may, on account of their respective duties, be replaced by other designated persons to fulfill their unfinished terms.
- Article 11 The term of office for both directors is 3 years and they are eligible for re-election.
- Article 11-1 The board of directors is authorized to determine the remuneration to the board chairman and directors according to the extent of their participation in daily operations, contributions to business achievements, and the payment standards of other marine companies.

To disperse the risks that directors and enhance corporate governance, this company may buy policy of “Directors & Officers Liability Insurance” for all its directors, and representatives and for those who are assigned to be the directors or supervisors of its invested companies for the period of their term of duty.

Article 12 The directors shall elect a chairman of the board from among themselves by a resolution adopted by a majority of the directors at a meeting attended by at least 2/3 of the directors.

Article 13 The board of directors shall meet at least once quarterly and, if necessary, may hold special meetings. All such meetings shall be convened and presided over by the chairman of the board. If the chairman of the board cannot attend the meeting, the directors shall elect one director among them to act for the chairman.

The company may use a written notice, e-mail, or facsimile to inform the directors on the holding of a meeting.

A director may appoint another director to represent him or her if he or she is unable to attend the meeting.

Article 14 The duties of the board of directors are as follows:

- A. Formulating business guidelines
- B. Reviewing budget and financial reports
- C. Scrutinizing important rules and contracts
- D. Appointing and discharging important personnel
- E. Establishing and removing branch offices
- F. Proposing to the meeting of shareholders revision of the Charter, change of capitalization, and dissolution or merger of this company.
- G. Proposing to the meeting of shareholders allocation of profits and making up for losses.
- H. Determining other important matters.

Article 15 From the 17th term of board of directors, this company shall establish an Audit Committee, which shall be composed of independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, Securities and Exchange Act and other relevant laws and regulations of the Republic of China.

This Remuneration Committee, composed of all independent directors, propose the following matters and then submit its recommendation to the board of directors for deliberation.

- A. Prescribe and periodically evaluate the performance review and remuneration policy, system, standards, and structure for directors and managers.
- B. Periodically evaluate and prescribe the remuneration of directors and managers.
- C. Others in connection with remuneration assigned by the board of directors.

Article 16 This company shall have a president.

The board of directors may, through a resolution, install a chief executive officer if it deems the position is needed for the functioning of the company. The position shall be held concurrently by the chairman of this company. The job of the chief executive officer is to lead, in keeping with the decisions of the board of directors, and is responsible for formulating the major policies for the company and its related companies.

The appointment, relief of duty, and remuneration for the chief executive officer and president should be made in accordance with the Article 29 of the Company Act the Republic of China.

Chapter 5 Financial Matters

Article 17 At the end of each fiscal year, the board of directors of this company shall prepare the following statements and records of accounts for examination by the Audit Committee of this company and submit report 30 days before the opening of the regular meeting of shareholders for submission to the regular meeting of shareholders for approval:

- A. Business report;
- B. Financial report;
- C. Proposal for allocation of profits or making up losses.

Article 18 If there is net profit at the year-end, it shall appropriate 1% to 5% of the profits as employees' bonus and no more than 2% for the directors. But if there is an accumulated loss, it shall first keep the amount for making up the losses.
The employees' bonus shall be distributed in stocks or cash.
The distribution of bonus for employees and directors shall be determined by the board of directors and reported at the shareholders' meeting.

Article 18-1 If there is current net profit at the year-end, it shall first be used for making up the losses carried over from previous year, for disbursing the income taxes and for paying the various reserves required by the laws and regulations of the Republic of China. If there are needs for increasing the equipment of transportation and improving financial structure, the company may set aside or rotate a special reserve. If there are more surpluses, plus the undistributed cumulative earnings from the previous year, the board of directors shall appropriate at least 25% and work out an allocation proposal for approval by the shareholders' meeting.

The dividend policy shall take into account of the company's profit and future growth, the changes of economy and industry, capital expenditure and operation capital. The dividends of the company include stock dividends and cash dividends and the cash dividends shall account for no less than 20% of the total dividends.

Chapter 6 Addendum

- Article 19 The organic rules of this company shall be separately stipulated.
- Article 20 Matters not stipulated in this Charter shall be handled according to the Company Act and other related laws and regulations of the Republic of China.
- Article 21 This Charter was established on Dec. 28, 1972. The 1st amendment was made on Dec. 23, 1978. The 2nd amendment was made on Mar. 28, 1979. The 3rd amendment was made on June 28, 1979. The 4th amendment was made on Jan. 24, 1980. The 5th amendment was made on June 12, 1981. The 6th amendment was made on Feb. 28, 1983. The 7th amendment was made on Apr. 17, 1985. The 8th amendment was made on June 2, 1988. The 9th amendment was made on Dec. 26, 1990. The 10th amendment was made on Mar. 10, 1992. The 11th amendment was made on Sep. 30, 1992. The 12th amendment was made on Nov. 23, 1994. The 13th amendment was made on Nov. 25, 1995. The 14th amendment was made on Sep. 21, 1996. The 15th amendment was made on Dec. 6, 1997. The 16th amendment was made on Dec. 18, 1998. The 17th amendment was made on June 3, 2000. The 18th amendment was made on June 20, 2001. The 19th amendment was approved on June 21, 2002. The 20th amendment was approved on June 20, 2003. The 21th amendment was approved on June 23, 2005. The 22th amendment was approved on June 23, 2006. The 23th amendment was approved on June 27, 2007. The 24th amendment was approved on June 18, 2009. The 25th amendment was approved on June 18, 2010. The 26th amendment was approved on June 15, 2012. The 27th amendment was approved on June 14, 2013. The 28th amendment was approved on June 18, 2014. The 29th amendment was approved on June 22, 2016.

Appendix B.

Rules of Procedure for Shareholders Meetings of YANG MING MARINE TRANSPORT CORP.

Created on June 21, 2002

Amendment was made on June 18, 2009

- Article 1 The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
- Article 2 Shareholders as stated in the Rules shall be the shareholder himself/herself or the proxy who is delegated by the shareholder to attend the meeting.
- Article 3 The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting time may begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 4 The attending shareholders shall hand in a sign-in card in lieu of signing in. Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.
- Article 5 If the shareholder meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair. If a shareholder meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves. This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.
- Article 6 This Corporation shall make an audio or video recording of the proceedings of the shareholders meeting, and the recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
- Article 7 Attendance at shareholders meetings shall be calculated based on numbers of shares. The

number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 8 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall elect a new chair by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

In addition, after the meeting is adjourned, the shareholders shall not continue the meeting to be presided over by the other chairman at the same place or other place.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article 9 Before speaking, a shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholder meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Discussion of the motions, Chairman may pronounce the end of discussion discretionally, or, may have the discussion suspended if it is necessary and ask to decide by vote.

Article 10 Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 11 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

Except as otherwise provided in the Company Act and in this Corporation's articles of

incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall announce the total number of voting rights represented by the attending shareholders.

If the chairman consults the entirety of attending shareholders without objection regarding a motion, it is considered passed. Its effect shall be the same as the voting resolution.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Vote counting shall be conducted in public at the place of the shareholders meeting. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.

Article 12 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 13 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 14 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

Appendix C.

Handling Procedures for Acquisition and Disposal of Assets

Article 1 Purpose

The Procedures are prescribed to protect shareholders' equity and investors' benefits, implement the information disclosure and enhance property management when the Company acquiring and disposing assets.

Article 2 Basis

The Procedures are handled in accordance with Article 36-1 of Securities and Exchange Act and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" made by Financial Supervisory(hereinafter "FSC").

Article 3 Scope of Assets

1. Investment in stocks(including shareholding), government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call(put) warrants, beneficial interest securities and asset-backed securities
2. Real estate(including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory)
3. Memberships
4. Patents, copyrights, trademarks, franchises and other intangible assets
5. Equipment(including but not limited to vessels, containers, chassis, leased assets, machinery, computer hardware and peripherals)
6. Derivatives
7. Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws
8. Other assets

Article 4 Defined terms

"Derivatives" means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) agreements.

"Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws" means assets acquired or disposed through mergers, split-up or tender offer conducted under R.O.C. Business Mergers and Acquisitions Act, R.O.C. Financial Holding Company Act, R.O.C. Financial Institution Merger Act and other R.O.C. acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore(hereinafter

"transfer of shares") under paragraph 8 of Article 156 of R.O.C. Company Act.

"Leased assets" means leased assets defined in Statement of International Accounting Standard No. 17.

"Related parties" means related parties defined in Statements of International Accounting Standard No. 24.

"Subsidiaries" means subsidiaries defined in Statements of International Accounting Standard No. 27 and No.28.

"Professional appraisers" means real estate appraisers or other persons duly authorized by laws to engage in appraising real estate, equipment or other assets.

"Date of occurrence" means the date of contract signing, payment, consignment trade, transfer, the board of directors resolutions or other dates that can confirm the counterparties and monetary amount of the transactions, whichever date is earlier; provided, for investment for which approval of R.O.C. Competent Authority is required, the earlier of the above dates or the date of receipt of approval by R.O.C. Competent Authority shall apply.

"Investments in Mainland China" means investments in Mainland China in accordance with the provisions of "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" by Ministry of Economic Affairs Investment Commission, R.O.C..

Article 5 Operation procedures for acquiring or disposing assets

The Company acquires or disposes assets defined in Article 3 shall be assessed by department in charge, report to the management for authorization or pass by audit committee and report to the board of directors for approval according to the following authorized quota and then be executed by related departments.

1. Authorized quota for the Company
 - (1). The total amount of purchasing non-business real estate shall not exceed 30% of the Company's paid-in capital.
 - (2). The total amount of investments in securities shall not exceed 200% of the Company's paid-in capital and the total amount of investments in each security shall not exceed 50% of the Company's paid-in capital.
2. Authorized quota for the management
 - (1). Investments in securities
The total amount is within TWD3 billion. However, acquiring or disposing bond funds, monetary funds and repurchase or reverse repo of bonds or bills for the purpose of funds dispatching is not subject to this limit.
 - (2). Real estate, equipment and other assets for the purpose of conducting business The amount for each transaction is within TWD100 million.
 - (3). Non-business real estate
The amount for each transaction is within TWD10 million.

(4). Memberships and intangible assets

The amount for each transaction is within TWD10 million.

3. Once the amount for acquisition or disposal of assets exceeds the authorized quota for the management or the Company acquires or disposes long-term equity investments whether the amount is compiled in annual budget, should be passed by audit committee and reported to board of directors for approval and then implement.

Article 6 Assessment procedures for acquiring or disposing assets

The Company acquiring or disposing securities shall, prior to the date of occurrence of the event, first obtain the financial statements certified or reviewed by a certified public accountant(hereinafter "CPA") of the issuing company for the most recent period for reference when appraising the transaction price and if the amount of the transaction is over and above 20% of the Company's paid-in capital or TWD300 million, the Company shall also engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by ROC Accounting Research and Development Foundation. However, this requirement does not apply to securities that have public quoted prices in an active market or where otherwise provided by regulations of FSC.

If the amount of the Company acquiring or disposing real estate, equipment or other assets is over and above 20% of the Company's paid-in capital or TWD300 million unless transacting with government institutions, engaging others to build on its own land or acquiring or disposing business equipments, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted to the board of directors in advance for approval and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
2. If the transaction amount is over and above TWD1 billion, appraisals from two or more professional appraisers shall be obtained.
3. Unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by ROC Accounting Research and Development Foundation to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price when the following situations apply:
 - (1). The discrepancy between the appraisal result and the transaction amount is over and above 20%.
 - (2). The discrepancy between the appraisal results of two or more professional appraisers is over and above 10% of the transaction amount.

4. The date of the appraisal report issued by a professional appraiser and the effective date of the contract shall not exceed three months; provided, however, that if the Government Assessed Current Land Price of the same period is applied and the date of submitting the report and the effective date of the contract do not exceed six months, an opinion may still be issued by the original professional appraiser.

If the amount of the Company acquiring or disposing memberships or intangible assets is over and above 20% of the Company's paid-in capital or TWD300 million, except in transactions with a government agency, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by ROC Accounting Research and Development Foundation to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price prior to the date of occurrence of the event.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

When the Company acquires or disposes assets through court auction, the evidentiary documents issued by the court may be substituted for the appraisal report or CPA's opinion.

The professional appraisers, CPA, lawyers and securities underwriters that issue appraisal reports and opinions shall not be the related parties to the Company.

Article 7 Related Party Transactions

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised in compliance with the provisions of Article 6 and Article 7, if the transaction amount is over and above 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6; the calculation of the transaction amount as used herein refers to shall be made in accordance with paragraph 4 of Article 6 herein.

The Company that intends to acquire or dispose of real estate (regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real estate from or to related parties and the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, may not proceed with the transaction until the followings were passed by audit committee and reported to board of directors for approval; the calculation of the transaction amounts referred to this paragraph shall be made in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of

directors and recognized by the audit committee need not be counted toward the transaction amount.

1. The purpose, necessity and predetermined benefits of the acquisition or disposal of assets.
2. Reasons for choosing related parties as counterparties.
3. With respect to the acquisition of real property from a related party, related documents for evaluating the rationality of transaction terms according to the fourth and the fifth paragraphs of this Article.
4. The original date and price for related parties acquiring real estate the original counterparties and its relationship between the Company and related parties.
5. Monthly cash flow forecasts for a year commencing from the predetermined-signed month and evaluation of the necessity of the transaction and rationality of funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the paragraph 1 of this Article.
7. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real estate from related parties. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the counterparties.

The Company shall follow the preceding provisions regarding appraising the transaction cost and engage a CPA to check the appraisal and render a specific opinion when acquiring real estate from related parties.

If one of the following circumstances exists when the Company acquiring real estates from related parties, the acquisition shall be conducted in accordance with the provisions of the second paragraph of this Article instead of the fourth and fifth paragraphs.

1. Related party acquires the real estate through inheritance or as a gift.
2. The time when the related party signs the contract to obtain the real estate is more than five years earlier than the date for signing the transaction.
3. The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.

When the appraisal results conducted in accordance with the fourth paragraph of this Article 7 are uniformly lower than the transaction price, the matters shall be handled in compliance with the eighth paragraph of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1). Where undeveloped land is appraised in accordance with the means in the fourth paragraph of this Article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - (3). Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
3. Completed transactions for neighboring or closely valued parcels of land in the preceding two subparagraphs in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in the Government Assessed Current Land Price; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property.

Where the Company acquires real estate from related parties and the appraisal results conducted in accordance with the provisions of the fourth to the seventh paragraphs of this Article are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with the provisions of the first paragraph of Article 41 of Securities and Exchange Act against the difference between the transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the provisions of the first paragraph of Article 41 of Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Audit committee shall comply with the provisions of Article 218 of Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
4. The Company that has set aside a special reserve under the subparagraph 1 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.

Article 8 Procedures for engaging in derivatives

There are two kinds of purpose for the Company engaging in derivatives: "trading" and "hedging". "Trading" means the purpose for holding or issuing derivatives is making money from the differences of market prices and taking the accompanied risk at the same time.

"Hedging" means lower the risk of the Company's assets, liabilities, irrevocable commitment and expected business or financial transaction through derivatives transactions.

The policy applied by the Company for engaging in derivatives is to enhance the management of assets and liabilities and the efficiency of capital management and risk hedging.

The quota for engaging in derivatives is as follows:

1. Hedging transactions:
 - (1). The total amount in hedging transactions shall not exceed the quota authorized by the board of directors.
 - (2). The maximum loss limits: Either estimated loss of each individual contract exceed 1% of the Company's paid-up capital for two successive months or estimated loss of total contracts exceed 2% of the Company's paid-up capital for two successive months, the measures of controlling the losses shall report to the next board of directors.
2. Trading transactions:
 - (1). The total amount in trading transactions shall not exceed 15% of the Company's total

assets.

- (2). The total losses for all transactions should not exceed USD5 million in the same fiscal year.
- (3). The losses for each transaction should not exceed USD1 million in the same fiscal year.

The authority and responsibility for the Company engaging in derivatives is as follows:

1. The Head of Finance Department should render information including product types, trading amount, trading purpose and strategy and maximum amount of losses should be submitted to and passed by audit committee and for approval of the board of directors when the Company engages in derivatives.
2. When the Company engages in derivatives, the authority and responsibility for the Head of Finance Department is as follows:
 - (1). Control the authorized quota by the board of directors.
 - (2). Confirm the transaction.
 - (3). Appoint and remove dealers.
3. When the Company engages in derivatives, the authority and responsibility for dealers is as follows:
 - (1). Grasp market information, collect characteristics of products and market risks and the credit of potential counterparties as reference for evaluating the trading feasibility.
 - (2). Draw up trading strategy and negotiate transaction terms with counterparties.
 - (3). Prepare transaction reports.
4. When the Company engages in derivatives, the authority and responsibility for persons in charge of settlement is as follows:
 - (1). Open accounts.
 - (2). Provide transaction documents immediately.
 - (3). Complete the settlement of the transaction.
5. When the Company engages in derivatives, accounting personnel shall record into the accounts based on recording document from persons in charge of settlement.

The procedures for risk management when the Company engages in derivatives are as follows:

1. Scope of risk management
 - (1). Credit risks
Counterparties are limited to banks which have business with the Company or famous international financial institutions which could provide professional information.
 - (2). Market risks
The Company shall control the market risk derived from the volatility of interest rate, exchange rate or other factors.
 - (3). Liquidity risks
The Company shall consider if the derivatives engaged are general and universal in the market to avoid the illiquidity circumstances.
 - (4). Cash flow risks
The Company shall take notice of its cash flows to ensure the completion of settlement

when the transaction is expired.

(5). Operational risks

The Company shall obey the authorized quota and operation procedures and dealers shall have full and accurate knowledge about derivatives to avoid operation risk.

(6). Legal risks

Any documents such as contracts, commitment, appointment signed with counterparties shall be reviewed by the internal legal staff or external counselors in advance.

2. When the Company engages in derivatives, Finance Department should be in charge of trading, confirmation and settlement but personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. When the Company engages in derivatives, persons who are in charge of risk evaluation, supervision and control shall not be from Finance Department and shall report to the board of directors or senior management personnel who are not responsible for trading or position decision-making. If there are any irregular circumstances, the persons shall report to the board of directors immediately and take necessary action.

Measures of periodic evaluation and handling irregular circumstances:

1. The trading positions shall be evaluated at least once a week while the hedging positions required by business shall be evaluated at least twice a month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
2. When the Company engages in derivatives, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles:
 - (1). The assigned senior management personnel shall pay attention to monitoring and controlling trading risks at all times.
 - (2). Periodically evaluate whether the performance is consistent with established operational strategy and whether the risk undertaken is affordable for the Company.
3. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - (1). Periodically evaluate whether the risk management measures currently applied are appropriate and faithfully conducted in accordance with the Procedures.
 - (2). Supervise trading and profit–loss circumstances and if irregular circumstances are found, take necessary action and report to the board of directors immediately, independent directors should attend the board of directors and express an opinion.

Internal audit system:

1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives and prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing.
2. The company shall file the audit report of derivatives transactions and the implementation of

annual Internal audit plans to Securities and Futures Bureau of FSC(hereinafter "SFB") before the end next February and shall also report the improvement situation for any irregular circumstances to SFB before next May.

The Company engaging in derivatives shall establish a log book and the product types, trading amounts, the board of directors approval dates and the matters required to be carefully evaluated under this Article 8 shall be recorded in detail in the log book.

Article 9 Procedures for merger, split-up, tender offer or transfer of shares

The Company that conducts a merger, split-up, tender offer or transfer of shares, prior to the board of directors resolution, shall engage a CPA, attorney, or securities underwriter to give an opinion on the rationality of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders and submit it to the board of directors for deliberation and passage.

The Company participating in a merger, split-up, tender offer or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, split-up or tender offer prior to the shareholders' meeting and include it along with the experts' opinion referred to in preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, split-up or tender offer. Provided, where a provision of another act exempts the Company from convening the shareholders' meeting to approve the merger, split-up or tender offer, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, split-up or tender offer fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, split-up or tender offer shall immediately publicly explain the reason, the follow-up measures and the preliminary date of the next shareholders' meeting.

The Company participating in a merger, split-up or tender shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, split-up or tender off, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent.

Every person participating in or privy to the plan for merger, split-up, tender offer or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, split-up, tender offer or transfer of shares.

The Company participating in a merger, split-up, tender offer or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances and shall stipulate the circumstances permitting alteration in the contract for the merger, split-up, tender offer or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants or other equity based securities.
2. An action such as a disposal of major assets that affects the Company's financial operations.
3. An event such as a major disaster or major change in technology that affects shareholders equity or share prices.
4. An adjustment where any of the companies participating in the merger, split-up, tender offer or transfer of shares from another company buys back treasury stocks.
5. An increase or decrease in the number of entities or companies participating in the merger, split-up, tender offer or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The contract for participation by the Company in a merger, split-up, tender offer or transfer of shares shall record the rights and obligations of the companies participating in the merger, split-up, tender offer or transfer of shares and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is split-up.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion and relevant procedures.

After public disclosure of the information, if the Company participating in the merger, split-up, tender offer or transfer of shares intends further to carry out a merger, split-up, tender offer or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, split-up, tender offer or transfer of shares; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

When participating in a merger, split-up, tender offer or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic identification data for personnel including the occupational titles, names and national ID numbers(or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, split-up, tender offer or transfer shares prior to disclosure of the information.
2. Dates of material events including the signing of any letter of intent or memorandum of

understanding, the hiring of a financial or legal advisor, the execution of a contract and the convening of a board of directors meeting.

3. Important documents and minutes including merger, split-up, tender offer and plans for transfer of shares, any letter of intent or memorandum of understanding, material contracts and minutes of board of directors meetings.

When participating in a merger, split-up, tender offer or transfer of shares, the Company shall, within two days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in the first and second subparagraphs of the preceding paragraph to FSC for recordation.

Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such companies whereby the latter is required to abide by the provisions of the eighth and ninth paragraphs of this Article.

Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of the third, fourth, seventh, eighth and ninth paragraphs of this Article.

Article 10 Public disclosure of information

Under any of the following circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real estate from or to related parties (regardless transaction amounts), or acquisition or disposal of assets other than real estate from or to related parties where the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD 300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
2. Merger, split-up, tender offer or transfer of shares.
3. Losses from derivatives are over and above the authorized quota set out in the Procedures.
4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by financial institutions, or an investment in the mainland China area is over and above 20% of the Company's paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:
 - (1). Trading of government bonds.
 - (2). Securities trading by investment professionals on foreign or domestic securities exchanges or OTC markets.
 - (3). Trading of bonds under repurchase/resale agreements, or subscription or redemption of

domestic money market funds.

- (4). The amount of acquiring or disposing business equipment that the counterparties are not related parties is less than TWD500 million.
- (5). Where land is acquired under an arrangement for commissioned construction on self-owned land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale and the amount the Company expects to invest in the transaction is less than TWD500 million.

The amount of transactions above shall be calculated as follows:

1. The amount of each transaction.
2. The cumulative transaction amounts of acquisitions and disposals of the same type of underlying assets with the same counterparty within one year.
3. The cumulative transaction amounts of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
4. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

Within one year as used in the second paragraph refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the first paragraph of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing immediately from the date from the day of occurrence of the fact:

1. Change, termination or rescission of a contract signed in regard to the original transaction.
2. The merger, split-up, tender offer or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

The Company shall compile monthly reports on the status of derivatives engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by FSC by the tenth day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.

Article 11 Procedures for control and management of the acquisition and disposal of assets by subsidiaries

The Company's subsidiaries should set up its own handling procedures of acquisition and disposal of assets in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by 'SFC, the 'Procedures and its business and management requirements. Subsidiaries' handling procedures should be submitted to its board of directors and shareholders' meeting for approval and then submitted to the Company for reference. The amendments hereof shall be subjected to the same.

Each subsidiary shall set up its own authorized quota for purchasing non-business real estates and securities.

Information required to be reported in accordance with the provisions of Article 10 on acquisitions and disposals of assets by the Company's subsidiaries that are not domestic public companies in R.O.C. shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard for determining whether subsidiaries under the preceding paragraph is subject to the fifth subparagraph of the first paragraph of Article 10 requiring public announcements and filing with the authorities in the event the type of transaction specified therein is over and above 10% of the Company's paid-in capital.

Article 12 Penalty

The Company acquiring and disposing assets should be pursuant to the Procedures and the Company's internal control system. If irregular circumstances are found, it shall be considered as violation of the Company's internal stipulation and the related undertakers shall be punished.

Article 13 Others

For the calculation of 10 percent of total assets under the procedure, the total assets stated in the most recent parent company only financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Anything that is not specified in the Procedures shall follow the related regulations, the Company's internal control system and operation procedures.

Article 14 Enforcement

The Procedures shall be first implemented upon approval by audit committee and then submitted to the board of directors and shareholders' meeting for approval. The amendments hereof shall be subjected to the same.

Appendix D.

Rules for Election of Directors of Yang Ming Marine Transport Corporation

Approved by the shareholders meeting on June 21, 2002

Amendment was made on June 18, 2009

Amendment was made on June 14, 2013

- Article 1 Except as otherwise provided by law and regulation or by the articles of incorporation of this company, the elections of directors shall be conducted in accordance with these Rules.
- Article 2 The cumulative voting method shall be used for election of the directors at this company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The directors of this company shall be elected by adopting candidates nomination system, the election of independent and non-independent directors shall be held together; however, the number of independent and non-independent directors elected shall be calculated separately.
- Article 3 The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 4 The number of directors will be as specified in this company's articles of incorporation, with voting rights separately calculated for non-independent and independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 5 Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the company and publicly checked by the vote monitoring personnel before voting commences.
- Article 6 If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person

shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

- Article 7 A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by the board of directors.
 2. A blank ballot is placed in the ballot box.
 3. The writing is unclear and indecipherable or has been altered.
 4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
 5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
 6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
 7. The requested information is not completely entered in Article 6.
 8. The number of the candidates entered in the ballot exceeding the number of the seats to be elected.
 9. The total votes cast by the voter exceeding the total voting rights of such voter.
- Article 8 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors, shall be announced by the chair on the site.
- Article 9 The board of directors of this company shall issue notifications to the persons elected as directors.
- Article 10 These Rules, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

Appendix E.

Current Shareholding of Directors

The minimum required combined shareholding of all directors by law on the book closure date, April 24, 2017: 37,566,512 shares (2.4%).

Position	Name	shareholding on the book closure date
Chairman / Board of Directors	Representatives of MOTC: Chih-Chien Hsieh	Directors herein as, and holding a total of 467,682,372 shares
Director	Representatives of MOTC: Lien-Chuan Lee	
Director	Representatives of MOTC: Youn-Ger Wu	
Director	Representatives of MOTC: Cherng-Chwan Hwang	
Director	Representatives of MOTC: Yi-Chih Yang	
Director	Representatives of MOTC: Ping-Jen Tseng	
Director	Representative of Taiwan Chinachem Investment Co Ltd.: Wing-Kong Leung	
Director	Representative of Leader Container Transportation Co., Ltd: (currently not designated)	233,644 shares
Independent Director	Kuen-Mu Chen	0
Independent Director	Jin-Ru Yen	0
Independent Director	Heng-Chih Chou	0

Note 1: The combined shareholding of all directors on the book closure date: 524,097,363 shares.

Note 2: Independent director Mr. Kuen-Mu Chen resigned on March 15, 2017 with effective from June 21, 2017.