

Stock Code: 2609



# **2018 Shareholders' Meeting Handbook**

## **YANG MING MARINE TRANSPORT CORP.**

**June 22, 2018**

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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# **Meeting Procedures**

## **Procedures for 2018 Shareholders' Meeting**

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

# **Meeting Agenda**

## **Agenda of 2018 Shareholders' Meeting**

- I. Time : 09:00 a.m. on Friday, June 22, 2018
- II. Venue : 2F., No. 181, Xin 1st Rd., Zhongzheng Dist., Keelung City, Taiwan (R.O.C.)  
(The First Conference Room of Keelung Cultural Center)
- III. To Call the Meeting to Order
- IV. Chairperson's Remarks
- V. Matters to Report
  - i. 2017 Business Report
  - ii. 2017 Audit Committee's Review Report
  - iii. Execution Status of the Sound Business Plan for Public Offering in 2017
  - iv. Execution Status of the Second Private Placement in 2017
- VI. Matters for Recognition
  - i. Adoption of 2017 Business Report and Financial Statements
  - ii. Adoption of 2017 Deficit Compensation Proposal
  - iii. Retroactive Recognition of the Private Placement in 2017
- VII. Matters for Election
  - i. The Election of Directors
- VIII. Matters for Discussion
  - i. Proposal for Releasing the Prohibition on Directors from Participation in Competitive Business
  - ii. Amendment to the Articles of Incorporation
- IX. Extempore Motions
- X. Adjournment

# **Matters to Report**

## **I. 2017 Business Report**

Explanation: 2017 business report is attached as page 7 to 12.



## 2017 Business Report

The container shipping market has experienced an unprecedented period of turmoil since 2016. With the bankruptcy of Hanjin and elevated level of market consolidation (Maersk's acquisition of Hamburg Süd, UASC merged with Hapag Lloyd, COSCO's acquisition of OOCL and MOL, NYK, and K Line became ONE), the industry has gradually recovered from the trough in 2017. While the reshuffle of the shipping alliance into three major alliances (2M, Ocean Alliance and THE Alliance) has helped the market stabilize, the overall shipping market still faces the challenge of oversupply in 2018.

Under the dismal market conditions, we have achieved remarkable improvement in our operating performance through the effort and dedication by Yang Ming's team members worldwide over the past years. The shipping industry is still challenging and unpredictable in the coming years. Yang Ming will continue to make providing best service as our first priority. Moreover, we will do the best to boost our performance in response to our stakeholders' and the public's trust and support.

### I. IMPLEMENTATION

#### i. Macroeconomic Environment

The World Bank and Global Insight projected the global GDP to grow 3.0% and 3.2% respectively in 2017. Based on IMF, Global Insight and World Bank, the growth of world trade volume accelerated to the level between 4.3% and 4.7%. Crude oil prices in 2017 stayed in the range of USD53~56/barrel. With OPEC reaching its oil output cut extension through the end of 2018, oil prices climbed to around USD63/barrel.

#### ii. Shipping Market Overview

According to the projections from Alphaliner February Monthly Monitor, demand was forecasted to grow 6.6% in 2017, compared to 2.6% in 2016, while the growth rate for supply registered at 3.7%, compared to 1.8% in 2016, indicating that the imbalance between supply and demand in the overall container shipping

market has slightly improved. In the dry bulk market, the average BDI in 2017 was 1,145 points, which was an increase of more than 70% from 673 points in 2016, reaching a record high in past three years. According to latest Clarksons report, the growth rate of demand for dry bulk shipping was 3.9% in 2017, and the supply growth rate was 3.0%. The projected growth rate in demand is 2.7% in 2018, and the supply growth rate is 1.8%. The market fundamentals are expected to steadily improve.

## **II. OUR STRATEGY**

In the midst of greater competition in the container shipping industry, Yang Ming will, in line with market supply and demand dynamics, undertake medium and long-term strategies as follows.

- i. Tightening up cooperation among alliance members and intensifying regional network to augment our medium and long-term yield and create the niche to our business.
- ii. Launching fleet renewal projects. We plan to gradually strengthen our fleet deployment on the East-West mainlane trades in the coming three years. Our fleet renewal plans, including the common vessel type used in Intra-Asia trade as well as a more practical vessel type for operation in the East-West trade, are intended to create synergies among vessel deployment and business expansion.
- iii. Cost components will be taken into account when taking bookings. We set up a “Liner Management Department” and introduce cargo contribution mechanism to consistently control our costs.
- iv. Centralized management will be fully implemented to control the business and operations of the group. Immediate control and timely action can be achieved through the centralized management mechanism.

- v. 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.
- vi. Integrating global IT system and fully optimizing the workflow. We continue to review the process of customer relationship management, booking contribution, multi-utilization management, delivery quality and monitoring, etc., aiming at optimizing operations to improve performance.
- vii. Diversifying business and expanding the coverage of liner services across global markets. To achieve comprehensive profitability and create synergy, we are dedicated to logistics, bulk carrier and terminal business to disperse the risks in the liner segment.

### **III. PERFORMANCE**

Bolstered by macroeconomic recovery and the improvement of market supply and demand, the company's total container business volume amounted to 4.72 million TEU in 2017, making an increase of 9% from 4.33 million TEU in 2016. The company's business performance was significantly improved through service adjustments and a series of intense cost optimization measures. In the third quarter, the company began to make profit and successfully rebounded back to the black in the fourth quarter. Net profit after tax was NT\$321 million in 2017, with earnings per share at NT\$ 0.17.

### **IV. REVENUE AND EXPENDITURE**

#### **i. Operating Revenue**

Encouraged by a 9% annual growth in container business volume and an uptick of ocean freight rates, consolidated revenue in 2017 was NT\$131.08 billion, an increase of NT\$15.68 billion or 13.59% in comparison to NT\$115.4 billion in 2016.

ii. Operating Expenditure

Coupled with volume growth and through cost reduction measures such as cargo structure adjustment and container repositioning optimization, with the offset from the rise in oil prices, port charges and canal charges, the company's consolidated expenditure was NT\$130.60 billion, a slight increment of 0.04% compared to NT\$130.56 billion in the previous year.

## **V. PROFITABILITY ANALYSIS**

In 2017, the company deployed strategies to effectively reduce operating costs, leading to a remarkable improvement in operating profit by NT\$15.50 billion compared with previous year. Operating expenses ratio decreased from 5.28% to 4.59% in 2017, and net profit after tax was substantially improved by NT\$15.23 billion.

## **VI. RESEARCH AND DEVELOPMENT**

i. Digitalization

In response to the digital transformation and the development of maritime technology, we plan to introduce a blockchain pilot project in shipping-related documents. In terms of ship optimization, we plan to build broadband networks with meteorological navigation for voyage simulation and big data analysis in energy efficiency. In the customer service aspect, we'll enhance our service by applying social software as well as by using IOT applications in container or cargo tracking. In 2017, the company provided customers in Taiwan a new inquiry platform "Chatbot", enabling customers to easily grasp information on shipments and vessel schedules in real time through the website. Meanwhile, we actively engaged in research and development of cloud-based business systems and launched the APP for mobile devices.

ii. Environment-friendly Fleet

By promoting various energy-saving and ship modification projects for our fleet, the company is determined to improve fuel efficiency and reduce GHG emissions and waste generation. It's

our mission to achieve safety for ships, crews, cargoes and environment.

iii. Awards

Yang Ming's implementation of corporate restructuring programs in 2017 greatly enhanced its service quality. Its fulfilment of corporate social responsibility along with the promotion of green shipping and environmental preservation earned it the recognition from customers, the media and port authorities worldwide.

**(i) Honored by California Environmental Protection Organization and National Marine Sanctuary Foundation**

On January 23, 2017, the California Environmental Protection Organization and the National Marine Sanctuary Foundation commended Yang Ming's fleet for its voluntary speed-deceleration measures in Los Angeles and the Santa Barbara Channel, which helped reduce air pollution and contributed to the preservation of marine wildlife by minimizing the risk of fatal strikes on whales.

**(ii) Received the 2016 Blue Circle Awards from Port of Vancouver**

Yang Ming was granted the "2016 Blue Circle Awards" by Port Metro Vancouver. The Blue Circle Awards is recognition of the highest level of participation in the EcoAction Program implemented by Port Metro Vancouver. This is the second time of Yang Ming being recognized for its environmental stewardship by POV since 2015. Yang Ming is dedicated to providing best service to customers and has always striven for not only protecting the ocean environment but also actively complying with international conventions and environmental regulations.

**(iii) Winning Australia-North East Asia Liner Trade Award**

Yang Ming was widely recognized as an excellent service provider and our Australia-North East Asia Liner Service has won a “Highly Commended” Award in the 22<sup>nd</sup> Annual Australian Maritime and Transport Awards held by DCN (Daily Cargo News - a weekly Australian shipping, trade, transport and logistics focused publication).

**(iv) Selected Best Shipping Line-Intra-Asia by Asia Cargo News readers**

Yang Ming was selected Best Shipping Line-Intra-Asia by Asia Cargo News readers at the 2017 Asian Freight, Logistics and Supply Chain Awards (AFLAS).

**(v) Receiving Automated Mutual Assistance Vessel Rescue System (AMVER) certificate and Blue Pennant granted by The U.S. Coast Guard for YM Milestone**

YM Milestone of Yang Ming was awarded Automated Mutual Assistance Vessel Rescue System (AMVER) certificate and Blue Pennant granted by The U.S. Coast Guard.

## **II. 2017 Audit Committee's Review Report**

Explanation: 2017 Audit Committee's review report is attached as page 14.

## **2017 Audit Committee's Review Report**

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2017 business report, stand-alone and consolidated financial statements, and deficit compensation proposal of the year ending on December 31, 2017. 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 Securities and Exchange Act and Article 219 of Company Act, the undersigned hereby certifies the business report, financial statements, and deficit compensation proposal of the year ending on December 31, 2017 after thorough examination.

To: 2018 Annual Shareholders' Meeting

YANG MING MARINE TRANSPORT CORP.

Chairman of the Audit Committee: Yen, Jin-Ru

Independent Director: Yen, Jin-Ru

Independent Director: Tsai, Ming-Sheu

Independent Director: Chou, Heng-Chih

March 26, 2018



### **III. Execution Status of the Sound Business Plan for Public Offering in 2017**

#### **Explanation:**

- i. The Company issued 500 million ordinary shares of NT\$12 per share and with a par value of NT\$10 per share. The total issue amount is NT\$6 billion.
- ii. According to the letter issued by the Financial Supervisory Commission dated September 1, 2017 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-10600301161), execution status of the sound business plan for public offering in 2017 shall be reported to the annual shareholders' meeting and is attached as page 16.

## Execution Status of the Sound Business Plan for Public Offering in 2017

### I. Public Offering in 2017

The Company issued 500 million ordinary shares of NT\$12 per share and with a par value of NT\$10 per share on November 27, 2017. The total issue amount is NT\$6 billion. The Company's paid-in capital is NT\$20,652,713,490 and the new common shares issued by way of cash capital increase were listed on November 30, 2017.

### II. Execution Status of the Sound Business Plan

(In Thousands of New Taiwan Dollars)

Item	Year 2017	Year 2016	Diff.
Operating Revenue	131,077,812	115,400,150	15,677,662
Operating Costs	124,582,587	124,463,909	118,678
Operating Gross Profit (Loss)	6,495,225	(9,063,759)	15,558,984
Operating Expenses	6,019,211	6,092,557	(73,346)
Other Operating Income and Expenses	298,772	434,887	(136,115)
Operating Profit (Loss)	774,786	(14,721,429)	15,496,215
Non-Operating Income and Expenses	(139,996)	(974,145)	834,149
Net Profit (Loss) before Taxes	634,790	(15,695,574)	16,330,364
Net Profit (Loss) for the Year	491,866	(14,889,499)	15,381,365

### III. Explanation

Net profit in 2017 is NT\$492 million, which is NT\$15.381 billion higher than net loss NT\$14.889 billion in 2016. Since overall freight rate and operating volume of regular services in 2017 were higher than 2016, bulk business gradually recovered and operating performance improved, consolidated operating revenue increase NT\$15.678 billion. Operating costs and expenses were effectively controlled under various adjustments and improvements.

After completing public offering of NT\$6 billion in November 2017, the Company not only improves its financial structure but also actively promotes various operational strategies, maintains high-quality services and improves overall operating performance.

#### **IV. Execution Status of the Second Private Placement in 2017**

##### **Explanation:**

- i. The special shareholders' meeting on December 22, 2016 resolved that the Company could issue ordinary shares on private placement basis to enrich working capital, improve financial structure and enhance net value.
- ii. The Company has completed the second private placement on December 8, 2017 and the execution status is attached as page 18.

## Execution Status of the Second Private Placement in 2017

Item	The Second Private Placement in 2017 Issue date (Stock issue date): January 17, 2018 Number of Shares: 257,753,442				
Type of security	Ordinary Shares				
The date and amount resolved by the annual shareholders' meeting	The special shareholders' meeting on December 22, 2016 resolved that the Company could issue not more than 1 billion ordinary shares on private placement basis whether in batches or not within one year from the date of the special shareholders' meeting.				
Basis and rationale for setting of price	<p>Price for the second placement is determined on November 29, 2017. Reference price is calculated according to the following two calculations which is higher and is approved by the special shareholders' meeting on December 22, 2016.</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, which price is NT\$12.55.</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, which price is NT\$12.22.</p> <p>According to the above-mentioned calculations, the reference price is NT\$12.55 and the subscription price per share is set at NT\$10.18, which is 81.08% of the reference price and in the range resolved by the special shareholders' meeting, the total amount is NT\$2,623,930,040. In compliance with Securities and Exchange Act, there is a three years transfer limit for private placement securities and the qualification of the placee is also regulated. This private placement is expected to benefit the Company's future operation. The subscription price set forth above should be reasonable in consideration the effect of shareholders' equity and the recognition by the placee.</p>				
Means of selecting specified investors	In accordance with Article 43-6 of Securities and Exchange Act				
Reasons necessitating the private placement	Considering the timeliness, convenience and cost of raising capital, the Company decided to issue ordinary shares on private placement basis.				
Payment date	December 8, 2017				
Placee's information	Placee	Qualification	Amount (NT\$)	Relation to the Company	Participation in the Company's operation
	National Development Fund, Executive Yuan	Article 43-6, Paragraph 1, Subparagraph 2 of Securities and Exchange Act	2,623,930,040	Government related entity	N.A. <sup>1</sup>
Actual subscription (or conversion) price	NT\$10.18 per share				
The difference between actual subscription (or conversion) price and reference price	The subscription price is NT\$10.18 per share, which is 81.08% of reference price NT\$12.55.				
Impact on shareholders' equity due from private placement	Since shares issued on private placement basis are subject to a restriction on share transfer within three years and the qualification of the placee is also regulated by Securities and Exchange Act, it is believed that shareholders' equity is protected. Besides, after raising capital, the Company's financial structure has improved so that it would be beneficial to shareholders' equity.				
Usage of funds and implementation progress in plans	Fully used to enrich the Company's working capital				
Benefit from private placement	Augmenting the working capital, improving the financial structure and enhancing the net worth				

<sup>1</sup> National Development Fund, Executive Yuan is nominated candidate for the director at 2018 annual shareholders' meeting.

# **Matters for Recognition**

## **I. Adoption of 2017 Business Report and Financial Statements**

### **Explanation:**

- i. 2017 consolidated and stand-alone financial statements have been duly audited by the Certified Public Accountants, Chin-Tsung Cheng and Yu-Mei Hung of Deloitte & Touche. Also, 2017 business report and the aforementioned financial statements have been examined by the Audit Committee.
- ii. 2017 business report is attached from page 7 to 12 and 2017 consolidated and individual financial statements are attached from page 21 to 43.

### **Resolution:**

## **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, 2017 and 2016, 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 (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, 2017 and 2016, 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 based on our audits and the report of other auditors.

### **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, 2017. 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 Assets (Not Including Investment Properties) and Intangible Assets

The carrying amount of tangible assets (not including investment properties) and intangible assets in the aggregate is NT\$81,681,297 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 assets (not including investment properties) and intangible assets is a key audit matter.

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

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 amount of deferred tax assets generated from tax loss carryforward is NT\$3,561,187 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 to the Group's consolidated financial statements.

We gained an 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 streams, 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 to the Group's consolidated financial statements.

We gained an 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 time frame for the completion of the voyage. The judgment of the percentage-of-completion estimation may lead to an incorrect calculation of revenue recognized or an inconsistency in revenue recognition.



The judgment of cargo revenue recognition is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 27 to the Group's consolidated financial statements.

We tested the accuracy of the timing of the revenue recognition. Through the subsequent information of voyages, berthing reports, sailing schedules and bills of lading, we verified the validity of the voyage dates calculated by Group's management and of the revenue resulting from voyages.

### **Other Matter**

We did not audit the financial statements of some subsidiaries, namely Yes Logistics Company Ltd., Yang Ming Line Holding Co., Yang Ming Line (Singapore) Pte. Ltd., as of and for the years ended December 31, 2017 and 2016. 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 consolidated financial statements, is based solely on the reports of other auditors. The combined total assets of these subsidiaries were 3.57% (NT\$4,470,569 thousand) and 3.58% (NT\$4,873,184 thousand) of the total consolidated assets as of December 31, 2017 and 2016, respectively. The combined total operating revenue of these subsidiaries were 0.54% (NT\$701,728 thousand) and 1.02% (NT\$1,175,242 thousand) of the total consolidated operating revenue for the years ended December 31, 2017 and 2016, respectively. Also, we did not audit the financial statements of the associates and joint ventures, which were 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., LogiTrans Technology Private Limited, Sino Trans PFS Cold Chain Logistics Co., Ltd. and Shanghai United Cold Chain Logistics Co., Ltd. for the year ended December 31, 2017, 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, Sino-YES Tianjin Cold Chain Logistics Company Limited, YES LIBERAL Logistics Corp. and LogiTrans Technology Private Limited for the year ended December 31, 2016; these associates and joint ventures had been audited by other auditors. The carrying amounts of these associates and joint ventures were 1.16% (NT\$1,543,832 thousand) and 1.12% (NT\$1,519,483 thousand) of the total consolidated assets as of December 31, 2017 and 2016, respectively. The amounts of profit or loss recognized on investments accounted for by the equity method were (166.08)% (NT\$(109,783) thousand) and 1.26% (NT\$(189,084) thousand) of the total comprehensive income for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 on which we have issued an unmodified opinion with an other matter paragraph.

### **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, 2017 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 Yu-Mei Hung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2018

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, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 12,806,622	10	\$ 11,937,376	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	317,796	-	687,130	1
Available-for-sale financial assets - current (Notes 4 and 8)	1,475	-	1,148	-
Notes receivable, net (Notes 4 and 10)	7,982	-	6,943	-
Trade receivables, net (Notes 4 and 10)	7,965,350	6	7,505,655	6
Trade receivables from related parties (Notes 4, 10 and 36)	324,938	-	295,378	-
Shipping fuel (Notes 4 and 11)	2,772,425	2	1,988,651	1
Prepayments (Notes 4, 5, 16 and 36)	770,906	1	783,813	1
Prepayments to shipping agents (Note 36)	300,225	-	299,404	-
Other financial assets - current (Notes 4, 17, 36 and 37)	318,790	-	533,205	-
Other current assets (Notes 29 and 36)	1,300,816	1	1,250,539	1
Total current assets	<u>26,887,325</u>	<u>20</u>	<u>25,289,242</u>	<u>19</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Notes 4, 8 and 37)	1,174,587	1	870,326	1
Financial assets measured at cost - non-current (Notes 4 and 9)	488,037	-	492,082	-
Investments accounted for using equity method (Notes 4 and 13)	7,994,209	6	8,243,086	6
Property, plant and equipment (Notes 4, 5, 14 and 37)	80,987,285	61	85,713,353	63
Investment properties (Notes 4, 15 and 37)	6,286,118	5	6,205,216	5
Other intangible assets (Notes 4 and 5)	106,454	-	118,595	-
Deferred tax assets (Notes 4, 5 and 29)	4,044,294	3	3,698,372	3
Prepayments for equipment (Notes 4 and 5)	50,997	-	665,608	-
Refundable deposits (Note 33)	701,014	1	401,341	-
Other financial assets - non-current (Notes 4, 17, 24 and 37)	3,597,979	3	3,758,242	3
Long-term prepayments for leases (Notes 4, 5, 16 and 36)	504,989	-	536,561	-
Other non-current assets	53,122	-	51,402	-
Total non-current assets	<u>105,989,085</u>	<u>80</u>	<u>110,754,184</u>	<u>81</u>
<b>TOTAL</b>	<u>\$ 132,876,410</u>	<u>100</u>	<u>\$ 136,043,426</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 36)	\$ 4,470,166	3	\$ 5,786,088	4
Short-term bills payable (Note 18)	7,212,281	6	1,399,769	1
Notes payable	31,729	-	54,282	-
Trade payables (Note 20)	12,248,428	9	13,927,633	10
Trade payables to related parties (Notes 20 and 36)	547,579	1	895,899	1
Payables on equipment	27,746	-	7,141	-
Other payables (Notes 22 and 36)	3,087,122	2	3,139,883	2
Current tax liabilities (Notes 4 and 29)	223,423	-	191,052	-
Provisions - current (Notes 4, 5 and 23)	791,602	1	1,260,418	1
Current portion of long-term liabilities (Notes 18, 19, 21, 24, 36 and 37)	15,037,430	11	15,149,025	11
Advances from customers	282,742	-	267,533	-
Other current liabilities	380,454	-	471,412	1
Total current liabilities	<u>44,340,702</u>	<u>33</u>	<u>42,550,135</u>	<u>31</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4, 19, 36 and 37)	11,892,879	9	13,299,123	10
Long-term borrowings (Notes 18, 36 and 37)	37,805,130	29	50,642,222	37
Provisions - non-current (Notes 4 and 23)	24,672	-	103,710	-
Deferred tax liabilities (Notes 4 and 29)	1,798,614	1	1,778,163	1
Finance lease payables - non-current (Notes 4 and 21)	4,010,269	3	4,687,524	3
Advances from customers - non-current	932,178	1	1,100,788	1
Other financial liabilities - non-current (Notes 4, 19 and 24)	3,050,068	2	3,355,599	3
Net defined benefit liabilities - non-current (Notes 4 and 25)	2,332,688	2	2,160,622	2
Other non-current liabilities	179,610	-	87,035	-
Total non-current liabilities	<u>62,026,108</u>	<u>47</u>	<u>77,214,786</u>	<u>57</u>
Total liabilities	<u>106,366,810</u>	<u>80</u>	<u>119,764,921</u>	<u>88</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital - ordinary shares	23,230,248	18	30,044,401	22
Capital surplus	5,571,490	4	4,425,139	3
Accumulated deficits	(1,565,150)	(1)	(17,657,109)	(13)
Other equity	(1,203,023)	(1)	(1,003,593)	-
Total equity attributable to owners of the Company	26,033,565	20	15,808,838	12
<b>NON-CONTROLLING INTERESTS</b>	476,035	-	469,667	-
Total equity	<u>26,509,600</u>	<u>20</u>	<u>16,278,505</u>	<u>12</u>
<b>TOTAL</b>	<u>\$ 132,876,410</u>	<u>100</u>	<u>\$ 136,043,426</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 27 and 36)	\$ 131,077,812	100	\$ 115,400,150	100
OPERATING COSTS (Notes 4, 11, 28 and 36)	<u>124,582,587</u>	<u>95</u>	<u>124,463,909</u>	<u>108</u>
GROSS PROFIT (LOSS)	<u>6,495,225</u>	<u>5</u>	<u>(9,063,759)</u>	<u>(8)</u>
OPERATING EXPENSES (Notes 28 and 36)				
Selling and marketing expenses	5,183,941	4	5,229,841	4
General and administrative expenses	<u>835,270</u>	<u>1</u>	<u>862,716</u>	<u>1</u>
Total operating expenses	<u>6,019,211</u>	<u>5</u>	<u>6,092,557</u>	<u>5</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 4 and 28)	<u>298,772</u>	<u>-</u>	<u>434,887</u>	<u>-</u>
PROFIT (LOSS) FROM OPERATIONS	<u>774,786</u>	<u>-</u>	<u>(14,721,429)</u>	<u>(13)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 28 and 36)				
Other income	182,120	-	278,145	-
Other gains and losses	1,453,356	1	851,218	1
Finance costs	(1,811,454)	(1)	(1,990,057)	(2)
Share of profit or loss of associates and joint ventures	<u>35,982</u>	<u>-</u>	<u>(113,451)</u>	<u>-</u>
Total non-operating income and expenses	<u>(139,996)</u>	<u>-</u>	<u>(974,145)</u>	<u>(1)</u>
PROFIT (LOSS) BEFORE INCOME TAX	634,790	-	(15,695,574)	(14)
INCOME TAX BENEFIT (EXPENSE) (Notes 4, 5 and 29)	<u>(142,924)</u>	<u>-</u>	<u>806,075</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>491,866</u>	<u>-</u>	<u>(14,889,499)</u>	<u>(13)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 25, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(255,378)	-	286,445	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	291	-	(491)	-

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ 43,414	-	\$ (48,696)	-
	<u>(211,673)</u>	-	<u>237,258</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(577,119)	-	(305,124)	-
Unrealized gain (loss) on available-for-sale financial assets	304,588	-	(105,508)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	21,561	-	(7,521)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>36,881</u>	-	<u>22,025</u>	-
	<u>(214,089)</u>	-	<u>(396,128)</u>	-
Other comprehensive loss for the year, net of income tax	<u>(425,762)</u>	-	<u>(158,870)</u>	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 66,104</u>	-	<u>\$ (15,048,369)</u>	<u>(13)</u>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 320,849	-	\$ (14,912,060)	(13)
Non-controlling interests	<u>171,017</u>	-	<u>22,561</u>	-
	<u>\$ 491,866</u>	-	<u>\$ (14,889,499)</u>	<u>(13)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ (90,971)	-	\$ (15,038,503)	(13)
Non-controlling interests	<u>157,075</u>	-	<u>(9,866)</u>	-
	<u>\$ 66,104</u>	-	<u>\$ (15,048,369)</u>	<u>(13)</u>
<b>EARNING (LOSS) PER SHARE (Note 30)</b>				
From continuing operations				
Basic	<u>\$ 0.17</u>		<u>\$ (9.22)</u>	
Diluted	<u>\$ 0.17</u>		<u>\$ (9.22)</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

(Concluded)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(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)	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	Accumulated Deficits					
BALANCE AT JANUARY 1, 2016	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 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 interests in subsidiaries (Note 32)	-	-	-	-	-	(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
Donations from shareholders	-	-	7	-	-	-	-	-	7	-	7
Change in accumulated deficits from investments in associates accounted for using equity method	-	-	-	-	-	(90)	-	-	(90)	90	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	320,849	-	-	320,849	171,017	491,866
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(212,390)	(525,579)	326,149	(411,820)	(13,942)	(425,762)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	108,459	(525,579)	326,149	(90,971)	157,075	66,104
Issuance of ordinary shares for cash	919,084	9,190,835	1,123,833	-	-	-	-	-	10,314,668	-	10,314,668
Share-based payments (Note 31)	-	-	22,511	-	-	-	-	-	22,511	-	22,511
Capital reduction used to offset accumulated deficits	(1,600,499)	(16,004,988)	-	-	-	16,004,988	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries (Note 32)	-	-	-	-	-	(21,398)	-	-	(21,398)	21,398	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(172,195)	(172,195)
BALANCE AT DECEMBER 31, 2017	<u>2,323,025</u>	<u>\$ 23,230,248</u>	<u>\$ 5,571,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,565,150)</u>	<u>\$ (85,841)</u>	<u>\$ (1,117,182)</u>	<u>\$ 26,033,565</u>	<u>\$ 476,035</u>	<u>\$ 26,509,600</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 634,790	\$ (15,695,574)
Adjustments for:		
Depreciation expenses	6,412,932	6,425,913
Amortization expenses	38,335	45,238
Impairment loss recognized on trade receivables	25,818	60,054
Net gain on fair value change of financial assets/liabilities at fair value through profit and loss	(57,375)	(70,905)
Finance costs	1,811,454	1,990,057
Interest income	(95,971)	(123,105)
Dividend income	(2,831)	(21,117)
Compensation costs of employee share options	22,511	-
Share of (profit) loss of associates and joint ventures	(35,982)	113,451
Gain on disposal of property, plant and equipment	(194,242)	(254,081)
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	(6,542)	(7,896)
Impairment loss recognized on financial assets	140	-
(Reversal of) write-down of shipping fuel	(230,430)	124,580
Net gain on foreign currency exchange	(753,107)	(177,541)
Net loss on repurchase of bonds payable	-	58,970
Gain on changes in fair value of investment properties	(73,884)	(381,403)
Amortization of long-term prepayments for leases	31,572	31,572
Amortization of advances from customers	(165,330)	(167,141)
Recognition (reversal) of provisions	(481,380)	477,762
Recognition of donations	(1,542)	-
Changes in operating assets and liabilities		
Financial assets held for trading	428,181	(56,179)
Notes receivable	(1,039)	4,022
Trade receivables	(463,675)	(1,389,908)
Trade receivables from related parties	(29,560)	24,557
Shipping fuel	(553,344)	(383,195)
Prepayments	9,073	3,709
Prepayments to shipping agents	(821)	481,313
Other current assets	(120,553)	(119,209)
Notes payable	(22,553)	658
Trade payables	(1,679,205)	366,565
Trade payables to related parties	(348,320)	(269,905)
Other payables	(21,011)	76,582
Advances from customers	11,929	260,505
Other current liabilities	(123,878)	(12,392)
Net defined benefit liabilities	(83,312)	(75,810)
Cash generated from (used in) operations	3,880,848	(8,659,853)
Interest received	105,606	125,255
Dividends received	246,442	207,926

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Interest paid	\$ (2,001,269)	\$ (2,090,838)
Income tax paid	<u>(315,588)</u>	<u>(376,555)</u>
Net cash generated from (used in) operating activities	<u>1,916,039</u>	<u>(10,794,065)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets designated as at fair value through profit or loss	-	(1,625,755)
Proceeds from sale of financial assets designated as at fair value through profit or loss	-	1,809,843
Purchase of available-for-sale financial assets	(1,700,000)	(23,684,000)
Proceeds from disposal of available-for-sale financial assets	1,700,161	23,691,427
Proceeds from disposal of financial assets measured at cost	10,286	4,831
Acquisition of associates accounted for using equity method	(44,950)	-
Disposal of associates accounted for using equity method	13,255	-
Payments for property, plant and equipment	(1,552,495)	(1,808,962)
Proceeds from disposal of property, plant and equipment	241,306	376,564
(Increase) decrease in refundable deposits	(299,673)	1,155,146
Payments for intangible assets	(25,491)	(109,705)
Acquisition of investment properties	(5,476)	-
Proceeds from disposal of investment properties	-	2,119,049
(Increase) decrease in other financial assets	687,896	(239,975)
Increase in other non-current assets	(2,038)	(42,179)
Increase in prepayments for equipment	<u>(403,189)</u>	<u>(410,783)</u>
Net cash generated from (used in) investing activities	<u>(1,380,408)</u>	<u>1,235,501</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayment of) short-term borrowings	(1,315,922)	836,301
Proceeds from short-term bills payable	5,828,000	1,300,000
Repurchase of bonds payable	-	(1,807,900)
Repayments of bonds payable	(6,585,000)	(6,559,000)
Proceeds from long-term borrowings	17,163,891	26,593,042
Repayments of long-term borrowings	(23,862,897)	(21,333,240)
Payments for obligations under finance leases	(381,650)	(378,902)
Decrease in other financial liabilities	(580,498)	(321,043)
Increase (decrease) in other non-current liabilities	92,575	(69,357)
Issuance of ordinary shares for cash	10,314,668	-
Acquisition of subsidiaries (Note 32)	-	(250,811)
Net change in non-controlling interests	<u>(172,195)</u>	<u>(153,647)</u>
Net cash generated from (used in) financing activities	<u>500,972</u>	<u>(2,144,557)</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

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	2017	2016
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>\$ (167,357)</u>	<u>\$ (108,752)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	869,246	(11,811,873)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,937,376</u>	<u>23,749,249</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,806,622</u>	<u>\$ 11,937,376</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

(Concluded)

## **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, 2017 and 2016, 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 (refer to Other Matter), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, 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 based on our audits and the reports of other auditors.

### **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, 2017. 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 Assets (Not including Investment Properties) and Intangible Assets

The carrying amount of tangible assets (not including investment properties) and intangible assets in the aggregate is NT\$35,266,678 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 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 Company's management, we deemed that the assessment of impairment of the tangible assets (not including investment properties) and intangible assets is a key audit matter.

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

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 amount of deferred tax assets generated from tax loss carryforward is NT\$3,561,187 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 27 to the Company's financial statements.

We gained an 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 streams, compared the data of the forecast 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 time frame for the completed of the voyage. The judgment of the percentage-of-completion estimation may lead to an incorrect calculation of revenue recognized or an inconsistency in revenue recognition.

The judgment of cargo revenue is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 25 to the Company's financial statements.

We tested the accuracy of the timing of the revenue recognition. Through the subsequent information of voyages, berthing report, sailing schedule, and bills of lading, we verified the validity of the voyage dates calculated by Company's management and of the revenue resulting from voyages.

#### **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, 2017 and 2016. 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 amount of these investments were 3.21% (NT\$3,516,623 thousand) and 3.05% (NT\$3,344,553 thousand) of the total assets as of December 31, 2017 and December 31, 2016 respectively. The amount of profit or loss recognized on investments accounted for by equity method were (234.14%) (NT\$213,004 thousand) and (0.20%) (NT\$29,435 thousand) of the total comprehensive income for the years ended December 31, 2017 and 2016, 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, 2017 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 Yu-Mei Hung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March, 26, 2018

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 DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 7,433,684	7	\$ 7,376,749	7
Financial assets at fair value through profit or loss - current	71	-	2,975	-
Debt investments with no active market -current	300,000	-	200,000	-
Trade receivables, net	3,853,855	4	3,663,726	3
Trade receivables from related parties	2,964,543	3	2,948,863	3
Other receivables from related parties	114,700	-	169,477	-
Shipping fuel	2,357,123	2	1,677,948	2
Prepayments	490,911	1	538,925	1
Prepayments to shipping agents	345,357	-	307,233	-
Other current assets	323,255	-	355,194	-
Total current assets	<u>18,183,499</u>	<u>17</u>	<u>17,241,090</u>	<u>16</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current	1,174,587	1	870,326	1
Financial assets measured at cost - non-current	477,188	-	477,188	-
Debt investments with no active market - non-current	500,000	-	800,000	1
Investments accounted for using equity method	19,128,998	18	18,078,465	17
Property, plant and equipment	34,632,559	32	37,071,633	34
Investment properties	6,731,679	6	6,635,170	6
Other intangible assets	76,035	-	102,742	-
Deferred tax assets	3,952,165	4	3,609,273	3
Refundable deposits	616,211	1	317,910	-
Long-term prepayments for leases	504,989	-	536,561	-
Long-term receivables from related parties	23,414,258	21	23,749,554	22
Other non-current assets	56,699	-	52,551	-
Total non-current assets	<u>91,265,368</u>	<u>83</u>	<u>92,301,373</u>	<u>84</u>
<b>TOTAL</b>	<u>\$ 109,448,867</u>	<u>100</u>	<u>\$ 109,542,463</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 3,000,000	3	\$ 3,110,000	3
Short-term bills payable	7,112,324	6	1,299,829	1
Trade payables	8,966,559	8	10,489,128	10
Trade payables to related parties	3,463,476	3	4,881,132	5
Payables on equipment	12,332	-	7,096	-
Other payables	1,801,752	2	1,798,541	2
Other payables to related parties	318,457	-	352,631	-
Current tax liabilities	-	-	4,540	-
Current portion of long-term liabilities	12,702,077	12	11,956,467	11
Advances from customers	197,649	-	203,055	-
Other current liabilities	55,494	-	177,471	-
Total current liabilities	<u>37,630,120</u>	<u>34</u>	<u>34,279,890</u>	<u>32</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable	11,892,879	11	13,299,123	12
Long-term borrowings	29,133,793	27	41,343,939	38
Deferred tax liabilities	1,630,814	1	1,606,338	1
Finance lease payables - non-current	-	-	43,512	-
Advances from customers - non-current	932,178	1	1,100,788	1
Other financial liabilities - non-current	13,896	-	66,463	-
Net defined benefit liabilities - non-current	2,131,451	2	1,945,727	2
Other non-current liabilities	50,171	-	47,845	-
Total non-current liabilities	<u>45,785,182</u>	<u>42</u>	<u>59,453,735</u>	<u>54</u>
Total liabilities	<u>83,415,302</u>	<u>76</u>	<u>93,733,625</u>	<u>86</u>
<b>EQUITY</b>				
Share capital - ordinary shares	23,230,248	21	30,044,401	27
Capital surplus	5,571,490	5	4,425,139	4
Accumulated deficits	(1,565,150)	(1)	(17,657,109)	(16)
Other equity	(1,203,023)	(1)	(1,003,593)	(1)
Total equity	<u>26,033,565</u>	<u>24</u>	<u>15,808,838</u>	<u>14</u>
<b>TOTAL</b>	<u>\$ 109,448,867</u>	<u>100</u>	<u>\$ 109,542,463</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2018)



# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 110,458,769	100	\$ 96,844,267	100
OPERATING COSTS	<u>108,796,309</u>	<u>98</u>	<u>108,326,363</u>	<u>112</u>
GROSS PROFIT (LOSS)	<u>1,662,460</u>	<u>2</u>	<u>(11,482,096)</u>	<u>(12)</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,517,164	2	1,454,631	2
General and administrative expenses	<u>342,554</u>	<u>-</u>	<u>348,805</u>	<u>-</u>
Total operating expenses	<u>1,859,718</u>	<u>2</u>	<u>1,803,436</u>	<u>2</u>
OTHER OPERATING INCOME AND EXPENSES	<u>257,448</u>	<u>-</u>	<u>341,152</u>	<u>-</u>
PROFIT (LOSS) FROM OPERATIONS	<u>60,190</u>	<u>-</u>	<u>(12,944,380)</u>	<u>(14)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income	574,832	-	622,459	1
Other gains and losses	643,577	1	586,912	-
Finance costs	(1,155,818)	(1)	(1,323,894)	(1)
Share of profits or loss of subsidiaries and associates	<u>91,833</u>	<u>-</u>	<u>(2,825,158)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>154,424</u>	<u>-</u>	<u>(2,939,681)</u>	<u>(3)</u>
PROFIT (LOSS) BEFORE INCOME TAX	214,614	-	(15,884,061)	(17)
INCOME TAX BENEFIT	<u>106,235</u>	<u>-</u>	<u>972,001</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>320,849</u>	<u>-</u>	<u>(14,912,060)</u>	<u>(16)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(231,652)	-	238,383	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(20,119)	-	39,044	-

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2017		2016	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ 39,381	-	\$ (40,525)	-
	<u>(212,390)</u>	-	<u>236,902</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(562,460)	-	(272,341)	-
Unrealized gain (loss) on available-for-sale financial assets	304,261	-	(106,138)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	21,888	-	(6,891)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>36,881</u>	-	<u>22,025</u>	-
	<u>(199,430)</u>	-	<u>(363,345)</u>	-
Other comprehensive loss for the year, net of income tax	<u>(411,820)</u>	-	<u>(126,443)</u>	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>\$ (90,971)</u>	-	<u>\$ (15,038,503)</u>	<u>(16)</u>
<b>EARNING (LOSS) PER SHARE</b>				
From continuing operation				
Basic	<u>\$ 0.17</u>		<u>\$(9.22)</u>	
Diluted	<u>\$ 0.17</u>		<u>\$(9.22)</u>	

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

(Concluded)

# YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Accumulated Deficits			Other Equity		Total Equity
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2016	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 loss for the year ended December 31, 2016	-	-	-	-	-	(14,675,158)	(250,316)	(113,029)	(15,038,503)
Change in percentage of ownership interests 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
Donations from shareholders	-	-	7	-	-	-	-	-	7
Change in accumulated deficits from investments in associates accounted for using equity method	-	-	-	-	-	(90)	-	-	(90)
Net profit for the year ended December 31, 2017	-	-	-	-	-	320,849	-	-	320,849
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(212,390)	(525,579)	326,149	(411,820)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	108,459	(525,579)	326,149	(90,971)
Issuance of ordinary shares for cash	919,084	9,190,835	1,123,833	-	-	-	-	-	10,314,668
Share-based payments	-	-	22,511	-	-	-	-	-	22,511
Capital reduction used to offset accumulated deficits	(1,600,499)	(16,004,988)	-	-	-	16,004,988	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(21,398)	-	-	(21,398)
BALANCE AT DECEMBER 31, 2017	<u>2,323,025</u>	<u>\$ 23,230,248</u>	<u>\$ 5,571,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,565,150)</u>	<u>\$ (85,841)</u>	<u>\$ (1,117,182)</u>	<u>\$ 26,033,565</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 214,614	\$ (15,884,061)
Adjustments for:		
Depreciation expenses	2,734,186	2,790,038
Amortization expenses	26,707	30,336
Impairment loss recognized on trade receivables	20,852	5,051
Net gain on fair value change of financial assets/liabilities at fair value through profit and loss	(18,360)	(74,383)
Finance costs	1,155,818	1,323,894
Interest income	(482,844)	(472,370)
Dividend income	(614)	(16,231)
Compensation costs of employee share options	22,511	-
Share of profit (loss) of subsidiaries and associates	(91,833)	2,825,158
Gain on disposal of property, plant and equipment	(193,952)	(211,891)
Gain on disposal of available-for-sale financial assets	(161)	(6,055)
(Reversal of) write-down of shipping fuel	(251,497)	129,400
Net loss on repurchase of bonds payable	-	58,970
Gain on change in fair value of investment properties	(89,491)	(390,458)
Amortization of long-term prepayments for leases	31,572	31,572
Amortization of advances from customers	(165,330)	(167,141)
Recognition of donations	(1,542)	-
Changes in operating assets and liabilities		
Financial assets held for trading	21,264	(42,373)
Trade receivables	(210,981)	(625,392)
Trade receivables from related parties	(15,680)	(737,197)
Other receivables from related parties	54,777	55,238
Shipping fuel	(427,678)	(374,372)
Prepayments	12,889	(121,053)
Prepayments to shipping agents	(38,124)	610,901
Other current assets	(490,289)	194,469
Trade payables	(1,522,569)	(31,252)
Trade payables to related parties	(1,417,656)	(314,423)
Other payables	52,951	83,203
Other payables to related parties	(34,174)	152,426
Advances from customers	(8,686)	274,368
Other current liabilities	(154,897)	74,970
Net defined benefit liabilities	(45,928)	(73,288)
Cash used in operations	(1,314,145)	(10,901,946)
Interest received	1,010,323	100,086
Dividend received	455,286	554,751
Interest paid	(1,582,936)	(1,400,351)
Income tax paid	(145,710)	(204,337)
Net cash used in operating activities	<u>(1,577,182)</u>	<u>(11,851,797)</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets designated as at fair value through profit or loss	\$ -	\$ (390,914)
Proceeds from sale of financial assets designated as at fair value through profit or loss	-	586,032
Proceeds from expiration of debt investments with no active market	200,000	-
Purchase of available-for-sale financial assets	(1,700,000)	(23,684,000)
Proceeds from disposal of available-for-sale financial assets	1,700,161	23,690,055
Payments for property, plant and equipment	(267,445)	(911,392)
Proceeds from disposal of property, plant and equipment	239,573	328,814
(Increase) decrease in refundable deposits	(298,301)	1,132,458
(Increase) decrease in long-term receivables from related parties	335,296	(92,473)
Payments for intangible assets	-	(100,135)
Acquisition of investment properties	(5,476)	-
Proceeds from disposal of investment properties	-	2,119,049
Decrease in other financial assets	-	12,000
(Increase) decrease in other non-current assets	(4,148)	9,443
Net cash generated from investing activities	<u>199,660</u>	<u>2,698,937</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayment of) short-term borrowings	(110,000)	700,000
Proceeds from short-term bills payable	5,828,000	1,300,000
Repurchase of bonds payable	-	(1,807,900)
Repayments of bonds payable	(6,585,000)	(6,559,000)
Proceeds from long-term borrowings	15,539,000	24,822,764
Repayments of long-term borrowings	(21,372,232)	(18,125,114)
Payments for obligations under finance leases	(135,735)	(124,880)
Decrease in other financial liabilities	(51,019)	(49,503)
Increase (decrease) in other non-current liabilities	2,326	(66,539)
Issuance of ordinary shares for cash	10,314,668	-
Acquisition of subsidiaries	(2,397,176)	-
Proceeds from capital reduction of subsidiaries	401,625	-
Net cash generated from financing activities	<u>1,434,457</u>	<u>89,828</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>56,935</b>	<b>(9,063,032)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>7,376,749</u></b>	<b><u>16,439,781</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 7,433,684</u></b>	<b><u>\$ 7,376,749</u></b>

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

(With Deloitte & Touche auditors' report dated March 26, 2018)

## **II. Adoption of 2017 Deficit Compensation Proposal**

### **Explanation:**

- i. The initial balance of accumulated deficits of the Company is NT\$1,652,120,308. After adjustment for the recognition of the actuarial loss of NT\$212,390,422 arising from the defined benefit plans and for the recognition of the other consolidated losses from the subsidiaries and joint ventures of NT\$21,487,814 by adopting the equity method with respect to the share in such losses, plus the net income of NT\$320,848,766, the ending balance of accumulated deficits is NT\$1,565,149,778. Statement of deficit compensated of the year ending on December 31, 2017 is attached as page 45.
- ii. It is proposed not to distribute any dividends for the year ending on December 31, 2017.

### **Resolution:**

## Statement of Deficit Compensated 2017

(In New Taiwan Dollars)

Item	Amount
Beginning deficit to be compensated <sup>1</sup>	(1,652,120,308)
Actuarial gain (loss) arising from defined benefit plans	(212,390,422)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	(21,487,814)
Beginning deficit to be compensated after adjusted	(1,885,998,544)
Net Gain after tax for 2017	320,848,766
Deficit to be compensated	(1,565,149,778)
Compensation Item <sup>2</sup>	
Capital surplus - changes in percentage of ownership interest in subsidiaries	1,146,351,679
Subtotal	1,146,351,679
Ending Balance of Un-appropriated Retained Earnings	(418,798,099)

<sup>1</sup> Deficit to be compensated at the end of 2016 was NT\$17,657,108,168. After reducing capital to offset deficit which was resolved by the special shareholders' meeting on 22 December, 2016, deficit to be compensated at the beginning of 2017 was NT\$1,652,120,308.

<sup>2</sup> In accordance with Article 239 of Company Act

### **III. Retroactive Recognition of the Private Placement in 2017**

#### **Explanation:**

- i. In accordance with the Directions for Public Companies Conducting Private Placements of Securities, if there are multiple closings of the private placement, the Company should specify in its shareholder meeting agenda the expected number of the closings, the use of capital for each closing and the estimated benefit of each.
- ii. The special shareholders' meeting on December 22, 2016 resolved that the Company may issue ordinary shares on private placement basis whether once or several times, and the Company has completed the capital injection for the first and the second private placement on February 21, and December 8, 2017 respectively. Please refer to page 47 for the retroactive recognition of the private placement in 2017.

#### **Resolution:**



## **Retroactive Recognition of the Private Placement in 2017**

- I. The expected number of closings: 2
  
- II. Usage of the funds
  - i. The first private placement in 2017: Augmenting the working capital
  - ii. The second private placement in 2017: The same as the above
  
- III. Expected benefits
  - i. The first private placement in 2017: Augmenting the working capital, improving the financial structure and enhancing the net worth.
  - ii. The second private placement in 2017: The same as the above

# **Matters for Election**

## **I. The Election of Directors**

### **Explanation:**

- i. After the capital reduction and injection in 2017, the shareholding structure of the Company has undergone a material change. To comply with the principles of corporate governance, the Board of Directors has resolved that 11 directors of the 19<sup>th</sup> term, including 3 independent directors will be elected in advance at 2018 annual shareholders' meeting. The tenure of newly elected directors shall commence on June 22, 2018 and expire on June 21, 2021.
- ii. The directors including independent directors shall be elected by adopting the candidate nomination system pursuant to the Article of Incorporation. All the nominated candidates are examined by the Board of Directors and their relevant information is attached from page 50 to 51.

### **Voting Result:**

## Nominated Candidates for Directors

Nominator	Name	Shareholdings
Board of Directors	Representative of MOTC: Chih-Chien Hsieh	Directors herein as representatives of MOTC, and holding a total of 467,682,372 shares. (20.13%)
	Representative of MOTC: Kun-Ching Liao	
	Representative of MOTC: Ping-Jen Tseng	
	Representative of National Development Fund, Executive Yuan: Chien-Yi Chang	Directors herein as representatives of National Development Fund, Executive Yuan, and holding a total of 460,000,000 shares. (19.8%)
	Representative of National Development Fund, Executive Yuan: Jiunn-Rong Chiou	
	Representative of National Development Fund, Executive Yuan: Chuan-Te Ho	
	Representative of Taiwan International Ports Corporation, Ltd: Shao-Liang Chen	Representative of Taiwan International Ports Corporation Ltd.: 119,514,708 shares (5.14%)
Representative of Taiwan Navigation Co., Ltd: Wen-Ching Liu	Representative of Taiwan Navigation Co., Ltd: 32,292,930 shares (1.39%)	
Shareholders with shareholding above 1%	Representative of United Logistics International Co.: I-Hsiang Wang	Representative of United Logistics International Co.: 25,000,000 shares (1.08%)

### Nominated Candidates for Independent Directors

Nominator	Name	Shareholdings
Board of Directors	Ming-Sheu Tsai	154,777 shares (0.01%)
	Tar-ShingTang	0 shares
	Tze-Chun Wang	0 shares

# **Matters for Discussion**

## **I. Proposal for Releasing the Prohibition on Directors from Participation in Competitive Business**

### **Explanation:**

- i. According to Article 209 of the 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 shareholders' meeting the essential contents of such an act and secure its approval.
- ii. The Board of Directors proposes to release the prohibition on directors from participation in competitive business if the director does anything for himself or on behalf of another person as provided in the said Article without prejudice to the Company. The list of release of the non-compete prohibition on directors is attached as page 54.

### **Resolution:**

## List of Release of the Non-Compete Prohibition on Directors

Name	Company Name	Job Title
Chih-Chien Hsieh	Kao Ming Container Terminal Corp.	Chairman
	Yang Ming Line Holding Co.	Director
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Director
	Yang Ming Line (Singapore) Pte. Ltd.	Director
	Young-Carrier Company Ltd.	Director
Shao-Liang Chen	Taiwan International Ports Corporation, Ltd.	Executive Vice President
Wen-Ching Liu	Taiwan Navigation Co., Ltd.	Chairman
Ming-Sheu Tsai	T3EX Global Holdings	Independent Director
MOTC	Taiwan Navigation Co., Ltd.	Director
	Taiwan International Ports Corporation, Ltd.	Director, Supervisor
Taiwan International Ports Corporation, Ltd	Taiwan International Ports Marine Corporation, Ltd	Director, Supervisor
	Taiwan International Ports Logistics Corporation, Ltd	Director
Taiwan Navigation Co., Ltd.	Tai Shing Maritime Co., S.A.	Director
	Shin Wang Maritime Inc.	Director
United Logistics International Co.	Central Freight Terminal Co., Ltd.	Director
	Gigo Logistics Co.	Director
	T.S. Lines Co., Ltd.	Supervisor



## **II. Amendment to the Articles of Incorporation**

**Explanation:** To strengthen corporate governance and develop supervisory function and management mechanisms of the Board of Directors, the Company plans to set up functional committees due to business needs and then revise its Articles of Incorporation in accordance with Article 27 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Comparison table for the revision of Articles of Incorporation is attached from page 56 to 57.

**Resolution:**

## Comparison table for the revision of Articles of Incorporation

New (30th amendment)	Now (29th amendment)
<p>Article 14</p> <p>The duties of the board of directors are as follows:</p> <p>A. <u>Reviewing</u> business guidelines</p> <p>B. Reviewing budget and financial reports</p> <p>C. Scrutinizing important rules and contracts</p> <p>D. Appointing and discharging important personnel</p> <p>E. Establishing and removing branch offices</p> <p>F. Proposing to the meeting of shareholders revision of the Charter, change of capitalization, and dissolution or merger of this company.</p> <p>G. Proposing to the meeting of shareholders allocation of profits and making up for losses.</p> <p>H. Determining other important matters.</p>	<p>Article 14</p> <p>The duties of the board of directors are as follows:</p> <p>A. <u>Formulating</u> business guidelines</p> <p>B. Reviewing budget and financial reports</p> <p>C. Scrutinizing important rules and contracts</p> <p>D. Appointing and discharging important personnel</p> <p>E. Establishing and removing branch offices</p> <p>F. Proposing to the meeting of shareholders revision of the Charter, change of capitalization, and dissolution or merger of this company.</p> <p>G. Proposing to the meeting of shareholders allocation of profits and making up for losses.</p> <p>H. Determining other important matters.</p>
<p>Article 15</p> <p>From the 17<sup>th</sup> 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.</p> <p>This Remuneration Committee,</p>	<p>Article 15</p> <p>From the 17<sup>th</sup> 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.</p> <p>This Remuneration Committee,</p>

New (30th amendment)	Now (29th amendment)
<p>composed of all independent directors, propose the following matters and then submit its recommendation to the board of directors for deliberation.</p> <p>A. Prescribe and periodically evaluate the performance review and remuneration policy, system, standards, and structure for directors and managers.</p> <p>B. Periodically evaluate and prescribe the remuneration of directors and managers.</p> <p>C. Others in connection with remuneration assigned by the board of directors.</p> <p><u>This company may set up all kinds of functional committees resolved by the board of directors according to the laws, regulations or principles or due to business needs. Functional committees shall adopt an organizational charter to be resolved by the board of directors and be responsible to the board of directors.</u></p>	<p>composed of all independent directors, propose the following matters and then submit its recommendation to the board of directors for deliberation.</p> <p>A. Prescribe and periodically evaluate the performance review and remuneration policy, system, standards, and structure for directors and managers.</p> <p>B. Periodically evaluate and prescribe the remuneration of directors and managers.</p> <p>C. Others in connection with remuneration assigned by the board of directors.</p>
<p>Article 21</p> <p>This Charter was established on Dec. 28, 1972. ...The 29th amendment was approved on June 22, 2016. <u>The 30th amendment was approved on June 22, 2018.</u></p>	<p>Article 21</p> <p>This Charter was established on Dec. 28, 1972. ...The 29th amendment was approved on June 22, 2016.</p>

# **Extempore Motions**

# Adjournment

# Appendix

## **Appendix I**

### **Article of Incorporation (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 17<sup>th</sup> 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 2<sup>nd</sup> amendment was made on Mar. 28, 1979. The 3<sup>rd</sup> amendment was made on June 28, 1979. The 4<sup>th</sup> amendment was made on Jan. 24, 1980. The 5<sup>th</sup> amendment was made on June 12, 1981. The 6<sup>th</sup> amendment was made on Feb. 28, 1983. The 7<sup>th</sup> amendment was made on Apr. 17, 1985. The 8<sup>th</sup> amendment was made on June 2, 1988. The 9<sup>th</sup> amendment was made on Dec. 26, 1990. The 10<sup>th</sup> amendment was made on Mar. 10, 1992. The 11<sup>th</sup> amendment was made on Sep. 30, 1992. The 12<sup>th</sup> amendment was made on Nov. 23, 1994. The 13<sup>th</sup> amendment was made on Nov. 25, 1995. The 14<sup>th</sup> amendment was made on Sep. 21, 1996. The 15<sup>th</sup> amendment was made on Dec. 6, 1997. The 16<sup>th</sup> amendment was made on Dec. 18, 1998. The 17<sup>th</sup> amendment was made on June 3, 2000. The 18<sup>th</sup> amendment was made on June 20, 2001. The 19<sup>th</sup> amendment was approved on June 21, 2002. The 20<sup>th</sup> amendment was approved on June 20, 2003. The 21<sup>th</sup> amendment was approved on June 23, 2005. The 22<sup>th</sup> amendment was approved on June 23, 2006. The 23<sup>th</sup> amendment was approved on June 27, 2007. The 24<sup>th</sup> amendment was approved on June 18, 2009. The 25<sup>th</sup> amendment was approved on June 18, 2010. The 26<sup>th</sup> amendment was approved on June 15, 2012. The 27<sup>th</sup> amendment was approved on June 14, 2013. The 28<sup>th</sup> amendment was approved on June 18, 2014. The 29<sup>th</sup> amendment was approved on June 22, 2016.

## **Appendix II**

### **Rules of Procedure for Shareholders Meetings of Yang Ming Marine Transport Corporation**

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.

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 5 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 6 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 7 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 8 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 9 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 10 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 11 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 12 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 13 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.



### **Appendix III**

## **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 IV

### Shareholding of Current Directors

The minimum required combined shareholding of all directors by law on the book closure date, April 24, 2018: 55,752,595 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: Cherng-Chwan Hwang	
Director	Representatives of MOTC: Youn-Ger Wu	
Director	Representatives of MOTC: Yi-Chih Yang	
Director	Representatives of MOTC: Ping-Jen Tseng	
Director	Representative of Leader Container Transportation Co., Ltd: (currently not designated)	293,351
Independent Director	Jin-Ru Yen	0
Independent Director	Ming-Sheu Tsai	154,777
Independent Director	Heng-Chih Chou	0
The combined shareholding of all directors (excluding independent directors)		467,975,723

Note 1: According to the Article 26 of Securities and Exchange Act, the minimum required combined shareholding of all directors by law excludes the shareholding of independent directors.

Note 2: Director Taiwan Chinachem Investment Co Ltd. resigned on August 11, 2017.