

**Yang Ming Marine Transport Corporation  
and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2017 and 2016 and  
Independent Auditors' Report**

## **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>				
Total equity	<u>476,035</u>	<u>-</u>	<u>469,667</u>	<u>-</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>-</u>	<u>237,258</u>	<u>-</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>-</u>	<u>22,025</u>	<u>-</u>
	<u>(214,089)</u>	<u>-</u>	<u>(396,128)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(425,762)</u>	<u>-</u>	<u>(158,870)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 66,104</u>	<u>-</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>-</u>	<u>22,561</u>	<u>-</u>
	<u>\$ 491,866</u>	<u>-</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>-</u>	<u>(9,866)</u>	<u>-</u>
	<u>\$ 66,104</u>	<u>-</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)

# **YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

Yang Ming Marine Transport Corporation (the Company or YMTC), established in December 1972, was majority-owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when the MOTC began reducing its holdings in the Company following the Company's listing of its shares on the ROC Taiwan Stock Exchange.

YMTC mainly engages in the shipping, repair, chartering, sale and purchase of ships, containers and chassis and operates as a shipping agency.

YMTC's shares have been listed on the ROC Taiwan Stock Exchange since April 1992. YMTC issued global depository receipts (GDRs), which have been listed on the London Stock Exchange (ticker symbol: YMTD) since November 1996.

The consolidated financial statements of the Company and its subsidiaries, collectively called the Group, are presented in YMTC's functional currency, New Taiwan dollars.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by YMTC's board of directors on March 26, 2018.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

#### Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant

transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosure of related party transactions is enhanced. Refer to Note 36 for the related disclosures.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

- 1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments; and
- c) Time deposits classified as other financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.



The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
<u>Impact on assets and equity</u>			
Financial assets at fair value through profit or loss - current	\$ 317,796	\$ 1,475	\$ 319,271
Available-for-sale financial assets - current	1,475	(1,475)	-
Other financial assets - current	318,790	(224,551)	94,239
Financial assets measured at amortized cost - current	-	224,551	224,551
Available-for-sale financial assets - non-current	1,174,587	(1,174,587)	-
Financial assets at fair value through other comprehensive income - non-current	-	1,615,517	1,615,517
Financial assets measured at cost - non-current	<u>488,037</u>	<u>(488,037)</u>	<u>-</u>
Total effect on assets	<u>\$ 2,300,685</u>	<u>\$ (47,107)</u>	<u>\$ 2,253,578</u>
Accumulated deficits	\$ (1,565,150)	\$ 40,246	\$ (1,524,904)
Other equity	(1,203,023)	(87,305)	(1,290,328)
Non-controlling interests	<u>476,035</u>	<u>(48)</u>	<u>475,987</u>
Total effect on equity	<u>\$ (2,292,138)</u>	<u>\$ (47,107)</u>	<u>\$ (2,339,245)</u>

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;

- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset. Currently, the receivable is recognized when revenue is recognized for the contract under IAS 18.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated impact on assets, when retrospectively applying IFRS 15 as of January 1, 2018 is detailed below:

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
Trade receivables, net	\$ 7,965,350	\$ (2,350,999)	\$ 5,614,351
Trade receivables from related parties	324,938	(62,599)	262,339
Contract assets - current	<u>-</u>	<u>2,413,598</u>	<u>2,413,598</u>
Total effect on assets	<u>\$ 8,290,288</u>	<u>\$ -</u>	<u>\$ 8,290,288</u>

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assesses the application of other standards and interpretations will not have material impacts on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

#### IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, investment properties and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table G for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the separate financial statements of the Company and its subsidiaries, transactions in currencies other than their functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates and joint venture in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Shipping fuel

Shipping fuel is stated at the lower of cost or net realizable value. Any write-down is made item by item. Shipping fuel is recorded at weighted-average cost.

g. Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint venture attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

h. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases) are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 35.

ii. Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.



### iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, other receivables and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with a default on receivables, and other situations.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 35.

#### b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### 4) Convertible bonds

The component parts of compound instruments (mandatory convertible bonds and convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component, and amortize by using the effective method in subsequent periods.

#### 5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate and oil price variation risks including foreign exchange forward contracts, oil swap and oil swap option.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

#### m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Onerous contracts

Where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract is called an onerous contract.

2) Dismantling provisions

The costs of property, plant and equipment include in the initial estimate of related provisions of dismantling, removing and restoring the item when acquired.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Cargo revenue

Cargo revenue is recognized using the percentage-of-completion of voyage method. The percentage is calculated using the percentage of completed days to total estimated voyage days.

2) Rental revenues on ships, container and warehouse

Rental revenues from operating leases are recognized on a straight-line basis over the lease term.

3) Terminal operating revenue

Terminal and stevedoring revenue is recognized when the service is provided; berthing revenue is recognized by the reference to berthing hour and at berthing rate.

4) Forwarding agency revenue

Forwarder revenues are recognized upon the completion of packing for shipment. The revenues from cargo arrangement services are recognized upon the completion of service.

5) Other service revenue

Other service revenue is recognized on an accrual basis during the service is rendered or upon the completion of service.

6) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

3) Sales and leaseback

If a sale and leaseback results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss should be recognized immediately. If the sale price is below fair value, any profit or loss should be recognized immediately except that, if the loss is compensated by future lease payments at below market price, it should be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

r. Employee share options

Employee share options are measured at the fair value at the grant date.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

### 3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### a. Non-financial assets impairment

The Group's major operating assets are ships and containers, terminal construction and equipment, other intangible assets, prepayments for lease and prepayments for equipment. At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss.

When assessing for impairment, the Group relies on subjective judgments, such as the usage of assets and business environment to determine expected cash flows, useful life and future gains and losses generated from these assets. Significant impairment may result from economic changes, fluctuation of the assets' value or changes in the Group's strategy.

The Group did not recognize any impairment loss for the years ended December 31, 2017 and 2016.

b. Provisions for onerous contracts

The Group estimates 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. Expected economic benefits are estimated according to related charter-out hire contract price and expected future market price; unavoidable costs are estimated by irrevocable charter-in contracts. As of December 31, 2017 and 2016, the provisions for onerous contracts were \$791, 602 thousand and \$1,260,418 thousand, respectively.

c. Income taxes

As of December 31, 2017 and 2016, the carrying amount of deferred tax assets in relation to unused tax losses was \$3,561,187 thousand and \$3,198,319 thousand, respectively. As of December 31, 2017 and 2016, no deferred tax asset has been recognized on tax losses of \$3,984,230 thousand and \$3,539,751 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Revenue recognition

Revenue from delivery service is recognized under the percentage-of-completion method. The Group evaluates the percentage-of-completion and estimates the revenue and related costs as of the financial reporting date.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Cash on hand	\$ 87,664	\$ 63,398
Checking accounts and demand deposits	8,793,505	8,985,667
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	<u>3,925,453</u>	<u>2,888,311</u>
	<u>\$ 12,806,622</u>	<u>\$ 11,937,376</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Time deposits	0.01%-13.80%	0.35%-10.40%



## 7. FINANCIAL INSTRUMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2017	2016
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Oil swap and oil swap option (b)	\$ -	\$ 2,905
Non-derivative financial assets		
Domestic quoted shares	37,718	83,364
Overseas quoted shares	3,279	-
Mutual funds	<u>276,799</u>	<u>600,861</u>
	<u>\$ 317,796</u>	<u>\$ 687,130</u>

- a. Principal guaranteed notes were held to link to interest rate within the range of six-month Libor. Realized loss arose from redemption was \$266 thousand for the years ended December 31, 2016.
- b. The Group's purpose for trading oil swap and oil swap option was to reduce the cost burden from oil price increase. The Group entered into oil swap and oil swap option contracts. The contracts were settled in amounts US\$222 and ranging from US\$678 thousand to US\$1,464 thousand every month for the years ended December 31, 2017 and 2016, respectively. The terms of the derivatives mentioned above did not qualify as effective hedging instruments, thus hedge accounting was not applied.

Outstanding oil swap and oil swap option contracts at the end of reporting periods were as follows:

	Maturity Date	<u>Unsettled Amount</u>	
		Notional Amount	Fair Value
December 31, 2016	2017.09.30	US\$ 1,998 thousand	\$ 2,905

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2017	2016
<u>Domestic investments</u>		
Domestic listed shares	\$ 1,174,587	\$ 870,326
Mutual funds	<u>1,475</u>	<u>1,148</u>
	<u>\$ 1,176,062</u>	<u>\$ 871,474</u>
Current	\$ 1,475	\$ 1,148
Non-current	<u>1,174,587</u>	<u>870,326</u>
	<u>\$ 1,176,062</u>	<u>\$ 871,474</u>

Available-for-sale financial assets pledged as collaterals for secured loans is set out in Note 37.

## 9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Domestic unlisted ordinary shares	\$ 488,037	\$ 491,942
Overseas unlisted ordinary shares	<u>-</u>	<u>140</u>
	<u>\$ 488,037</u>	<u>\$ 492,082</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 488,037</u>	<u>\$ 492,082</u>

Management believed that the above unlisted equity investments held by the Group, whose fair value cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of reporting period.

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Notes receivable</u>	<u>\$ 7,982</u>	<u>\$ 6,943</u>
<u>Trade receivables</u>		
Trade receivable - non-related parties	\$ 8,006,473	\$ 7,588,492
Trade receivable - related parties	324,938	295,378
Less: Allowance for impairment loss	<u>(41,123)</u>	<u>(82,837)</u>
	<u>\$ 8,290,288</u>	<u>\$ 7,801,033</u>

The average credit period of trade receivable from cargo business is 14 to 28 days. For logistics, terminal, and warehousing services, the average credit period is within 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. An impairment loss is recognized when there is objective evidence that the trade receivables are impaired. Objective evidence of impairment could include past default experience with the counterparties, decline in credit quality and an unfavorable change in their current financial position.

The Group's customers are scattered around the world and not related to each other. The management believes there is no significant concentration of credit risk for trade receivables.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group acquired bank's guaranteed letter from agencies or received security deposit from clients; for the rest of the receivables, the Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Less than and including 90 days	\$ 8,223,748	\$ 7,767,221
91-180 days	81,075	91,512
181-365 days	20,218	16,562
Over 365 days	<u>14,352</u>	<u>15,518</u>
	<u>\$ 8,339,393</u>	<u>\$ 7,890,813</u>

The above aging schedule was based on the number of past due days from invoice date.

The aging of receivables that were past due but not impaired was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Less than and including 90 days	\$ 218,656	\$ 224,670
91-180 days	15,793	10,762
181-365 days	9,869	4,486
Over 365 days	<u>5,778</u>	<u>5,392</u>
	<u>\$ 250,096</u>	<u>\$ 245,310</u>

The above aging schedule was based on the number of past due days from end of credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	<b>For the Year Ended December 31, 2016</b>		
	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 8,869	\$ 21,837	\$ 30,706
Add: Impairment losses recognized on receivables	53,897	6,157	60,054
Less: Amounts written off as uncollectable	(3,818)	(3,100)	(6,918)
Foreign exchange translation gains and losses	<u>(240)</u>	<u>(765)</u>	<u>(1,005)</u>
Balance at December 31, 2016	<u>\$ 58,708</u>	<u>\$ 24,129</u>	<u>\$ 82,837</u>
	<b>For the Year Ended December 31, 2017</b>		
	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 58,708	\$ 24,129	\$ 82,837
Add: Impairment losses recognized on receivables	3,464	2,948	6,412
Less: Amounts written off as uncollectable	(43,181)	(2,259)	(45,440)
Foreign exchange translation gains and losses	<u>(3,254)</u>	<u>568</u>	<u>(2,686)</u>
Balance at December 31, 2017	<u>\$ 15,737</u>	<u>\$ 25,386</u>	<u>\$ 41,123</u>

## 11. SHIPPING FUEL

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Shipping fuel	<u>\$ 2,772,425</u>	<u>\$ 1,988,651</u>

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2017 and 2016, was \$17,513,140 thousand and \$13,296,994 thousand, respectively.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2017 and 2016 included reversals of shipping fuel write-downs of \$230,430 thousand and shipping fuel write-downs \$124,580 thousand, respectively. Previous write-downs were reversed as a result of increased profit from marine operations.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2017	2016	
Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd. (YML-BVI)	Investment, shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yang Ming Line (Singapore) Pte. Ltd. (YML-Singapore)	Investment, shipping service, chartering, sale and purchase of ships; and forwarding agency	100.00	100.00	
"	Ching Ming Investment Corp. (Ching Ming)	Investment	100.00	100.00	
"	All Oceans Transportation Inc. (AOT)	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yes Logistics Corp. (Yes Logistics)	Warehouse operation and forwarding agency	50.00	50.00	
"	Kuang Ming Shipping Corp. (Kuang Ming)	Shipping service, shipping agency and forwarding agency	98.52	93.07	Note a
"	Honming Terminal & Stevedoring Co., Ltd. (Honming)	Terminal operation and stevedoring	79.17	79.17	
"	Jing Ming Transportation Co., Ltd. (Jing Ming)	Container transportation	50.98	50.98	
"	Yang Ming Line Holding Co. (YML Holding)	Investment, shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yang Ming (Liberia) Corp. (Yang Ming-Liberia)	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
Ching Ming	Honming	Terminal operation and stevedoring	20.83	20.83	
"	Yes Logistics	Warehouse operation and forwarding agency	46.36	46.36	
YML Holding	Yang Ming (America) Co. (Yang Ming-America)	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Triumph Logistics, Inc.	Container transportation	100.00	100.00	
"	Olympic Container Terminal LLC	Terminal operation and stevedoring	-	100.00	Note b
"	Topline Transportation, Inc.	Container transportation	100.00	100.00	
"	Transcont Intermodal Logistics, Inc.	Inland forwarding agency	100.00	100.00	
"	Yang Ming Shipping (Canada) Ltd.	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Coastal Tarheel Express, Inc.	Container transportation	-	-	Note c
YML-BVI	Yang Ming Line N.V. (YML-NV)	Investment, shipping agency, forwarding agency and shipping managers	100.00	100.00	
YML-NV	Yang Ming Line B.V. (YML-BV)	Investment, shipping agency, forwarding agency and shipping managers	100.00	100.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2017	2016	
YML-BV	Yangming (UK) Ltd. (Yangming-UK)	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yang Ming Shipping Europe GmbH	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yang Ming Italy S.p.A. (Yang Ming-Italy)	Shipping agency	50.00	50.00	
"	Yang Ming (Netherlands) B.V.	Shipping agency	100.00	100.00	
"	Yang Ming (Belgium) N.V.	Shipping agency	89.92	89.92	
"	Yang Ming (Russia) LLC.	Shipping agency	60.00	60.00	
"	Yang Ming (Spain), S.L.	Shipping agency	60.00	60.00	Note d
Yangming (Netherlands) B.V.	Yang Ming (Belgium) N.V.	Shipping agency	10.08	10.08	
Yang Ming-Italy	Yang Ming Naples S.r.l.	Forwarding agency	60.00	60.00	
YML-Singapore	Young-Carrier Company Ltd.	Investment, shipping agency, forwarding agency and shipping managers	91.00	91.00	
"	Yang Ming Shipping (B.V.I.) Inc.	Forwarding agency and shipping agency	100.00	100.00	
"	Yangming (Japan) Co., Ltd. (Yangming-Japan)	Shipping services, chartering, sale and purchase of ships, and forwarding agency	100.00	100.00	
"	Sunbright Insurance Pte. Ltd.	Insurance	100.00	100.00	
"	Yang Ming Line (Hong Kong) Ltd.	Forwarding agency and shipping agency	100.00	100.00	
"	Yangming Shipping (Singapore) Pte. Ltd.	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yang Ming Line (M) Sdn. Bhd.	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yang Ming Line (India) Pvt. Ltd.	Shipping agency, forwarding agency and shipping managers	60.00	60.00	
"	Yang Ming (Korea) Co., Ltd.	Shipping agency, forwarding agency and shipping managers	60.00	60.00	
"	Yang Ming Anatolia Shipping Agency S.A. (Yang Ming Anatolia)	Shipping agency, forwarding agency and shipping managers	50.00	50.00	
"	Yang Ming Shipping (Vietnam) Co., Ltd.	Forwarding agency and shipping managers	100.00	100.00	
"	Yang Ming Shipping Philippines, Inc. (Yang Ming Philippines)	Forwarding agency and shipping managers	100.00	100.00	Note e
"	Yang Ming (Latin America) Corp.	Forwarding agency and shipping managers	100.00	-	Note f
"	Yang Ming Line (Thailand) Co., Ltd. (YML-Thailand)	Forwarding agency and shipping managers	49.00	-	Note g
Yangming (Japan)	Manwa & Co., Ltd.	Forwarding agency and shipping agency	100.00	100.00	
YMS-BVI	Karlman Properties Limited	Property agency	100.00	100.00	
Kuang Ming	Kuang Ming (Liberia) Corp.	Forwarding agency	100.00	100.00	
Yes Logistics	Yes Logistics Corp. USA (Yes-USA)	Shipping agency, forwarding agency and shipping managers	100.00	100.00	
"	Yes Yangming Logistics (Singapore) Pte. Ltd. (Yes-Singapore)	Investment and subsidiaries management	100.00	100.00	
"	Yes Logistics (Shanghai) Corp. (Yes-Shanghai)	Forwarding agency	69.80	-	Note h
Yes-USA	Yes Logistics (Shanghai) Corp. (Yes-Shanghai)	Forwarding agency	30.20	100.00	Note h
"	Golden Logistics USA Corporation	Container transportation	100.00	100.00	
"	Yes Logistics Europe GmbH (Yes-ERO)	Forwarding agency	100.00	100.00	
Yes-Singapore	Yes Logistics Company, Ltd.	Forwarding agency	100.00	100.00	
	Yes Logistics Benelux B.V.	Forwarding agency	70.00	70.00	
Yes Logistics Europe GmbH	Yes MLC GmbH	Forwarding agency	100.00	100.00	
Yes MLC GmbH	Merlin Logistics GmbH	Warehouse operation and logistics	100.00	100.00	
Merlin Logistics GmbH	YES Logistics Bulgaria	Cargo consolidation service and forwarding agency	100.00	100.00	Note i

(Concluded)

- Note a: The Group's board of directors resolved to apply for a capital reduction to offset a deficit and a capital increase by cash of Kuang Ming in March 2017, and the base date for such actions was May 22, 2017 and June 9, 2017, respectively. The reduction ratio was 85%. The Group injected 1,398,330 thousand for 139,833 thousand shares, respectively, with a par value of \$10, and increased its continuing interest from 93.07% to 97.84%. The Group's board of directors resolved in September 2017 to apply for the capital increase by cash of Kuang Ming on November 10, 2017. The Group injected for 998,846 thousand for 99,885 thousand shares, with a par value of \$10, and increased its continuing interest from 97.84% to 98.52%.
- Note b: The Group's board of directors resolved in August 2017 to liquidate Olympic Container Terminal LLC in October 2017.
- Note c: The Group's board of directors resolved in April 2016 to liquidate Coastal Tarheel Express Inc. and had started the liquidation in September 2016.
- Note d: The Group's board of directors resolved to establish Yang Ming (Spain), S.L. in December 2015 and had registered in June 2016.
- Note e: The Group's board of directors resolved to establish Yang Ming Philippines in August 2016 and had registered in November 2016.
- Note f: The Group's board of directors resolved to establish Yang Ming (Latin America) Corp. in February 2017 and had registered in March 2017.
- Note g: The Group's board of directors resolved to establish YML-Thailand in September 2017 and had registered in October 2017.
- Note h: Yes Logistics' board of directors resolved in July 2016 to inject US\$3,000 thousand for capital injection into Yes-Shanghai and increased its continuing interest from 0.00% to 69.80% in February 2017, which led to a decrease in Yes-USA's continuing interest from 100.00% to 30.20%.
- Note i: The Group negotiated with ECUHOLD NV to acquire 100% of its interest in ECU-LINE BULGARIA EOOD. The acquisition was made in April 2016 and the acquisition cost was €20 thousand. The Group undertakes the cargo consolidation service from ECU-LINE BULGARIA EOOD. and provides the all-round logistics. After the acquisition, YES Logistics Bulgaria Ltd. was the existing company.

Although YMTC directly or indirectly owns less than 50% of shares with voting rights of Yang Ming-Italy, Yang Ming Anatolia Shipping Agency S.A. and Yang Ming Line (Thailand) Co., Ltd., it should regard the investees as its subsidiaries and incorporate the investees into the consolidated group under certain premises which are as follows:

- a. The Company has the right of control through owning more than 50% of the voting rights of the boards of directors of the investees, and the boards of directors have control over the Company, or
- b. The Company has the right of control over the investees' finances, operations or human resources.

The financial statements of some insignificant consolidated entities as of and for the year ended December 31, 2017 (Yes Logistics Benelux B.V., Golden Logistics USA Corporation, Yes Logistics Europe GmbH, YES MLC GmbH, Merlin Logistics GmbH and YES Logistics Bulgaria) and December 31, 2016 (Yes Logistics Benelux B.V., Golden Logistics USA Corporation, Yes Logistics Europe GmbH, YES MLC GmbH, Merlin Logistics GmbH, YES Logistics Bulgaria Ltd. and Yang Ming Shipping Philippines, Inc.) were unaudited. YMTC's management believed that the unaudited financial statements of these companies will not have material effect on the Group's consolidated financial statements.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Investment in associates	\$ 7,610,837	\$ 7,851,468
Investments in joint ventures	<u>383,372</u>	<u>391,618</u>
	<u>\$ 7,994,209</u>	<u>\$ 8,243,086</u>

a. Investment in associates

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Material associates		
Kao Ming Container Terminal Corp.	<u>\$ 6,100,423</u>	<u>\$ 6,174,653</u>
Associates that are not individually material		
West Basin Container Terminal LLC	652,100	730,610
United Terminal Leasing LLC	260,616	275,892
Sino Trans PFS Cold Chain Logistics Co., Ltd.	126,273	171,113
Formosa International Development Corporation	153,150	184,538
Yang Ming (U.A.E.) LLC	35,701	82,419
Yunn Wang Investment Co., Ltd.	102,431	81,267
Transyang Shipping Pte. Ltd.	60,683	75,890
Yang Ming Shipping (Egypt) S.A.E.	22,971	15,988
Yang Ming (Australia) Pty. Ltd.	33,690	36,142
Corstor Ltd.	4,326	3,625
Yang Ming (Vietnam) Corp.	4,474	4,837
Shanghai United Cold Chain logistics Co., Ltd. (Note a)	53,999	-
Sino-YES Tianjin Cold Chain Logistics Company Limited (Note b)	<u>-</u>	<u>14,494</u>
	<u>1,510,414</u>	<u>1,676,815</u>
	<u>\$ 7,610,837</u>	<u>\$ 7,851,468</u>

Note a: The Group's board of directors resolved to acquire 20% of Shanghai United Cold Chain Logistics Co., Ltd. in July 2017.

Note b: The Group's board of directors resolved to liquidate Sino-YES Tianjin Cold Chain Logistics Company Limited in March 2017, and the liquidation was completed in November 2017.

All the associates are accounted for using the equity method.

1) Material associates

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Kao Ming Container Terminal Corp.	47.50%	47.50%

Refer to Table G “Information on Investees” for the nature of activities, principal place of business and country of incorporation of the associates.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 was based on the associates’ financial statements audited by the auditors for the same years.

The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Kao Ming Container Terminal Corp.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current assets	\$ 1,745,284	\$ 2,320,338
Non-current assets	16,508,781	16,634,460
Current liabilities	(791,727)	(869,209)
Non-current liabilities	<u>(4,784,136)</u>	<u>(5,251,113)</u>
Equity	<u>\$ 12,678,202</u>	<u>\$ 12,834,476</u>
Proportion of the Group’s ownership	47.50%	47.50%
Equity attributable to the Group	\$ 6,022,146	\$ 6,096,376
Goodwill	<u>78,277</u>	<u>78,277</u>
Carrying amount	<u>\$ 6,100,423</u>	<u>\$ 6,174,653</u>
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating revenue	<u>\$ 2,057,761</u>	<u>\$ 2,246,498</u>
Net profit for the year	\$ 115,114	\$ 169,870
Other comprehensive income (loss)	<u>613</u>	<u>(1,034)</u>
Total comprehensive income for the year	<u>\$ 115,727</u>	<u>\$ 168,836</u>
Dividends received from Kao Ming Container Terminal Corp.	<u>\$ 129,200</u>	<u>\$ 113,050</u>

2) Aggregate information of associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
The Group’s share of:		
Net loss for the year	\$ (15,872)	\$ (182,904)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (15,872)</u>	<u>\$ (182,904)</u>



The Group's share of losses of an associate is limited to its interest in that associate which includes any long-term interest that form part of the Group's net investment in the associate. The above material associate was liquidated in December 2017. The amount of unrecognized share of losses of that associate which was extracted from the relevant audited financial statements of the associate, both for the period and cumulatively, was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Unrecognized share of losses of associates for the year	\$ -	\$ -
Accumulated unrecognized share of losses of associates	<u>\$ 452</u>	<u>\$ 452</u>

Except for ANSHIP-YES Logistics Corporation Limited, the investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited in 2017; except for Sino Trans PFS Cold Chain Logistics Co., Ltd. and ANSHIP-YES Logistics Corporation Limited, investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited in 2016. The management believes that there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements that have not been audited.

b. Investments in joint ventures

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Joint ventures that are not individually material		
Chang Ming Logistics Company Limited	\$ 300,953	\$ 307,556
YES LIBERAL Logistics Corp.	67,218	71,098
LogiTrans Technology Private Limited	<u>15,201</u>	<u>12,964</u>
	<u>\$ 383,372</u>	<u>\$ 391,618</u>

All the joint ventures are accounted for using the equity method.

Aggregate information of joint ventures that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
The Group's share of:		
Net loss for the year	\$ (2,826)	\$ (11,235)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (2,826)</u>	<u>\$ (11,235)</u>

The share of profit or loss of joint ventures and other comprehensive income of those investments for the years ended December 31, 2017 and 2016 was based on the joint ventures' financial statements audited by the auditors for the same years.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Property in Construction	Total
<b>Cost</b>									
Balance at January 1, 2016	\$ 691,234	\$ 1,489,248	\$ 23,576,556	\$ 94,647,589	\$ 9,202,792	\$ 485,806	\$ 3,718,759	\$ -	\$ 133,811,984
Additions	-	7,329	192,040	330,577	-	32,217	79,265	550,297	1,191,725
Disposals	-	-	(1,750,334)	(154,796)	-	(11,901)	(179,984)	-	(2,097,015)
Reclassification	-	-	-	1,031,904	-	8,054	(27,318)	(202,406)	810,234
Effect of foreign currency exchange differences	26	(22,249)	(49)	(232,480)	(114,305)	(1,515)	(22,937)	-	(393,509)
Balance at December 31, 2016	<u>\$ 691,260</u>	<u>\$ 1,474,328</u>	<u>\$ 22,018,213</u>	<u>\$ 95,622,794</u>	<u>\$ 9,088,487</u>	<u>\$ 512,661</u>	<u>\$ 3,567,785</u>	<u>\$ 347,891</u>	<u>\$ 133,323,419</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2016	\$ -	\$ 435,956	\$ 9,734,380	\$ 25,341,720	\$ 4,461,810	\$ 367,707	\$ 2,896,926	\$ -	\$ 43,238,499
Disposals	-	-	(1,563,744)	(154,796)	-	(10,771)	(175,554)	-	(1,904,865)
Depreciation expenses	-	33,481	1,394,469	4,309,174	465,064	35,253	188,472	-	6,425,913
Effect of foreign currency exchange differences	-	(3,119)	-	(91,736)	(35,954)	(758)	(17,914)	-	(149,481)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 466,318</u>	<u>\$ 9,565,105</u>	<u>\$ 29,404,362</u>	<u>\$ 4,890,920</u>	<u>\$ 391,431</u>	<u>\$ 2,891,930</u>	<u>\$ -</u>	<u>\$ 47,610,066</u>
Carrying amount at December 31, 2016	<u>\$ 691,260</u>	<u>\$ 1,008,010</u>	<u>\$ 12,453,108</u>	<u>\$ 66,218,432</u>	<u>\$ 4,197,567</u>	<u>\$ 121,230</u>	<u>\$ 675,855</u>	<u>\$ 347,891</u>	<u>\$ 85,713,353</u>
<b>Cost</b>									
Balance at January 1, 2017	\$ 691,260	\$ 1,474,328	\$ 22,018,213	\$ 95,622,794	\$ 9,088,487	\$ 512,661	\$ 3,567,785	\$ 347,891	\$ 133,323,419
Additions	-	121	-	581,935	-	19,855	78,288	892,901	1,573,100
Disposals	-	-	(333,917)	(296,852)	(30,471)	-	(94,974)	-	(756,214)
Reclassification	-	-	-	1,886,249	-	13,681	10,979	(893,109)	1,017,800
Effect of foreign currency exchange differences	(103)	(36,662)	(211)	(998,586)	(490,041)	(1,874)	(18,970)	-	(1,546,447)
Balance at December 31, 2017	<u>\$ 691,157</u>	<u>\$ 1,437,787</u>	<u>\$ 21,684,085</u>	<u>\$ 96,795,540</u>	<u>\$ 8,567,975</u>	<u>\$ 544,323</u>	<u>\$ 3,543,108</u>	<u>\$ 347,683</u>	<u>\$ 133,611,658</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2017	\$ -	\$ 466,318	\$ 9,565,105	\$ 29,404,362	\$ 4,890,920	\$ 391,431	\$ 2,891,930	\$ -	\$ 47,610,066
Disposals	-	-	(321,223)	(296,852)	(30,471)	-	(93,530)	-	(742,076)
Depreciation expenses	-	32,634	1,334,884	4,403,146	425,705	43,540	173,023	-	6,412,932
Reclassification	-	-	-	-	-	-	(327)	-	(327)
Effect of foreign currency exchange differences	-	(13,643)	-	(437,553)	(186,700)	(1,527)	(16,799)	-	(656,222)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 485,309</u>	<u>\$ 10,578,766</u>	<u>\$ 33,073,103</u>	<u>\$ 5,099,454</u>	<u>\$ 433,444</u>	<u>\$ 2,954,297</u>	<u>\$ -</u>	<u>\$ 52,624,373</u>
Carrying amount at December 31, 2017	<u>\$ 691,157</u>	<u>\$ 952,478</u>	<u>\$ 11,105,319</u>	<u>\$ 63,722,437</u>	<u>\$ 3,468,521</u>	<u>\$ 110,879</u>	<u>\$ 588,811</u>	<u>\$ 347,683</u>	<u>\$ 80,987,285</u>

- a. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	53-56 years
Container and chassis	6-10 years
Ships	20-25 years
Dry dock	2.5-5 years
Leased assets	
Container and chassis	3-10 years
Ships	18-25 years
Leasehold improvements	2-10 years
Miscellaneous equipment	3-18 years

The dry dock is a significant component of ships.

- b. The Group's property, plant and equipment pledged as collaterals for the secured loans is set out in Note 37.

## 15. INVESTMENT PROPERTIES

	<b>Completed Investment Property</b>
Balance at January 1, 2016	\$ 7,942,862
Disposals	(2,119,049)
Gain on change in fair value of investment properties	<u>381,403</u>
Balance at December 31, 2016	6,205,216
Additions	5,476
Donations	1,542
Gain on change in fair value of investment properties	<u>73,884</u>
Balance at December 31, 2017	<u>\$ 6,286,118</u>

The investment properties are leased out for 0.17 to 4.67 years. All lease contracts contain market review clauses applicable to contract renewals. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

The commitments on future minimum lease payments under non-cancellable operating lease are as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not later than 1 year	\$ 72,307	\$ 83,765
Later than 1 year and not later than 5 years	133,151	167,761
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 205,458</u>	<u>\$ 251,526</u>

The fair values of investment properties were assessed as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Independent valuation	\$ 6,278,290	\$ 6,197,236
Valuation by the Group	<u>7,828</u>	<u>7,980</u>
	<u>\$ 6,286,118</u>	<u>\$ 6,205,216</u>

As of December 31, 2017 and 2016, the fair values were based on the valuations carried out on January 5, 2018 and January 12, 2017, respectively, by independent qualified professional value from Savills Residential Service (Taiwan) Limited, Real Estate Appraisal Firm, a member of certified ROC real estate appraisals.

The fair values of the other investment properties were determined by the Group's management by reference to rentals of similar properties in the vicinity.

The fair value of investment properties was estimated using unobservable inputs (Level 3). The movements in the fair value were as follows:

	<b>Keelung</b>	<b>Taipei</b>	<b>Kaohsiung</b>	<b>Total</b>
Balance at January 1, 2016	\$ 354,215	\$ 6,909,633	\$ 679,014	\$ 7,942,862
Recognized in profit or loss (gain arising from the change in fair value of investment property)				
- realized	-	421,695	9,754	431,449
- unrealized	(47,740)	446	(2,752)	(50,046)
Sales	<u>-</u>	<u>(2,038,395)</u>	<u>(80,654)</u>	<u>(2,119,049)</u>
Balance at December 31, 2016	306,475	5,293,379	605,362	6,205,216
Recognized in profit or loss (gain arising from the change in fair value of investment property)				
- unrealized	13,131	76,528	(15,775)	73,884
Purchases	5,476	-	-	5,476
Donations	<u>-</u>	<u>-</u>	<u>1,542</u>	<u>1,542</u>
Balance at December 31, 2017	<u>\$ 325,082</u>	<u>\$ 5,369,907</u>	<u>\$ 591,129</u>	<u>\$ 6,286,118</u>

The fair value of investment properties, except for undeveloped land, was measured using the income approach. The significant assumptions used were stated below. The increase in estimated future net cash inflows or the decrease in discount rates would result in increase in the fair value.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Expected future cash inflows	\$ 5,910,225	\$ 6,016,555
Expected future cash outflows	<u>(526,852)</u>	<u>(520,107)</u>
Expected future cash inflows, net	<u>\$ 5,383,373</u>	<u>\$ 5,496,448</u>
Discount rate	3.845%	4.345%

The market rentals in the area where the investment property is located were between \$0.5 thousand and \$2.5 thousand per ping (35.59 square feet) in 2017 and between \$0.2 thousand and \$3.2 thousand per ping (35.59 square feet) in 2016. The market rentals for comparable properties were between \$0.4 thousand and \$2.6 thousand per ping (35.59 square feet) in 2017 and between \$0.2 thousand and \$3.2 thousand per ping (35.59 square feet) in 2016.

The investment property had been leased out under operating leases. The rental income generated for the years ended December 31, 2017 and 2016 was \$80,709 thousand and \$123,618 thousand, respectively.

The expected future cash inflows generated by investment property included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Group's current rental rate, taking into account the annual rental growth rate; the income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China for a year; the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment property included expenditure such as land value taxes, house taxes, insurance premium, and maintenance costs. The expenditure was extrapolated on the basis of the current level of expenditure, taking into account the future adjustment to the government-announced land value, the tax rate promulgated under the House Tax Act.

The discount rate was determined by reference to the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and any asset-specific risk premiums 2.0% in 2017.

The discount rate was determined by reference to the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and any asset-specific risk premiums 2.5% in 2016.

The fair value of undeveloped land located in area Keelung, Taipei, and Kaohsiung was measured by land development analysis. The increase in estimated total sale price, the increase in rate of return, or the decrease in overall capital interest rate would result in increase in the fair value. The significant assumptions used were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Estimated total sale price	<u>\$ 5,988,524</u>	<u>\$ 5,374,414</u>
Rate of return	14%-20%	15%-20%
Overall capital interest rate	1.83%-4.34%	1.01%-4.18%

The rate of returns was determined by reference to the annual profit rate and construction period of the similar product constructed by competitors. Overall capitalization rate referred to current average benchmark interest rate and deposit interest rate of the top five banks, and to the proportion of equity funds and borrowed funds. The cost of the equity funds and borrowed funds is determined by the deposit and benchmark interest rate, respectively.

The total sale price is estimated on the basis of the most effective use of land or property available for sale after development is completed, taking into account the related regulations, domestic macroeconomic prospects, local land use, and market rates.

All of the Group's investment property was held under freehold interests.

The carrying amount of investment properties pledged by the Group to secure borrowings granted to the Group, were reflected in Note 37.

## 16. LONG-TERM PREPAYMENTS FOR LEASES

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current asset (included in prepayments)	\$ 172,908	\$ 160,639
Non-current asset	<u>504,989</u>	<u>536,561</u>
	<u>\$ 677,897</u>	<u>\$ 697,200</u>

- a. For the purpose of managing the storage, processing, transfer and distribution of goods, YMTC collaborated with the Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. on the construction and operation of the First and Second Logistics Centers of the Kaohsiung Third Container Center. YMTC is entitled to the use of the First and Second Logistics Centers for 30 years and 28 years and 9 months, respectively, based on the initial investment made by YMTC. The Centers are amortized over the period in use. Furthermore, in accordance with the requirements, YMTC should pay land-use fees and administration fees for every month of the lease term (based on the actual volume of cargo stevedored). Administration fees depend on the lowest guaranteed volumes for each respective logistics center, which are 1 million and 0.85 million tons. If YMTC is unable to reach the lowest guaranteed volumes, it should calculate the payment for the administration fees based on the volumes of 1 million and 0.85 million, respectively, and the administration fees will be adjusted under the annual Wholesale Price Index in Taiwan.

- b. The Group entered into agreements to lease ships and offices with other company. As of December 31, 2017 and 2016, prepayments for lease were \$141,336 thousand and \$129,067 thousand, respectively.

## 17. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Time deposits with original maturities over 3 months	\$ 224,551	\$ 512,705
Deposit of stand-by letter of credit (Notes 24 and 37)	3,394,440	3,574,945
Restricted bank balance (Note 37)	244,243	155,985
Cash surrender value of life insurance	<u>53,535</u>	<u>47,812</u>
	<u>\$ 3,916,769</u>	<u>\$ 4,291,447</u>
Current	<u>\$ 318,790</u>	<u>\$ 533,205</u>
Non-current	<u>\$ 3,597,979</u>	<u>\$ 3,758,242</u>

The interest rate of time deposits with original maturities over 3 months were 0.01%-8.25% and 0.01%-9.10% per annum as of December 31, 2017 and 2016, respectively.

## 18. BORROWINGS

- a. Short-term borrowings

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 2,287,464	\$ 3,607,250
Loans from related parties (Note 36)	2,151,400	2,063,750
Other borrowings	<u>31,302</u>	<u>115,088</u>
	<u>\$ 4,470,166</u>	<u>\$ 5,786,088</u>

- 1) The range of weighted average effective interest rate on credit borrowings was 1.29%-4.12% and 1.28%-2.63% per annum as of December 31, 2017 and 2016, respectively.
- 2) Loans from related parties of the Group were the amounts repayable to government-related entities. Interest rate was 1.29%-2.62% and 1.25%-2.01% per annum as of December 31, 2017 and 2016.
- 3) Other borrowings of the Group were the unsecured borrowings from Young-Carrier (Shanghai). Interest rate was 1.50% per annum as of December 31, 2017 and 2016.

b. Short-term bills payable

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Commercial paper	\$ 7,228,000	\$ 1,400,000
Less: Unamortized discount on bills payable	<u>15,719</u>	<u>231</u>
	<u>\$ 7,212,281</u>	<u>\$ 1,399,769</u>

Interest rate of the outstanding short-term bills payable was 1.07%-2.07% and 0.83%-1.59% per annum as of December 31, 2017 and 2016.

c. Long-term borrowings

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
Secured borrowings (Note 37)		
Secured bank loans	\$ 6,546,463	\$ 6,559,547
Loans from related parties (Note 36)	22,657,325	24,057,689
Others borrowings	<u>1,025,196</u>	<u>1,221,764</u>
	<u>30,228,984</u>	<u>31,839,000</u>
Unsecured borrowings		
Line of credit borrowings	10,378,627	13,626,817
Loans from related parties (Note 36)	6,138,800	6,438,916
Others borrowings	<u>99,042</u>	<u>-</u>
	<u>16,616,469</u>	<u>20,065,733</u>
Long-term bills payable		
Commercial paper	4,000,000	6,500,000
Less: Unamortized discount on bills payable	<u>3,273</u>	<u>6,954</u>
	<u>3,996,727</u>	<u>6,493,046</u>
	50,842,180	58,397,779
Less: Current portion	<u>13,037,050</u>	<u>7,755,557</u>
Long-term borrowings	<u>\$ 37,805,130</u>	<u>\$ 50,642,222</u>

Bank loans are repayable in installments at varying amounts or fully repaid at maturity in New Taiwan dollars and U.S. dollars every six months or every year. The Group's loans features and terms are as follows:

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
<u>NT\$</u>		
Amount	\$ 41,452,208	\$ 47,379,990
Interest rate	1.20%-4.00%	1.19%-4.00%
Contract term	2012/06/18- 2026/04/24	2010/12/03- 2026/04/24

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>US\$</u>		
Foreign currency amount	\$ 315,523	\$ 341,637
New Taiwan dollar amount	9,389,972	11,017,789
Interest rate	2.01%-3.21%	1.37%-2.77%
Contract term	2009/12/17- 2027/01/13	2009/12/17- 2026/08/15

### Secured borrowings

#### 1) Secured bank loans

The secured bank loans of the Group will be repaid in U.S. dollars and New Taiwan dollars. The loans are repayable in installment at varying amounts before January 13, 2027. Interest rates were 1.44%-2.50% and 1.44%-1.95% on December 31, 2017 and 2016, respectively. The Group's ships, investment properties, stocks and containers are pledged as collaterals for the secured loans.

#### 2) Loans from related parties

The Group's loans from related parties are borrowings repaid in New Taiwan dollars and U.S. dollars from government-related entities. Interest rates were 1.33%-3.21% and 1.33%-2.77% on December 31, 2017 and 2016, respectively. The loans are repayable in installment at varying amounts before August 15, 2026. The Group's ships, investment properties and containers are pledged as collaterals for the secured loans.

#### 3) Other borrowings

Other borrowings were secured loans from a finance company. Interest rates were 2.15%-4.00% on December 31, 2017 and 2016. The loans are repayable in installment at varying amounts before March 25, 2022. The Group's containers and cash in bank are pledged as collateral for the secured loans.

### Unsecured borrowings

#### 1) Line of credit borrowings

The Group's unsecured bank loans will be repaid in New Taiwan dollars and U.S. dollars in one-lump sum payment at maturity and repaid in installments every month. The loans are expected to be fully repaid before September 14, 2021. Interest rates were 1.25%-3.12% and 1.23%-2.67% on December 31, 2017 and 2016, respectively.

#### 2) Loans from related parties

The Group's loans from related parties are borrowings repaid in New Taiwan dollars and U.S. dollars from government-related entities, and will be repaid in one-lump sum payment. The loans are expected to be fully repaid before March 31, 2024. Interest rates were 1.40%-3.23% and 1.19%-2.71% on December 31, 2017 and 2016, respectively.

#### 3) Other borrowings

Other borrowings were unsecured loans from a finance company. Interest rates were 2.92% on December 31, 2017. The loans are expected to be fully repaid before November 30, 2019.



## Commercial paper

YMTC signed four-year and three-year underwriting contracts for the issuance of commercial paper with a bill finance institution on January 2017 and December 2016, respectively. YMTC can issue the commercial papers in a revolving scheme during the period of the financing contracts. The commercial papers expected to be fully repaid before January 2020 and December 2018. The issuance period of each commercial paper cannot be over 60 or 90 days. During the issuance period, YMTC's short-term and long-term credit ratings (rated by Taiwan ratings or other rating organization recognized by authority) should be maintained at a certain level specified in the contracts. As of December 31, 2017 and 2016, YMTC had met the above requirements.

As of December 31, 2017 and 2016, the interest rates were 1.20%-1.61% and 1.21%-1.61% respectively.

## 19. BONDS PAYABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Domestic privately placed secured mandatory convertible bonds	\$ 332,280	\$ 487,120
Domestic privately placed unsecured bonds	3,850,000	10,434,733
Secured domestic bonds	3,972,854	3,971,254
Unsecured domestic bonds	5,000,000	5,000,000
Domestic unsecured convertible bonds	<u>148,104</u>	<u>145,589</u>
	13,303,238	20,038,696
Less: Current portion	<u>1,410,359</u>	<u>6,739,573</u>
	<u>\$ 11,892,879</u>	<u>\$ 13,299,123</u>

### a. Domestic privately placed secured mandatory convertible bonds

YMTC issued seven-year domestic privately placed secured mandatory convertible bonds with an aggregate face value of \$5,800,000 thousand at June 27, 2012; 3% annual interest is repayable annually. Bondholders could request to convert the bonds into YMTC's common shares between September 28, 2012 and June 17, 2019. The bonds shall only be converted into YMTC's common shares at the prevailing conversion price at the last day of the seven-year tenor. The initial conversion price is \$12.68 as of the date of issuance. The bonds contained liability component and equity component to recognize capital surplus-equity component of mandatory convertible bonds of \$4,413,702 thousand. The effective interest rate of the liability component was 4.79% per annum.

YMTC applied for a capital reduction, on February 20, 2017, to offset deficits, and the conversion price of this domestic, private placement of secured mandatory convertible bonds was adjusted from \$12.68 to \$27.14. YMTC also applied for a private capital increase by cash and a capital increase by cash through the issuance of ordinary shares on February 21, 2017 and November 27, 2017, respectively. The private capital increase by cash and the capital increase by cash through the issuance of ordinary shares led to the conversion price of the domestic, private placement of secured mandatory convertible bonds being adjusted from \$27.14 to \$25.42 and then from \$25.42 to \$22.17, respectively. In addition, YMTC applied for a capital increased by cash on December 8, 2017. According to Rule No. 11 of the bonds payable issued and converted, the conversion price should be adjusted. Therefore, the conversion price will be adjusted from \$22.17 to \$20.84 after January 17, 2018.

Movements of the convertible bonds' liability and equity component for the years ended December 31, 2017 and 2016 were as follows:

	<b>Liability Component</b>	<b>Equity Component</b>
January 1, 2016	\$ 634,885	\$ 4,413,702
Interest charged using effective interest rate method	26,235	-
Interest paid	<u>(174,000)</u>	<u>-</u>
December 31, 2016	<u>\$ 487,120</u>	<u>\$ 4,413,702</u>
January 1, 2017	\$ 487,120	\$ 4,413,702
Interest charged using effective interest rate method	19,160	-
Interest paid	<u>(174,000)</u>	<u>-</u>
December 31, 2017	<u>\$ 332,280</u>	<u>\$ 4,413,702</u>

As of December 31, 2017, no bondholder requested to convert the bonds into YMTC's common shares.

The bond was guaranteed by banks (including government-owned banks amounting to \$5,350,000 thousand). According to performance guarantee agreements, YMTC has to pay the bank guarantee on the date of issuance and each quarter thereafter. The guarantee payments are recognized as costs attributed to the issue of the bonds and are amortized over the issuance period. As of December 31, 2017 and 2016, unamortized cost of issuance was recognized as other financial liabilities (Note 24).

According to performance guarantee agreements, the required financial ratios calculated on the basis of annual consolidated financial statements of YMTC are as follows:

- 1) Current ratio should not be less than 90%.
- 2) Debt ratio should not be: Over 350% before the end of 2013; over 300% from 2014 to 2016; over 230% after 2017.
- 3) Interest coverage ratio should not be less than 5 times.
- 4) The net tangible assets value should be over \$30,000,000 thousand.

As of December 31, 2017 and 2016, YMTC had received waivers to the above 1) to 4).

b. Domestic privately placed unsecured bonds

YMTC issued the first privately placed unsecured bonds with an aggregate face value of \$5,544,000 thousand on March 6, 2012 (the March 6 2012 Bonds), issued the second privately placed unsecured bonds with an aggregate face value of \$4,350,000 thousand on March 30, 2012 (the March 30 2012 Bonds), and issued the third privately placed unsecured bonds with an aggregate face value of \$3,850,000 thousand on July 8, 2014 (the July 8 2014 Bonds).

The bond features and terms are as follows:

March 6 2012 Bonds: Type A - aggregate face value of \$1,759,000 thousand and maturity on March 6, 2016. The principal will be repaid in a lump sum payment at maturity; interest rate is 2.08%

Type B - aggregate face value of \$3,785,000 thousand and maturity on March 6, 2017. The principal will be repaid in a lump sum on March 6, 2017; interest rate is 2.18% annual interest is repayable semiannually.

The Type A to Type B Bonds had been 100% repaid as of March 6, 2017.

March 30 2012 Bonds: Type A - aggregate face value of \$1,550,000 thousand and maturity on March 30, 2016. The principal will be repaid in a lump sum on March 30, 2016; 2.08% annual interest is repayable semiannually.

Type B - aggregate face value of \$2,800,000 thousand and maturity on March 30, 2017. The principal will be repaid in a lump sum on March 30, 2017; 2.18% annual interest is repayable semiannually.

The Type A to Type B had been 100% repaid as of March 30, 2017.

July 8 2014 Bonds: Aggregate face value of \$3,850,000 thousand and maturity on July 8, 2019. The principal will be repaid in a lump sum on July 8, 2019; 2.20% annual interest is repayable semiannually.

c. Secured domestic bonds

YMTC issued five-year domestic secured bonds with an aggregate face value of \$5,000,000 thousand on May 20, 2010 (the May 2010 Bonds), issued another five-year domestic secured bonds with an aggregate face value of \$6,500,000 thousand on December 27, 2011 (the December 2011 Bonds), and issued another five-year domestic secured bonds with an aggregate face value of \$4,000,000 thousand on October 12, 2015 (the October 2015 Bonds).

The bond features and terms are as follows:

December 2011 Bonds: Type A - aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Type B - aggregate face value of \$500,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Type C - aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Type D - aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Type E - aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Type F - aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Type G - aggregate face value of \$500,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Type H - aggregate face value of \$500,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

The Type-A to Type-H bonds had been 100% repaid as of December 27, 2016.

The bond is guaranteed by banks (\$5,000,000 thousand is guaranteed by government - owned banks).

The bond features and terms are as follows:

October 2015 Bonds: Type A - aggregate face value: \$2,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.

Type B - aggregate face value: \$1,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.

Type C - aggregate face value: \$500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.

Type D - aggregate face value: \$500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.

The bond is guaranteed by banks (\$3,000,000 thousand is guaranteed by government - owned banks).

d. Domestic unsecured bonds

On various dates, YMTC issued domestic unsecured bonds; the dates and the aggregate face values were as follows: \$5,000,000 thousand on November 1, 2013 (the November 2013 Bonds).

The bond features and terms were as follows:

November 2013 Bonds: Type A - aggregate face value: \$1,100,000 thousand and maturity on November 1, 2018. The principal will be repaid in a lump sum on November 1, 2018; 2.20% annual interest is repayable annually.

Type B - aggregate face value: \$3,900,000 thousand and maturity on November 1, 2020. The principal will be repaid in a lump sum on November 1, 2020; 2.45% annual interest is repayable annually.

e. Domestic unsecured convertible bonds

On June 7, 2013, YMTC issued five-year domestic unsecured bonds (the 2013 convertible Bonds) with an aggregate face value of \$4,600,000 thousand and the issuance price was 100.2% of face value. Bond settlement is as follows:

- 1) Lump-sum payment to the holders upon maturity at the face value;
- 2) Conversion by the holders, from July 8, 2013 to 10 days before the due date, into YMTC's common shares at the prevailing conversion price;
- 3) Reselling to YMTC by the holders before maturity.
- 4) Redemption by YMTC, under certain conditions, at face value before bond maturity.

The initial conversion price was \$14.23 as of the date of issuance. The bonds contained liability component and equity component to recognize capital surplus-equity component of convertible bonds of \$352,604 thousand. There were 2,642,900 thousand bonds converted into 185,727 thousand common shares of YMTC as of December 31, 2017.

The bondholders could request YMTC to repurchase the convertible bonds at the par value before 40 days of the issuance for 3 years. The repurchase amount was \$1,807,900 thousand as of December 31, 2017 and the loss of bond redemption was \$58,970 thousand for the year ended December 31, 2016.

YMTC applied for a capital reduction, on February 20, 2017, to offset deficits, and the 2013 convertible bonds were adjusted from \$14.23 to \$30.45. YMTC also applied for a private capital increase by cash and a capital increase by cash through the issuance of ordinary shares on February 21, 2017 and November 27, 2017, respectively. The private capital increase by cash and the capital increase by cash through the issuance of ordinary shares led to the conversion price of the 2013 convertible bonds being adjusted from \$30.54 to \$28.39 and then from \$28.39 to \$24.42, respectively. In addition, YMTC applied for a capital increased by cash on December 8, 2017. According to Rule No. 11 of the bonds payable issued and converted, the conversion price should be adjusted. Therefore, the conversion price will be adjusted from \$24.42 to \$22.84 on January 17, 2018.

On January 25, 2018, YMTC announced the redemption of the outstanding bonds at par value in accordance with Rule No. 18 of the bonds payable issued and converted. The redemption period was between February 19 and March 16, 2018, and the record date was March 21, 2018.

Movements of the convertible bonds' liability and equity components for the years ended December 31, 2017 and 2016 were as follows:

	<u>Liability Component</u>		<u>Equity</u>
	<u>Bond</u>	<u>Financial Liability</u>	<u>Component Option</u>
January 1, 2016	\$ 1,877,307	\$ 6,275	\$ 150,017
Interest charged using effective interest rate method	17,212	-	-
Redeemed on convertible bonds	(1,748,930)	-	(138,580)
Valuation gain	<u>-</u>	<u>(6,275)</u>	<u>-</u>
December 31, 2016	<u>\$ 145,589</u>	<u>\$ -</u>	<u>\$ 11,437</u>
January 1, 2017	\$ 145,589	\$ -	\$ 11,437
Interest charged using effective interest rate method	<u>2,515</u>	<u>-</u>	<u>-</u>
December 31, 2017	<u>\$ 148,104</u>	<u>\$ -</u>	<u>\$ 11,437</u>

## 20. TRADE PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Trade payables - operating</u>		
Trade payables - non-related parties	\$ 12,248,428	\$ 13,927,633
Trade payables - related parties	<u>547,579</u>	<u>895,899</u>
	<u>\$ 12,796,007</u>	<u>\$ 14,823,532</u>
Payable for cost of voyage in sailing	\$ 8,686,482	\$ 10,399,157
Payable for fuel	2,674,113	2,468,105
Payable for space hire	846,419	1,141,304
Payable for freight expenses	435,573	494,076
Payable for stevedoring expenses	133,905	316,912
Payable for management expenses	<u>19,515</u>	<u>3,978</u>
	<u>\$ 12,796,007</u>	<u>\$ 14,823,532</u>

## 21. FINANCE LEASE PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Minimum lease payments</u>		
Not later than 1 year	\$ 617,341	\$ 758,040
Later than 1 year and not later than 5 years	2,304,710	2,541,577
Later than 5 years	<u>3,289,012</u>	<u>4,188,588</u>
	6,211,063	7,488,205
Less: Future finance charges	<u>1,884,930</u>	<u>2,396,016</u>
Present value of minimum lease payments	<u>\$ 4,326,133</u>	<u>\$ 5,092,189</u>
<u>Present value of minimum lease payments</u>		
Not later than 1 year	\$ 315,864	\$ 404,665
Later than 1 year and not later than 5 years	1,322,502	1,376,944
Later than 5 years	<u>2,687,767</u>	<u>3,310,580</u>
	<u>\$ 4,326,133</u>	<u>\$ 5,092,189</u>
Current (included in current portion of long-term liabilities)	\$ 315,864	\$ 404,665
Non-current	<u>4,010,269</u>	<u>4,687,524</u>
	<u>\$ 4,326,133</u>	<u>\$ 5,092,189</u>

YMTC leases containers under capital lease agreements. The terms of the leases were from nine years to ten years for containers. The annual rent payable on leased containers under the agreements is US\$4,337 thousand. YMTC has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US\$1 per unit. Yangming UK leases ships under 18-year capital lease agreements. Annual rentals are stipulated in the contracts.

Interest rates was 0.22%-7.24% for the years ended December 31, 2017 and 2016.

## 22. OTHER PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Payable for container lease	\$ 940,365	\$ 952,268
Payable for salary and bonus	317,466	298,925
Payable for interest expenses	197,447	229,197
Payable for equipment M&R expenses	149,483	154,118
Payable for annual leave	228,793	178,110
Payable for vessel charter hire	77,723	93,191
Others	<u>1,175,845</u>	<u>1,234,074</u>
	<u>\$ 3,087,122</u>	<u>\$ 3,139,883</u>

## 23. PROVISIONS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Restoration cost for leased assets (a)	\$ 24,672	\$ 103,710
Onerous leases (b)	<u>791,602</u>	<u>1,260,418</u>
	<u>\$ 816,274</u>	<u>\$ 1,364,128</u>
Current	\$ 791,602	\$ 1,260,418
Non-current	<u>24,672</u>	<u>103,710</u>
	<u>\$ 816,274</u>	<u>\$ 1,364,128</u>

	<b>Restoration Cost for Leased Assets</b>	<b>Onerous Leases</b>	<b>Total</b>
Balance at January 1, 2016	\$ 102,300	\$ 797,637	\$ 899,937
Additional provisions recognized	1,481	476,281	477,762
Effect of foreign currency exchange differences	<u>(71)</u>	<u>(13,500)</u>	<u>(13,571)</u>
Balance at December 31, 2016	<u>\$ 103,710</u>	<u>\$ 1,260,418</u>	<u>\$ 1,364,128</u>
Balance at January 1, 2017	\$ 103,710	\$ 1,260,418	\$ 1,364,128
Reversing the balances	(79,036)	(402,344)	(481,380)
Effect of foreign currency exchange differences	<u>(2)</u>	<u>(66,472)</u>	<u>(66,474)</u>
Balance at December 31, 2017	<u>\$ 24,672</u>	<u>\$ 791,602</u>	<u>\$ 816,274</u>

- a. When returning operating leased assets, lessees have legal or construction obligation to restore operating leased assets to original status. Lessees need to accrue restoration costs provision over the lease term on a straight-line basis.
- b. The provision for onerous lease contracts represents the present value of the future lease payments that the Group was presently obligated to make under non-cancellable onerous operating lease contracts of ships, less revenue expected to be earned on the lease, where applicable. The estimation may change due to changes in the operation of the leased ships and sub-lease agreements signed with other entities.

## 24. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Cost of issuance of bonds (Note 19,a)	\$ 66,462	\$ 117,482
Others	<u>3,257,763</u>	<u>3,487,347</u>
	<u>\$ 3,324,225</u>	<u>\$ 3,604,829</u>
Current (included in current portion of long-term liabilities)	\$ 274,157	\$ 249,230
Non-current	<u>3,050,068</u>	<u>3,355,599</u>
	<u>\$ 3,324,225</u>	<u>\$ 3,604,829</u>

YML-BVI leased ships under 25-year capital lease agreements in 2000 and 2001. The lease contracts were secured by standby letters of credit issued by a bank. YML-BVI deposited a portion of its lease payments in bank as collaterals (included in other financial assets). The balance was \$3,394,440 thousand and \$3,574,945 thousand, respectively as of the years ended December 31, 2017 and 2016.

These transactions involve the legal form of a lease. In accordance with the indicators announced by the Standard Interpretations Committee No. 27, "Evaluating the substance of transactions involving the legal form of a lease", transactions that don't meet the guidelines of IAS No. 17, "Lease" in substance should be reclassified to ships under property, plant and equipment by their nature under IFRSs. Obligations under capital leases should be reclassified to other financial liabilities under IFRSs.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current (included in current portion of long-term liabilities)	\$ 221,591	\$ 198,211
Non-current	<u>3,036,172</u>	<u>3,289,136</u>
	<u>\$ 3,257,763</u>	<u>\$ 3,487,347</u>

Other financial liabilities-other is paid quarterly. The principal and interest paid are reset based on three months' Libor rate quarterly.

Related gains and losses for the years ended 2017 and 2016 are included in the following account.

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Non-operating income and expenses		
Other income	<u>\$ 13,500</u>	<u>\$ 25,106</u>
Finance costs	<u>\$ (11,396)</u>	<u>\$ (21,775)</u>

## 25. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

YMTC and domestic subsidiaries' pension plans under the Labor Pension Act (the Act) for onshore employees and shipping crews are defined contribution schemes. Starting on July 1, 2005, the Group makes monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries every month.

For domestic crews providing service in foreign ships, pension plan is based on hiring contracts, the Group makes monthly contributions to the employees' account together with salaries.

Yang Ming (America) Corp. has entered into an agreement with the ILWU office and Clerical Employees Local 63 to provide medical care covered by the agreement, and it was defined benefit pension plan. However, according to collective bargaining agreements, effective June 1, 2008, a new Taft-Hartely trust, named "OCU Health Trust" will replace the 2003 YML/ILWU agreement's framework for the above stated benefits, which is a defined contribution plan. Starting from 2008, the contribution made to the OCU trust was calculated based on US\$4.05 per working hour. In addition to the US\$4.05 per hour contribution, the Company does have a contractual obligation to fund the unfunded liability transferred to the OCU multiemployer trust over a period of no more than ten years. As of December 31, 2017 and 2016, the balance of the accrued expense was \$27,772 thousand and \$52,422 thousand, respectively.



Some consolidated subsidiaries, which are mainly for investment holding purpose, have either very few or no staff. These subsidiaries have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

Except for these companies, the consolidated subsidiaries all contribute to pension funds and recognize pension costs based on local government regulations.

b. Defined benefit plans

1) Pension plan of YMTC

YMTC has adopted three pension plans since it was privatized on February 15, 1996. Before YMTC's privatization, qualified employees received pension payments for service years before the start of the privatization. The service years of the employees who received pre-privatization pension payments and continued to work in YMTC after privatization will be excluded from the calculation of pension payments after privatization. These plans are as follows:

The pension plan under the Labor Standards Law for onshore employees is a defined benefit plan. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributed amounts equal to 3% of salaries every month. The pension fund is administered by the pension fund monitoring committee and deposited in the committee's name in the Bank of Taiwan. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

Pension plan under the Maritime Labor Law for shipping crews is a defined benefit plan. Before the adoption of the ROC Maritime Labor Law, benefits were based on the amounts stated in the crew's hiring contracts. Under the Law, benefits are based on service years and average basic salary of the six months before retirement.

Pension plan for retired employees of China Merchants Steamship Navigation Company (CMSNC) provides benefits based on service years and level of monthly basic salary at the time of retirement.

Because of spin-off, the service years of the employees transferred to Kuang Ming Shipping Corp. are continued from the service years in YMTC. Benefits are based on the proportion of service years between YMTC and Kuang Ming Shipping Corp. and are paid by individual pension accounts.

2) Pension plan of subsidiaries

Domestic subsidiaries' pension plan under the Labor Standards Law is a defined benefit scheme. Benefits are based on service years and average basic salary of the six months before retirement. The Subsidiaries contribute certain percentage of total salaries and wages every month, to each pension fund, which is administered by each pension plan committee and deposited in each committee's name in the Bank of Taiwan.

The Yangming (Japan) Co., Ltd.'s pension plan is defined benefit plan. Pension benefits are calculated on the basis of the length of service and the basic salary of the month before retirement. Employees can accumulate two base points for every service year within the first 12 years and one base point for every service year thereafter. Employees can accumulate up to 40 base points.

All Oceans Transportation Inc., Yang Ming (UK) Ltd., and Yang Ming (Liberia) Corp.'s pension plan under the Maritime Labor Law for shipping crews are defined benefit plans. Before the adoption of the ROC Maritime Labor Law, benefits were based on the amounts stated in the crews hiring contracts. Under the Law, benefits are based on service years and average monthly salary of the six months before retirement.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Present value of defined benefit obligation	\$ 3,150,228	\$ 2,984,224
Fair value of plan assets	<u>(845,312)</u>	<u>(876,024)</u>
Net defined benefit liability	<u>\$ 2,304,916</u>	<u>\$ 2,108,200</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2016	\$ 3,291,174	\$ (842,903)	\$ 2,448,271
Current service cost	121,119	-	121,119
Past service cost	604	-	604
Net interest expense (income)	<u>49,616</u>	<u>(12,536)</u>	<u>37,080</u>
Recognized in profit or loss	<u>171,339</u>	<u>(12,536)</u>	<u>158,803</u>
Remeasurement			
Return on plan assets	-	6,349	6,349
Actuarial loss - changes in demographic assumptions	19	-	19
Actuarial gain - changes in financial assumptions	(5,470)	-	(5,470)
Actuarial gain - experience adjustments	<u>(287,343)</u>	<u>-</u>	<u>(287,343)</u>
Recognized in other comprehensive income	<u>(292,794)</u>	<u>6,349</u>	<u>(286,445)</u>
Contributions from the employer	-	(75,306)	(75,306)
Benefits paid	(201,238)	48,372	(152,866)
Exchange differences on foreign plans	<u>15,743</u>	<u>-</u>	<u>15,743</u>
Balance at December 31, 2016	<u>2,984,224</u>	<u>(876,024)</u>	<u>2,108,200</u>
Current service cost	108,923	-	108,923
Past service cost	711	-	711
Net interest expense (income)	<u>44,357</u>	<u>(13,299)</u>	<u>31,058</u>
Recognized in profit or loss	<u>153,991</u>	<u>(13,299)</u>	<u>140,692</u>
Remeasurement			
Return on plan assets	-	4,778	4,778
Actuarial loss - changes in demographic assumptions	881	-	881
Actuarial loss - changes in financial assumptions	81,469	-	81,469
Actuarial loss - experience adjustments	<u>168,250</u>	<u>-</u>	<u>168,250</u>
Recognized in other comprehensive income	<u>250,600</u>	<u>4,778</u>	<u>255,378</u>
Contributions from the employer	-	(25,976)	(25,976)

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Benefits paid	\$ (222,053)	\$ 65,209	\$ (156,844)
Exchange differences on foreign plans	<u>(16,534)</u>	<u>-</u>	<u>(16,534)</u>
Balance at December 31, 2017	<u>\$ 3,150,228</u>	<u>\$ (845,312)</u>	<u>\$ 2,304,916</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Current service cost	\$ 108,923	\$ 121,119
Past service cost	711	604
Net interest expense	<u>31,058</u>	<u>37,080</u>
	<u>\$ 140,692</u>	<u>\$ 158,803</u>
An analysis by function		
Operating costs	\$ 77,993	\$ 93,252
Selling and marketing expenses	49,590	52,136
General and administrative expenses	<u>13,109</u>	<u>13,415</u>
	<u>\$ 140,692</u>	<u>\$ 158,803</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b><u>December 31</u></b>	
	<b>2017</b>	<b>2016</b>
Discount rates	1.11%-1.65%	1.25%-1.75%
Expected rates of salary increase	2.00%-3.00%	2.00%-3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Discount rates		
0.25%-0.50% increase	<u>\$ (175,034)</u>	<u>\$ (166,914)</u>
0.25%-0.50% decrease	<u>\$ 190,134</u>	<u>\$ 181,458</u>
Expected rates of salary increase		
0.25%-0.50% increase	<u>\$ 186,837</u>	<u>\$ 178,797</u>
0.25%-0.50% decrease	<u>\$ (173,758)</u>	<u>\$ (166,120)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
The expected contributions to the plan for the next year	<u>\$ 27,174</u>	<u>\$ 71,496</u>
The average duration of the defined benefit obligation	10 years	12 years

- c. In an effort to encourage employee retirement, hence improve the human resource structure and enhance vitality within organization, the Group calculates favorable retirement benefits according to the retirement policies. The Group recognized pension cost of \$37,820 thousand and \$30,642 thousand for the years ended December 31, 2017 and 2016, respectively.

## 26. EQUITY

### a. Share capital

#### 1) Ordinary shares

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Numbers of shares authorized (in thousands)	<u>4,500,000</u>	<u>4,500,000</u>
Shares authorized	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>2,323,025</u>	<u>3,004,440</u>
Shares issued	<u>\$ 23,230,248</u>	<u>\$ 30,044,401</u>

Fully paid ordinary shares, which have a par value at \$10, carry one vote per share and carry a right to dividends.

The board of directors and shareholders resolved to pass the capital reduction to offset company losses on November 7 and December 22, 2016, respectively. The reduction amount was \$16,004,988 thousand, equivalent to 1,600,499 thousand shares, and the reduction ratio was 53.27%. YMTC's board of directors and shareholders resolved to apply capital increased with cash in private, a cash injection that results in less than 1,000,000 thousand shares and is installed in a year. The stock price will be set up by 1) the simple average closing price of the common shares of the TWSE listed company for either 1, 3, or 5 business days before the price determination date,

after adjustment to any distribution of stock dividends, cash dividends or capital reduction or 2) the simple average closing price of the common shares of the TWSE listed company for the 30 business days before the price determination date, after adjustment to any distribution of stock dividends, cash dividends, or capital reduction. The monetary amount of the private placement refers to above mentioned 1) or 2), whichever is higher, and could not be lower than 80% of the reference price above.

The board of directors, on February 7, 2017, resolved to set the record date of the capital reduction and private capital injection by cash as February 20, 2017 and February 21, 2017, respectively. The ordinary shares will be issued at premium for a total amount of \$1,690,738 thousand, which is 161,330 thousand shares at \$10.48 per share. The National Development Fund, Executive Yuan, a government-related entity, and Taiwan Navigation Co., Ltd. subscribed for 100,000 thousand shares at a total amount of \$1,048,000 thousand and 19,083 thousand shares at a total amount of \$199,990 thousand, respectively. Chinachem Company in Taiwan, an investor with significant influence, subscribed for 25,477 thousand shares at a total amount of \$266,999 thousand. YMTC received the effective registration from the FSC for the capital reduction plan on January 18, 2017. The capital injection plan has been registered with the Department of Commerce, MOEA.

The board of directors, on November 29, 2017, resolved to set the subscription base date of the second time private capital injection by cash at December 8, 2017. The ordinary shares will be issued at premium for a total amount of \$2,623,930 thousand, which is 257,754 thousand shares at \$10.18 per share, and all of the 257,754 thousand shares were subscribed for by the National Development Fund, Executive Yuan, a government-related entity. The capital injection plan has been registered with the Department of Commerce, MOEA.

The rights and obligations of privately issuing ordinary shares are the same as those of the issuance of ordinary shares, except for a restriction on negotiation in accordance with the Securities and Exchange Act and the application for public listing after 3 years from the trade date.

The board of directors, on July 14, 2017, resolved to apply for a capital increase by cash through the issuance of 500,000 thousand ordinary shares with a par value of \$10, which would total \$5,000,000 thousand, and the issue price would be \$12. YMTC retained 10% of the 500,000 thousand shares, which is 50,000 shares, for subscription by employees and allocated another 10% of the 500,000 thousand shares, which is 50,000 shares, for public subscription. The remaining 80% of the 500,000 thousand shares, which is 400,000 shares, are to be subscribed for by the original shareholders on the record date based on the registered share proportion of each shareholder. The National Development Fund, Executive Yuan, Taiwan International Ports Corporation, Ltd. and Taiwan Navigation Co., Ltd., all government-related entities, subscribed for 102,247 thousand shares, 119,515 thousand shares and 13,210 thousand shares, amounting to \$1,022,465 thousand, \$1,195,147 thousand and \$132,099 thousand, respectively. The above transaction was approved by the FSC on September 1, 2017, and the subscription base date was determined as at November 27, 2017.

## 2) Global depositary receipts

On November 14, 1996, YMTC issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 dollar per unit. As of December 31, 2017 and 2016, there were 38,852 units and 85,262 units outstanding, representing 388,531 shares and 852,710 shares, which is 0.02% and 0.03% of the total issued shares, respectively.

The holders of the GDR retain shareholder's rights that are the same as those of YMTC's common shareholders, but the exercise of shareholder's rights should be under related laws and regulations in ROC and the terms of the GDR contracts. One of these rights is that GDR holders should be able to exercise the right of voting, sell the shares represented by the GDRs, receive dividends and subscribe for the issued stock through the depositary bank.

b. Capital surplus

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 1,128,344	\$ -
Donations	7	-
<u>May be used to offset a deficit only</u>		
Expiration of employee share options	18,000	-
<u>May not be used for any purpose</u>		
Employee share options	<u>4,425,139</u>	<u>4,425,139</u>
	<u>\$ 5,571,490</u>	<u>\$ 4,425,139</u>

\* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 22, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, when Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the expansion of transportation equipment and improvement of financial structure, and then any remaining profit together with any undistributed retained earnings, distributed at least 25%, shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and of bonus of shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to g. employees' compensation and remuneration of directors in Note 28(g).

YMTC should consider certain factors, including YMTC's profits, the change in the environment of the industry, potential growth of YMTC, costs, expenditures and the working capital for operation in proposing stock dividend appropriation plan. YMTC shall declare at least 20% of the amount declared as dividends in the form of cash as opposed to stock.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The statements of deficit compensated for the third quarter of 2016 and 2015 approved in the shareholders’ meetings on June 22, 2016, and in the provisional shareholders’ meeting on December 22, 2016, respectively, were as follows:

	<b>June 22, 2016</b>	<b>December 22, 2016</b>	<b>Total</b>
Legal reserve	\$ 41,137	\$ -	\$ 41,137
Special reserve	4,098,535	-	4,098,535
Capital surplus - issuance of ordinary shares	901,165	138,580	1,039,745
Capital surplus - changes in percentage of ownership interest in subsidiaries	<u>35,153</u>	<u>-</u>	<u>35,153</u>
	<u>\$ 5,075,990</u>	<u>\$ 138,580</u>	<u>\$ 5,214,570</u>

The offset of deficits was resolved in the provisional shareholders’ meeting, the details for which can be found in Note 26, a. “Share capital”.

The offsetting of deficits for 2017 approved in the shareholders’ meetings on March 26, 2018 was as follows:

	<b>Offsetting of Deficit</b>
Capital surplus - issuance of ordinary shares	\$ 1,128,344
Capital surplus - donations	7
Capital surplus - expiration of employee share options	<u>18,000</u>
	<u>\$ 1,146,351</u>

The offset of deficits for 2017 will be resolved in the shareholders’ meeting to be held on June 22, 2018.

d. Special reserves

Special reserve should be appropriated for the amount equal to the net debit balance reserves. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

On the initial application of fair value model to investment properties, the Company appropriated for a special reserve at the amount that were the same as the net increase arising from fair value measurement and transferred to retained earnings. Additional special reserve should be appropriated for subsequent net increase in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

e. Others equity items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 439,738	\$ 690,054
Exchange differences arising on translating the financial statements of foreign operations	(562,460)	(272,341)
Related income tax	<u>36,881</u>	<u>22,025</u>
Balance at December 31	<u>\$ (85,841)</u>	<u>\$ 439,738</u>

2) Unrealized loss on available-for-sale financial assets

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ (1,443,331)	\$ (1,330,302)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	304,749	(99,928)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(161)	(5,580)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates and joint ventures accounted for using the equity method	<u>21,561</u>	<u>(7,521)</u>
Balance at December 31	<u>\$ (1,117,182)</u>	<u>\$ (1,443,331)</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance at January 1	\$ 469,667	\$ 692,622
Attributable to non-controlling interests:		
Share of profit for the year	171,017	22,561
Exchange difference on translating the financial statements of foreign entities	(14,659)	(32,783)
Issue of ordinary share for cash by subsidiaries	2,825	1,475
Changes in percentage of ownership interests in associates	90	-
Changes in percentage of ownership interest in subsidiaries (see Note 32)	21,398	(59,442)
Remeasurement on defined benefit plan	864	430
Related income tax	(147)	(74)
Cash dividends distributed by subsidiaries	<u>(175,020)</u>	<u>(155,122)</u>
Balance at December 31	<u>\$ 476,035</u>	<u>\$ 469,667</u>



## 27. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Cargo revenue	\$ 117,143,169	\$ 103,659,265
Rental revenue on vessel	2,138,844	1,688,463
Slottage revenue	2,280,971	815,240
Commission revenue	183,099	202,716
Other operating revenue	<u>9,331,729</u>	<u>9,034,466</u>
	<u>\$ 131,077,812</u>	<u>\$ 115,400,150</u>

## 28. NET PROFIT (LOSS)

Net profit (loss) included items below:

### a. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Gain on disposal and retirement of property, plant and equipment	\$ 194,242	\$ 254,081
Reimbursement income	<u>104,530</u>	<u>180,806</u>
	<u>\$ 298,772</u>	<u>\$ 434,887</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Rental income	\$ 83,318	\$ 133,923
Interest income		
Bank deposits	93,044	119,138
Short-term bills	781	2,308
Others	2,146	1,659
Dividends	<u>2,831</u>	<u>21,117</u>
	<u>\$ 182,120</u>	<u>\$ 278,145</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	\$ 6,542	\$ 7,896
Net foreign exchange gains	1,115,971	369,280
Net gain arising on financial assets/liabilities designated as at fair value through profit and loss	57,375	70,905
Gain on change in fair value of investment properties	73,884	381,403
Loss on repurchase of bonds payable	-	(58,970)
Others	<u>199,584</u>	<u>80,704</u>
	<u>\$ 1,453,356</u>	<u>\$ 851,218</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Interest on bank loans	\$ 961,697	\$ 852,317
Interest on obligations under finance leases	333,359	380,529
Interest on other financial liabilities	11,396	21,775
Interest on bonds	331,766	556,718
Other interest expenses	<u>173,236</u>	<u>178,718</u>
	<u>\$ 1,811,454</u>	<u>\$ 1,990,057</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Property, plant and equipment	\$ 6,412,932	\$ 6,425,913
Intangible assets	<u>38,335</u>	<u>45,238</u>
	<u>\$ 6,451,267</u>	<u>\$ 6,471,151</u>
An analysis of depreciation by function		
Operating costs	\$ 6,303,733	\$ 6,300,875
Operating expenses	<u>109,199</u>	<u>125,038</u>
	<u>\$ 6,412,932</u>	<u>\$ 6,425,913</u>
An analysis of amortization by function		
Operating costs	\$ 5,479	\$ 3,218
Operating expenses	<u>32,856</u>	<u>42,020</u>
	<u>\$ 38,335</u>	<u>\$ 45,238</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Post-employment benefits		
Defined contribution plans	\$ 276,214	\$ 243,987
Defined benefit plans (Note 25)	140,692	158,803
Termination benefits	37,820	30,642
Other employee benefits	<u>6,549,092</u>	<u>6,566,741</u>
Total employee benefits expense	<u>\$ 7,003,818</u>	<u>\$ 7,000,173</u>
An analysis of employee benefits by function		
Operating costs	\$ 2,802,669	\$ 2,860,702
Operating expenses	<u>4,201,149</u>	<u>4,139,471</u>
	<u>\$ 7,003,818</u>	<u>\$ 7,000,173</u>

g. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of 1%-5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

YMTC did not accrue employees' compensation and remuneration of directors in 2017 because the income before income tax should be utilized, under the Articles of the Incorporation, to offset the deficits.

YMTC did not accrue employees' compensation and remuneration of directors because of the losses for the years ended December 31, 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 29. INCOME TAXES

a. Major components of tax expense (benefit) recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Current tax		
In respect of the current year	\$ 373,489	\$ 292,685
Adjustments for prior years	<u>1,665</u>	<u>2,049</u>
	375,154	294,734
Deferred tax		
In respect of the current year	(246,285)	(1,101,920)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>14,055</u>	<u>1,111</u>
	<u>(232,230)</u>	<u>(1,100,809)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 142,924</u>	<u>\$ (806,075)</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Profit (loss) before tax	<u>\$ 634,790</u>	<u>\$ (15,695,574)</u>
Tax expense (benefit) calculated at the statutory rate	\$ 160,762	\$ (2,736,443)
Nondeductible expenses in determining taxable income	10,259	8,077
Tax-exempt income	98,915	314,655
Loss on the subsidiaries to offset deficits	(799,228)	-
Unrecognized loss carryforwards and deductible temporary differences	445,620	1,232,492
Offshore income tax	140,460	86,996
Income tax on unappropriated earnings	119	581
Land value increment tax	-	61,104
Adjustments for prior years' tax	1,665	2,049
Others	<u>84,352</u>	<u>224,414</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 142,924</u>	<u>\$ (806,075)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in America is 40%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and increase by \$707,658 thousand and \$289,472 thousand, respectively, in 2018.

The Federal Corporate Tax Rate, as announced by the President in United States, was amended starting from 2018, whereby the Federal Corporate Income Tax Rate will be adjusted from 35% to 21%.

b. Income tax recognized in other comprehensive income (loss)

	<u>For the Year Ended December 31</u>	
	2017	2016
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ (36,881)	\$ (22,025)
Remeasurement on defined benefit plan	<u>(43,414)</u>	<u>48,696</u>
	<u>\$ (80,295)</u>	<u>\$ 26,671</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	2017	2016
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 176,042</u>	<u>\$ 203,237</u>
Current tax liabilities		
Income tax payable	<u>\$ 223,423</u>	<u>\$ 191,052</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
Tax losses	\$ 3,198,319	\$ 362,868	\$ -	\$ -	\$ 3,561,187
Temporary differences					
Unrealized shipping fuel valuation losses	48,480	(42,778)	-	-	5,702
Investment loss on investments accounted for using equity method	29,346	18,228	-	-	47,574
Defined benefit plan	303,674	(10,019)	43,414	-	337,069
Unrealized loss on voyage in sailing	34,979	(26,303)	-	-	8,676
Payable for annual leave	20,778	7,611	-	-	28,389
Others	<u>62,796</u>	<u>(7,099)</u>	<u>-</u>	<u>-</u>	<u>55,697</u>
	<u>\$ 3,698,372</u>	<u>\$ 302,508</u>	<u>\$ 43,414</u>	<u>\$ -</u>	<u>\$ 4,044,294</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
Temporary differences					
Investment gain on investments accounted for using equity method	\$ 911,737	\$ 62,014	\$ -	\$ -	\$ 973,751
Reserve for land value increment tax	693,340	(36,365)	-	-	656,975
Investment properties	9,418	3,637	-	-	13,055
Property, plant and equipment	52,815	13,104	-	-	65,919
Exchange differences on translating foreign operations	42,826	-	(36,881)	-	5,945
Others	68,027	27,888	-	(12,946)	82,969
	<u>\$ 1,778,163</u>	<u>\$ 70,278</u>	<u>\$ (36,881)</u>	<u>\$ (12,946)</u>	<u>\$ 1,798,614</u>

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
Tax losses	\$ 2,241,809	\$ 956,510	\$ -	\$ -	\$ 3,198,319
Temporary differences					
Unrealized shipping fuel valuation losses	27,537	20,943	-	-	48,480
Investment loss on investments accounted for using equity method	13,367	15,979	-	-	29,346
Defined benefit plan	339,139	13,231	(48,696)	-	303,674
Unrealized loss on voyage in sailing	97,626	(62,647)	-	-	34,979
Payable for annual leave	20,649	129	-	-	20,778
Others	73,696	(10,900)	-	-	62,796
	<u>\$ 2,813,823</u>	<u>\$ 933,245</u>	<u>\$ (48,696)</u>	<u>\$ -</u>	<u>\$ 3,698,372</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
Temporary differences					
Investment gain on investments accounted for using equity method	\$ 1,018,838	\$ (107,101)	\$ -	\$ -	\$ 911,737
Reserve for land value increment tax	752,582	(59,242)	-	-	693,340
Investment properties	11,483	(2,065)	-	-	9,418
Property, plant and equipment	58,642	(5,827)	-	-	52,815
Exchange differences on translating foreign operations	64,851	-	(22,025)	-	42,826
Sales and leaseback	36,131	(36,131)	-	-	-
Others	96,627	42,802	-	(71,402)	68,027
	<u>\$ 2,039,154</u>	<u>\$ (167,564)</u>	<u>\$ (22,025)</u>	<u>\$ (71,402)</u>	<u>\$ 1,778,163</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Loss carryforwards		
Expire in 2019	\$ 771,391	\$ 771,391
Expire in 2021	9,246,501	9,246,501
Expire in 2022	2,701,422	2,701,422
Expire in 2023	8,071,939	6,678,942
Expire in 2024	381,489	381,489
		(Continued)

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Expire in 2025	\$ 1,475,708	\$ 528,292
Expire in 2026	513,155	514,030
Expire in 2027	<u>275,043</u>	<u>-</u>
	<u>\$ 23,436,648</u>	<u>\$ 20,822,067</u>
Deductible temporary differences	<u>\$ 88,330</u>	<u>\$ 81,616</u> (Concluded)

f. Information about unused loss carry-forward

As of December 31, 2017, unused loss carryforwards comprised of:

<b>Unused Amount</b>	<b>Expiry Year</b>
\$ 771,391	2019
9,246,501	2021
2,701,422	2022
8,071,939	2023
381,489	2024
4,983,378	2025
13,406,889	2026
<u>4,821,797</u>	2027
<u>\$ 44,384,806</u>	

g. Integrated income tax

Information about integrated income tax of the Group was as follows:

	<b>Balance of Imputation Credit Account (ICA)</b>		<b>Creditable Ratio for Distribution Earnings</b>	
	<b>December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Yang Ming Marine Transport Corporation	\$ -	\$ 570,328	-	-
Kuang Ming Shipping Corp.	\$ -	\$ 11,924	-	-
Honming Terminal & Stevedoring Co., Ltd.	\$ -	\$ 5,566	-	20.73%
Jing Ming Transportation Co., Ltd.	\$ -	\$ 4,466	-	20.48%
YES Logistics Corp.	\$ -	\$ 31,978	-	-
Ching Ming Investment Corp.	\$ -	\$ 13,044	-	-
	Note		Note	

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

h. Income tax assessments

<u>Company</u>	<u>Year</u>
Yang Ming Marine Transport Corporation	2014
Kuang Ming Shipping Corp.	2015
Honming Terminal & Stevedoring Co., Ltd.	2015
Jing Ming Transportation Co., Ltd.	2015
YES Logistics Corp.	2015
Ching Ming Investment Corp.	2015

**30. EARNINGS (LOSS) PER SHARE**

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2017	2016
Basic earnings (loss) per share	<u>\$ 0.17</u>	<u>\$ (9.22)</u>
Diluted earnings (loss) per share	<u>\$ 0.17</u>	<u>\$ (9.22)</u>

The earnings (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

**Net Profit (Loss) for the Year**

	<u>For the Year Ended December 31</u>	
	2017	2016
Earnings (loss) used in the computation of basic earnings (loss) per share	\$ 320,849	\$ (14,912,060)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	-
Earnings (loss) used in the computation of diluted earnings (loss) per share	<u>\$ 320,849</u>	<u>\$ (14,912,060)</u>

**Weighted Average Number of Ordinary Shares Outstanding (in Thousand Shares):**

	<u>For the Year Ended December 31</u>	
	2017	2016
Outstanding shares	1,607,623	1,403,941
Not exercised number of convertible shares of mandatory convertible bonds	<u>261,615</u>	<u>213,707</u>
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	1,869,238	1,617,648
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>1,869,238</u>	<u>1,617,648</u>

The Company did not consider the potential shares of convertible bonds in the calculation of diluted EPS for the years ended December 31, 2017 and 2016 due to their anti-dilutive effect.

### 31. SHARE-BASED PAYMENT ARRANGEMENTS

The Group's board of directors, on September 22, 2017, resolved to apply for a capital increase to retain some of the proportion of the issued shares to be subscribed for by employees under the Company Act, and determined that the statutory subscription for shares and price under IFRS 2 "Share-based Payment" shall adopt the general fair value measurement principle. Therefore, compensation costs (included in salary expenses) and capital surplus - employee share options would be recognized in the amount of \$22,511 thousand on the grant date.

Information on employee share options was as follows:

	<b>For the Year Ended December 31</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Balance at January 1	-	\$ -
Options granted	14,908	-
Options forfeited	(11,921)	-
Options exercised	<u>(2,987)</u>	12.00
Balance at December 31	<u>          -</u>	
Options exercisable, end of year	<u>          -</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 1.51</u>	

Options granted in September 2017 was priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>Employee Option Rights</b>
Grant-date share price (NT\$)	\$13.15
Exercise price (NT\$)	\$12
Expected volatility	43.32%
Expected life (in years)	0.1397
Risk-free interest rate	0.11%

### 32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. On June and November 2017, the Group subscribed for additional new shares of Kuang Ming Shipping Corp. at a percentage different from its existing ownership percentage, increasing its continuing interest from 93.07% to 97.84% and from 97.84% to 98.52%, respectively.



	<b>June 2017</b>	<b>November 2017</b>	<b>Total</b>
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>\$ (17,487)</u>	<u>\$ (3,911)</u>	<u>\$ (21,398)</u>
Line items adjusted for equity transaction Accumulated deficits	<u>\$ (17,487)</u>	<u>\$ (3,911)</u>	<u>\$ (21,398)</u>
b. The Group acquired 49%, 49%, and 20% interest respectively of Yang Ming Shipping (B.V.I.) Inc., Yang Ming Line (Hong Kong) Ltd., and YES MLC GmbH, increasing its continuing interest from 51% to 100%, 51% to 100%, and 80% to 100%, correspondingly.			

	<b>Yang Ming Shipping (B.V.I.) Inc.</b>	<b>Yang Ming Line (Hong Kong) Ltd.</b>	<b>YES MLC GmbH</b>	<b>Total</b>
Cash consideration paid	\$ (247,756)	\$ -	\$ (3,055)	\$ (250,811)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>153,706</u>	<u>(89,342)</u>	<u>(4,922)</u>	<u>59,442</u>
Differences recognized from equity transaction	<u>\$ (94,050)</u>	<u>\$ (89,342)</u>	<u>\$ (7,977)</u>	<u>\$ (191,369)</u>
Line items adjusted for equity transactions Accumulated deficits	<u>\$ (94,050)</u>	<u>\$ (89,342)</u>	<u>\$ (7,977)</u>	<u>\$ (191,369)</u>

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

### 33. OPERATING LEASE ARRANGEMENTS

#### a. The Group as lessee

The Group entered into operating lease agreements to lease office, vessels, containers, terminal and container yard that will expire on various dates until September 2036. The total rental for the years ended December 31, 2017 and 2016 was \$21,731,945 thousand and \$21,475,391 thousand, respectively. The rentals are paid monthly or quarterly, and the Group has deposited \$353,058 thousand and \$357,302 thousand as guarantee fund as of December 31, 2017 and 2016.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not later than 1 year	\$ 21,202,207	\$ 21,432,912
Later than 1 year and not later than 5 years	63,844,016	65,052,423
Later than 5 years	<u>28,740,035</u>	<u>35,609,718</u>
	<u>\$ 113,786,258</u>	<u>\$ 122,095,053</u>

Provisions recognized for non-cancellable operating lease commitments are summarized in Note 23.

b. The Group as lessor

1) Vessels

The Group signed vessel lease contracts under operating lease. As of December 31, 2017 and 2016, the future minimum lease payments of non-cancellable operating lease were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not later than 1 year	\$ 493,018	\$ 516,084
Later than 1 year and not later than 5 years	-	-
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 493,018</u>	<u>\$ 516,084</u>

2) Investment properties

The Group signed land and building lease contracts under operating lease, please refer to Note 15.

### 34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns to maintain the capital structure through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, capital surplus, retained earnings, other equity and non-controlling interests).

The gearing ratio at end of the reporting period was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Debt (a)	\$ 106,336,810	\$ 119,764,921
Cash and cash equivalents	<u>(12,806,622)</u>	<u>(11,937,376)</u>
Net debt	<u>\$ 93,560,188</u>	<u>\$ 107,827,545</u>
Equity (b)	<u>\$ 26,509,600</u>	<u>\$ 16,278,505</u>
Net debt to equity ration	<u>352.93%</u>	<u>662.39%</u>

a. Debt is defined as long-term and short-term borrowing (excluding financial guarantee contracts).

b. Equity includes all capital, capital surplus, retained earnings, other equity and non-controlling interests, of the Group that are managed as capital.

### 35. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

December 31, 2017

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Domestic privately placed secured mandatory convertible bonds*	\$ 398,742	\$ -	\$ -	\$ 404,602	\$ 404,602
Domestic privately placed unsecured bonds	3,850,000	-	3,954,137	-	3,954,137
Secured domestic bonds	3,972,854	-	4,000,177	-	4,000,177
Unsecured domestic bonds	5,000,000	-	5,115,355	-	5,115,355
Domestic unsecured convertible bonds	148,104	-	146,964	-	146,964
Finance lease payables	<u>4,326,133</u>	<u>-</u>	<u>4,326,133</u>	<u>-</u>	<u>4,326,133</u>
	<u>\$ 17,695,833</u>	<u>\$ -</u>	<u>\$ 17,542,766</u>	<u>\$ 404,602</u>	<u>\$ 17,947,368</u>

December 31, 2016

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Domestic privately placed secured mandatory convertible bonds*	\$ 604,602	\$ -	\$ -	\$ 617,442	\$ 617,442
Domestic privately placed unsecured bonds	10,434,733	-	10,587,047	-	10,587,047
Secured domestic bonds	3,971,254	-	4,010,859	-	4,010,859
Unsecured domestic bonds	5,000,000	-	5,005,769	-	5,005,769
Domestic unsecured convertible bonds	145,589	-	140,494	-	140,494
Finance lease payables	<u>5,092,189</u>	<u>-</u>	<u>5,689,379</u>	<u>-</u>	<u>5,689,379</u>
	<u>\$ 25,248,367</u>	<u>\$ -</u>	<u>\$ 25,433,548</u>	<u>\$ 617,442</u>	<u>\$ 26,050,990</u>

\* Included other financial liabilities - cost of issuance of bonds.

The fair values of the financial assets and financial liabilities included in the Levels 2 and 3 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis. In the Level 3 category, the most significant unobservable inputs reflect the fluctuation in the stock price.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 276,799	\$ -	\$ -	\$ 276,799
Domestic quoted shares	37,718	-	-	37,718
Overseas quoted shares	<u>3,279</u>	<u>-</u>	<u>-</u>	<u>3,279</u>
	<u>\$ 317,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,796</u>
Available-for-sale financial assets				
Domestic quoted shares	\$ 1,174,587	\$ -	\$ -	\$ 1,174,587
Mutual funds	<u>1,475</u>	<u>-</u>	<u>-</u>	<u>1,475</u>
	<u>\$ 1,176,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,176,062</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ -	\$ 2,905	\$ 2,905
Mutual funds	600,861	-	-	600,861
Domestic quoted shares	<u>83,364</u>	<u>-</u>	<u>-</u>	<u>83,364</u>
	<u>\$ 684,225</u>	<u>\$ -</u>	<u>\$ 2,905</u>	<u>\$ 687,130</u>
Available-for-sale financial assets				
Domestic quoted shares	\$ 870,326	\$ -	\$ -	\$ 870,326
Mutual funds	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>1,148</u>
	<u>\$ 871,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871,474</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2017

Financial assets at fair value through profit or loss:

	<b>Held for Trading</b>		<b>Total</b>
	<b>Foreign Exchange Forward Contracts and Foreign Exchange Options</b>	<b>Oil Swap and Oil Swap Options</b>	
Balance at January 1, 2017	\$ -	\$ 2,905	\$ 2,905
Total gains or losses			
Recognized in profit or loss (included in other gains and losses)			
Realized	-	4,558	4,558
Unrealized	-	-	-
Reclassification	-	-	-
Purchases	-	-	-
Disposals/settlements	-	(7,463)	(7,463)
Transfers out of Level 3	-	-	-
	\$ -	\$ -	\$ -
Balance at December 31, 2017	\$ -	\$ -	\$ -

For the year ended December 31, 2016

Financial assets at fair value through profit or loss:

	<b>Held for Trading</b>		<b>Total</b>
	<b>Foreign Exchange Forward Contracts and Foreign Exchange Options</b>	<b>Oil Swap and Oil Swap Options</b>	
Balance at January 1, 2016	\$ -	\$ -	\$ -
Total gains or losses			
Recognized in profit or loss (included in other gains and losses)			
Realized	(2,906)	26,639	23,733
Unrealized	-	2,905	2,905
Reclassification	-	-	-
Purchases	-	-	-
Disposals/settlements	2,906	(26,639)	(23,733)
Transfers out of Level 3	-	-	-
	\$ -	\$ 2,905	\$ 2,905
Balance at December 31, 2016	\$ -	\$ 2,905	\$ 2,905

Financial liabilities at fair value through profit or loss:

	<u>Held for Trading</u>		<b>Total</b>
	<b>Oil Swap and Oil Swap Options</b>	<b>Put Option of Bonds</b>	
Balance at January 1, 2016	\$ 82,830	\$ 6,275	\$ 89,105
Total gains or losses			
Recognized in profit or loss (included in other gains and losses)			
Realized	(31,031)	-	(31,031)
Unrealized	-	(6,275)	(6,275)
Reclassification	-	-	-
Purchases	-	-	-
Disposals/settlements	(51,799)	-	(51,799)
Transfers out of Level 3	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

a) The fair values of oil swap and oil swap options are determined using Black-Scholes models where the significant unobservable inputs are implied volatility. An increase in the implied volatility used in isolation would result in a decrease in the fair value.

b) The fair values of put option of bonds are determined using convertible bonds of Binary tree pricing models where the significant unobservable inputs are volatility. An increase in the volatility used in isolation would result in a decrease in the fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2017</b>	<b>2016</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 317,796	\$ 687,130
Loans and receivables (1)	25,572,275	24,502,122
Available-for-sale financial assets (2)	1,664,099	1,363,556
<u>Financial liabilities</u>		
Amortized cost (3)	94,550,247	106,778,234

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and trade receivables (including related parties) and other financial assets.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes and trade payables (including related parties), other payables, payables on equipment, bonds payable and other financial liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, structured investment instrument, trade receivable, other financial assets, trade payables, other payables, bonds payable, borrowings and other financial liabilities. The Group's Corporate Treasury function provides all kinds of financial service to each division by using different financial instruments. Also, the treasury function controls and analyzes the financial risks related to operations; these risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by managing stocks and flow and using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies "Regulations Governing the Acquisition and Disposal of Assets" approved by the board of directors. Compliance with policies was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group uses assets, liabilities and a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group's operations involve foreign currency transactions so the Group is exposed to foreign currency risk. The Group's transaction involve contain various currencies due to its industrial feature, operating revenue and operating costs are mainly denominated in U.S. dollars. Exchange rate exposures were managed within approved policy parameters utilizing net cash flows offset of the influence on net assets and liabilities, forward foreign exchange contracts and instruments of swap and options.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 40.

Sensitivity analysis

Monetary assets and liabilities were mainly exposed to the U.S. dollars, GBP, RMB, EUR and HKD.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollars, GBP, RMB, EUR and HKD. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit and other equity associated with New Taiwan dollars strengthen 1% against U.S. dollars, RMB, GBP, EUR and HKD. For a 1% weakening of New Taiwan dollars against the U.S. dollars, RMB, GBP, EUR and HKD, there would be an equal and opposite impact on profit or loss.

<b>Profit (Loss) of 1% Variation*</b>	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
U.S. dollars	\$ (115,846)	\$ (145,577)
RMB	5,843	(3,999)
GBP	4,325	3,547
EUR	1,308	(3,766)
HKD	1,871	(2,245)

\* This was mainly attributable to the exposure of outstanding foreign currency deposits, receivables, payables, and bank loans at the end of the reporting period.

The Group's sensitivity to foreign currency exchange rate during the current period was mainly due to the decrease in U.S. dollars' monetary liabilities; and due to the EUR, HKD and RMB's monetary assets were greater than the relevant currency assets. The GBP's monetary assets is considerable as prior year.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Fair value interest rate risk		
Financial assets	\$ 3,242,236	\$ 3,176,122
Financial liabilities	30,968,679	33,327,047
Cash flow interest rate risk		
Financial assets	8,639,576	11,843,673
Financial liabilities	52,536,233	59,878,043

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2017 would decrease/increase by \$43,897 thousand, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, other financial liabilities and variable-rate financial assets.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2016 would decrease/increase by \$48,034 thousand, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, other financial liabilities and variable-rate financial assets.



The Group's sensitivity to interest rate has not changed significantly from the prior year.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities and was exposed to oil price risk through its holding oil swap and oil swap option contracts. The Group periodically evaluates price risk and investment performance according to procedures of acquisition and disposal of assets and expects no significant price risk occurred.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$2,050 thousand and \$4,168 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by \$58,729 thousand and \$43,516 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

If mutual funds prices had been 5% higher/lower, pre-tax profit before income tax for the years ended December 31, 2017 and 2016 would have increased/decreased by \$13,840 thousand and \$30,043 thousand, respectively, as a result of the changes in fair value of held-for-trading investments, and the other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by \$74 thousand and \$57 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

The sensitivity analyses below were determined based on the exposure to oil price risks at the end of the reporting period.

If oil prices had been increase/decrease by US\$1 dollar, fair value increase/decrease by \$290 thousand (US\$9 thousand) for holding oil swap and oil swap option contracts (oil swap and oil swap option for hedging purpose but not determined to be an effective hedge) for the years ended December 31, 2016.

The Group's sensitivity to other price decreased during the current year mainly due to the decrease in available-for-sale and held for trading investments.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

There is no significant concentration of credit risk for the Group. Credit risk is from cash and cash equivalents deposit in banks, derivative financial instruments transactions with banks and financial institutions and trade receivable from customers.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient letter of bank guarantee and security deposit, where appropriate, as a means of mitigating the risk of financial loss from defaults. To reduce credit risk, the Group has established an internal monitoring procedures to monitor credit risk exposure and credit condition of counterparties.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group had available unutilized bank loans facilities \$5,419,483 thousand and \$6,341,920 thousand, respectively.

#### a) Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### December 31, 2017

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 15,931,858	\$ 149,605	\$ -
Finance lease liabilities	617,341	2,304,710	3,289,012
Other financial liabilities*	225,426	1,224,137	1,900,277
Variable interest rate liabilities	13,678,530	35,297,300	10,866,978
Fixed interest rate liabilities	13,848,144	19,726,707	-
Financial guarantee liabilities	<u>661,082</u>	<u>-</u>	<u>-</u>
	<u>\$ 44,962,381</u>	<u>\$ 58,702,459</u>	<u>\$ 16,056,267</u>

\* Cash outflows of other financial liabilities of different terms will be offset by principal secured by standby letters of credit and interest revenue. Cash inflows expected to occur not later than one year, to occur later than one year and not later than five years, and to occur later than five years were \$230,069 thousand, \$1,283,593 thousand and \$1,344,866 thousand, respectively.

December 31, 2016

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing	\$ 18,024,617	\$ 61,335	\$ -
Finance lease liabilities	758,040	2,541,577	4,188,588
Other financial liabilities*	206,845	1,125,875	2,294,030
Variable interest rate liabilities	11,884,682	43,729,206	5,503,183
Fixed interest rate liabilities	13,214,892	14,811,610	321,173
Financial guarantee liabilities	<u>741,394</u>	<u>-</u>	<u>-</u>
	<u>\$ 44,830,470</u>	<u>\$ 62,269,603</u>	<u>\$ 12,306,974</u>

\* Cash outflows of other financial liabilities of different terms will be offset by principal secured by standby letters of credit and interest revenue. Cash inflows expected to occur not later than one year, to occur later than one year and not later than five years, and to occur later than five years were \$203,171 thousand, \$1,118,014 thousand and \$1,742,956 thousand, respectively.

The amounts included above for financial guarantee contracts were within the limitation the Group can offer to related parties; i.e. the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement.

b) Derivative instruments

Derivative instruments the Group held are all settled within one year as of December 31, 2016.

e. Reclassifications

On July 1, 2008, the Group reclassified its financial assets and the fair values at the reclassification date were as follows:

	<b>Before Reclassifications</b>	<b>After Reclassifications</b>
Financial assets at fair value through profit or loss - held for trading	\$ 2,377,600	\$ 1,118,330
Available-for-sale financial assets	<u>611,000</u>	<u>1,870,270</u>
	<u>\$ 2,988,600</u>	<u>\$ 2,988,600</u>

In view of the Group's intention of not selling the abovementioned financial assets held for trading within a short period of time as a result of the economic instability and deterioration of the world's financial markets that has occurred during 2008, the Group reclassified these held for trading financial assets to available-for-sale financial assets.

The carrying amounts and fair values of the reclassified financial assets (excluding those that had been derecognized) were as follows:

	<b>December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Available-for-sale financial assets	\$ 1,475	\$ 1,475	\$ 1,148	\$ 1,148

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized) for the years ended December 31, 2017 and 2016 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Gains (Losses) Recorded</b>	<b>Pro Forma Gains (Losses)</b>	<b>Gains (Losses) Recorded</b>	<b>Pro Forma Gains (Losses)</b>
Available-for-sale financial assets	\$ -	\$ 327	\$ -	\$ 152

### 36. TRANSACTIONS WITH RELATED PARTIES

The Ministry of Transportation and Communications R.O.C. held 20.13% and 33.31% of the ordinary shares of YMCT as of December 31, 2017 and 2016, respectively. Over 50% of the members of YMTC's board of directors were appointed by the MOTC. Transactions with other government-related entities were mainly bank deposits, borrowings and guarantees with government-owned banks (see Notes 18 and 19), concession rights of the Port of Kaohsiung, Taiwan International Ports Corporation Kaohsiung harbor intercontinental container and logistics center (see Note 16), operating commission contracts signed with TPC Corporation (see Note 38) and government-related entities who subscribed for the ordinary shares of the Group which were issued for the purpose of a cash injection (see Note 26).

Balances and transactions between the Company and its subsidiaries, which are related party of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides as disclosed in other notes and Table A and B, the following is a summary of the significant related party transaction carried out in the normal course of the Group's business:

a. Related party name and relationship

<b>Related Party Name</b>	<b>Relationship with the Group</b>
Yang Ming (Vietnam) Corp.	Associates
Formosa International Development Corporation	Associates
Yang Ming (U.A.E.) LLC	Associates
Yang Ming (Australia) Pty. Ltd.	Associates
West Basin Container Terminal LLC	Associates
Corstor Ltd.	Associates
Yang Ming Shipping (Egypt) S.A.E.	Associates
Sino Trans PFS Cold Chain Logistics Co., Ltd.	Associates
Kao Ming Container Terminal Corp.	Associates

(Continued)

<b>Related Party Name</b>	<b>Relationship with the Group</b>
Yunn Wang Investment Co., Ltd.	Associates
LogiTrans Technology Private Limited	Joint ventures
YES LIBERAL Logistics Corp.	Joint ventures
Chang Ming Logistics Company Limited	Joint ventures
Taiwan Navigation Co., Ltd.	Government - related parties
Chunghwa Telecom Co., Ltd.	Government - related parties
Taiwan International Ports Corporation, Ltd.	Government - related parties
Chunghwa Post Co., Ltd.	Government - related parties
Agricultural Bank of Taiwan	Government - related parties
First Commercial Bank	Government - related parties
Mega International Commercial Bank Co., Ltd.	Government - related parties
Chung Kuo Insurance Company, Limited	Government - related parties
Bank of Taiwan	Government - related parties
Land Bank of Taiwan	Government - related parties
The Export-Import Bank of the Republic of China	Government - related parties
Taiwan Cooperative Bank Co., Ltd.	Government - related parties
Taiwan Business Bank Co., Ltd.	Government - related parties
Chang Hwa Bank Ltd.	Government - related parties
Taiwan Power Company	Government - related parties
Taiwan Water Corporation	Government - related parties
China Steel Corporation	Government - related parties
CPC Corporation, Taiwan	Government - related parties
CSBC Corporation, Taiwan	Government - related parties
Hua Nan Commercial Bank, Ltd.	Government - related parties
South China Insurance Co., Ltd.	Government - related parties
Mega Bills Finance Co., Ltd.	Government - related parties
Central Reinsurance Corporation	Government - related parties
First Financial Holding Co., Ltd.	Government - related parties
Lida Container Transport Corp.	Investors that have significant influence over the subsidiaries
Marine Container Services India Pvt. Ltd.	Investors that have significant influence over the subsidiaries
UNICORN ENTERPRISES	Investors that have significant influence over the subsidiaries
Bay Container Terminal P. Ltd.	Investors that have significant influence over the subsidiaries
Marine Container Services (South) Pvt. Ltd.	Investors that have significant influence over the subsidiaries
Yang Ming Cultural Foundation	Other related parties
Chinachem Company in Taiwan *	Investors that have significant influence

(Concluded)

\* Due to the resignation the entity's director, the entity was not a related party as of August 11, 2017.

b. Profit (loss) from operation

Line Item	Related Party Name	For the Year Ended December 31	
		2017	2016
Operating revenue	Government - related parties	\$ 315,314	\$ 340,355
	Joint ventures	613	-
	Associates	273,145	286,720
	Investors that have significant influence over the subsidiaries	765	3,536
		<u>\$ 589,837</u>	<u>\$ 630,611</u>
Operating cost	Associates	\$ 3,468,153	\$ 4,267,181
	Government - related parties	430,767	565,724
	Investors that have significant influence over the subsidiaries	438,564	451,257
	Joint ventures	15,796	-
		<u>\$ 4,353,280</u>	<u>\$ 5,284,162</u>
Operating expenses	Government - related parties	\$ 46,001	\$ 55,225
	Joint ventures	50,641	47,541
	Other related parties	29,961	26,772
	Investors that have significant influence over the subsidiaries	6,964	9,869
	Associates	-	9
		<u>\$ 133,567</u>	<u>\$ 139,416</u>

The Group's transactions with related parties were conducted under contract terms.

c. Bank deposits

Bank deposits on reporting period (including time deposits with original maturity more than 3 months and pledged time deposits included in other financial assets) balance were as follows:

Related Party Category/Name	December 31	
	2017	2016
Government - related parties		
Land Bank of Taiwan	\$ 1,673,357	\$ 1,314,524
Others	<u>2,457,018</u>	<u>1,624,463</u>
	<u>\$ 4,130,375</u>	<u>\$ 2,938,987</u>

d. Receivables and payables from related parties

Line Item	Related Party Name	December 31	
		2017	2016
Trade receivables	Associates	\$ 317,469	\$ 288,375
	Joint ventures	1,216	4
	Government - related parties	6,253	6,995
	Investors that have significant influence over the subsidiaries	-	4
		<u>324,938</u>	<u>295,378</u>
Other receivables (included in other current assets)	Associates		
	West Basin Container Terminal LLC	\$ 113,088	\$ 122,550
	Others	<u>26,421</u>	<u>80,852</u>
		139,509	203,402
	Government - related parties	<u>21,483</u>	<u>7,034</u>
		<u>\$ 160,992</u>	<u>\$ 210,436</u>
Trade payables	Associates	\$ 428,345	\$ 695,496
	Joint ventures	13	-
	Government - related parties	14,106	67,385
	Investors that have significant influence over the subsidiaries	105,115	133,018
		<u>547,579</u>	<u>895,899</u>
Other payables (included in other payables)	Associates	\$ 87,734	\$ 101,827
	Government - related parties	78,734	48,439
	Investors that have significant influence over the subsidiaries	34	-
		<u>166,502</u>	<u>150,266</u>

e. Prepayments

Line Item	Related Party Category/Name	December 31	
		2017	2016
Prepayments to shipping agents	Associates		
	Yang Ming Shipping (Egypt) S.A.E	<u>\$ 59,496</u>	<u>\$ 65,600</u>
Prepayments	Government - related parties	<u>\$ 31,572</u>	<u>\$ 31,572</u>
Long-term prepayments for lease	Government - related parties		
	Taiwan International Ports Corporation, Ltd.	<u>\$ 504,989</u>	<u>\$ 536,561</u>

f. Bonds payable

Related Party Category/Name	December 31	
	2017	2016
Government - related parties		
Taiwan International Ports Corporation, Ltd.	\$ 4,000,000	\$ 4,000,000
Others	<u>2,150,000</u>	<u>2,350,000</u>
	6,150,000	6,350,000
Investors that have significant influence	450,000	450,000
Associates	<u>-</u>	<u>25,000</u>
	<u>\$ 6,600,000</u>	<u>\$ 6,825,000</u>

Note: Original investment amount of privately placed bonds.

g. Loans from related parties

Line Item	Related Party Category/Name	December 31	
		2017	2016
Short-term borrowings	Government - related parties		
	Land Bank of Taiwan	\$ 767,840	\$ 790,250
	Chang Hwa Bank Ltd.	500,000	530,000
	First Financial Holding Co., Ltd.	500,000	500,000
	Others	<u>383,560</u>	<u>243,500</u>
		<u>\$ 2,151,400</u>	<u>\$ 2,063,750</u>
Long-term borrowings	Government - related parties		
Secured borrowings	Bank of Taiwan	\$ 5,912,585	\$ 6,217,557
	Mega International Commercial Bank	4,072,353	4,456,567
	Others	<u>12,672,387</u>	<u>13,383,565</u>
		<u>\$ 22,657,325</u>	<u>\$ 24,057,689</u>
Unsecured borrowings	Government - related parties	<u>\$ 6,138,800</u>	<u>\$ 6,438,916</u>

h. Others

Line Item	Related Party Name	For the Year Ended December 31	
		2017	2016
Rental income	Other related parties	\$ 3,852	\$ 3,429
	Government - related parties	<u>23</u>	<u>-</u>
		<u>\$ 3,875</u>	<u>\$ 3,429</u>
Interest income	Government - related parties	\$ 9,631	\$ 8,516
	Associates	<u>197</u>	<u>1,646</u>
		<u>\$ 9,828</u>	<u>\$ 10,162</u>



Line Item	Related Party Name	For the Year Ended December 31	
		2017	2016
Dividend income	Government - related parties	\$ <u>          -</u>	\$ <u>  15,567</u>
Finance cost	Government - related parties	\$ 654,466	\$ 616,652
	Investors that have significant influence	1,533	2,099
	Associates	<u>          65</u>	<u>          402</u>
		\$ <u>  656,064</u>	\$ <u>  619,153</u>

The Group's transactions with related parties were conducted under contract terms.

i. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 36,070	\$ 30,713
Post-employment benefits	<u>  10,048</u>	<u>    8,591</u>
	\$ <u>  46,118</u>	\$ <u>  39,304</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

### 37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

In addition to those mentioned in Note 17, the following assets were provided as collaterals for syndicated bank loans, long-term bank loans, bonds and credit lines:

	December 31	
	2017	2016
Property, plant and equipment, net	\$ 59,057,102	\$ 62,868,343
Deposit of stand-by letter of credit (included in other financial assets)	3,394,440	3,574,945
Pledged time deposits (included in other financial assets)	244,243	155,985
Available-for-sale financial assets	1,132,054	-
Investment properties, net	<u>  4,759,370</u>	<u>  3,690,939</u>
	\$ <u> 68,587,209</u>	\$ <u> 70,290,212</u>

### 38. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Table B, Note 19 and 33, commitments and contingent liability on reporting periods were as follows:

- a. Kuang Ming Shipping Corp. signed a contract, "operating commission", with Taiwan Power Company, Ltd. since January 2017 and August 2011 and the contract is for five years and six years, respectively. Kuang Ming Shipping Corp. is responsible for managing and operating vessels owned by Taiwan Power Company.

- b. The Group signed tramp ships building contracts with non-related party. As of December 31, 2017 and 2016, unpaid amounts for these contracts were \$505,325 thousand and \$1,903,073 thousand, respectively.
- c. The Group signed ship lease contracts with other companies, contracts that are effective beginning either in 2015 or 2018 with lease periods ranging from 10 to 12 years. As of December 31, 2017 and 2016, rentals for contracts that were yet in effect were respectively estimated from US\$737,000 thousand to US\$883,000 thousand and from US\$1,076,000 thousand to US\$1,289,000 thousand.
- d. The Group's shipping and port business were secured by the letter of guarantee issued by a bank for \$349,607 thousand and \$354,155 thousand as of December 31, 2017 and 2016, respectively.

### 39. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

YMTC's board of directors resolved to issue domestic secured convertible bonds at a yield of 101.00%-101.50% a limit on the amount of \$8,000,000 thousand; the term is 5 years. The bonds will be repayable in full at maturity. After getting the permission of FSC, board of directors will set out the base date.

### 40. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 103,251	29.7600 (USD:NTD)	\$ 3,072,757
GBP	85,315	1.3485 (GBP:USD)	3,423,790
RMB	254,593	4.5698 (RMB:NTD)	1,163,450
USD	64,606	3.7799 (USD:TRY)	1,922,670
EUR	23,203	35.5989 (EUR:NTD)	826,003
GBP	3,036	40.1313 (GBP:NTD)	121,847
HKD	69,777	3.8082 (HKD:NTD)	265,724
JPY	1,194,327	0.2643 (JPY:NTD)	315,617
USD	6,082	6.5123 (USD:RMB)	181,004
CAD	2,262	23.7302 (CAD:NTD)	53,682
Non-monetary items			
Investments accounted for using equity method			
USD	37,854	29.7600 (USD:NTD)	1,126,549
AUD	1,451	23.2247 (AUD:NTD)	33,690
AED	4,406	8.1025 (AED:NTD)	35,701
INR	32,655	0.4655 (INR:NTD)	15,201
GBP	108	40.1313 (GBP:NTD)	4,326

(Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
RMB	\$ 105,305	4.5698 (RMB:NTD)	\$ 481,225
VND	3,441,538	0.0013 (VND:NTD)	4,474
EGP	13,723	1.6739 (EGP:NTD)	22,971
Financial assets at fair value through profit or loss			
GBP	2	40.1313 (GBP:NTD)	71
USD	231	29.7600 (USD:NTD)	6,862
<u>Financial liabilities</u>			
Monetary items			
USD	532,920	29.7600 (USD:NTD)	15,859,710
GBP	75,656	1.3485 (GBP:USD)	3,036,172
RMB	126,738	4.5698 (RMB:NTD)	579,173
EUR	19,529	35.5989 (EUR:NTD)	695,206
USD	26,247	3.7799 (USD:TRY)	781,124
JPY	1,040,197	0.2643 (JPY:NTD)	274,886
GBP	1,919	40.1313 (GBP:NTD)	77,012
HKD	20,639	3.8082 (HKD:NTD)	78,596
USD	4,038	6.5123 (USD:RMB)	120,184
CAD	3,787	23.7302 (CAD:NTD)	89,875
			(Concluded)

December 31, 2016

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 146,019	32.2500 (USD:NTD)	\$ 4,709,112
GBP	90,223	1.2292 (GBP:USD)	3,576,594
RMB	110,575	4.6406 (RMB:NTD)	513,137
USD	49,306	3.5252 (USD:TRY)	1,590,116
EUR	16,790	33.9173 (EUR:NTD)	569,460
GBP	4,194	39.6417 (GBP:NTD)	166,239
HKD	51,499	4.1587 (HKD:NTD)	214,169
JPY	704,504	0.2756 (JPY:NTD)	194,157
USD	1,345	6.9495 (USD:RMB)	43,372
CAD	3,310	23.9093 (CAD:NTD)	79,130
Non-monetary items			
Investments accounted for using equity method			
USD	39,285	32.2500 (USD:NTD)	1,266,930
AUD	1,552	23.2877 (AUD:NTD)	36,142
AED	9,387	8.7804 (AED:NTD)	82,419
			(Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount</b>
INR	\$ 27,286	0.4751	(INR:NTD)	\$ 12,964
GBP	91	39.6417	(GBP:NTD)	3,625
RMB	106,271	4.6406	(RMB:NTD)	493,163
VND	3,455,000	0.0014	(VND:NTD)	4,837
EGP	9,171	1.7434	(EGP:NTD)	15,988
Financial assets at fair value through profit or loss				
GBP	2	39.6417	(GBP:NTD)	70
USD	1,194	32.2500	(USD:NTD)	38,507

#### Financial liabilities

##### Monetary items

USD	628,158	32.2500	(USD:NTD)	20,258,098
GBP	82,972	1.2292	(GBP:USD)	3,289,137
RMB	196,755	4.6406	(RMB:NTD)	913,065
EUR	27,893	33.9173	(EUR:NTD)	946,069
USD	19,915	3.5252	(USD:TRY)	642,262
JPY	939,598	0.2756	(JPY:NTD)	258,948
GBP	2,498	39.6417	(GBP:NTD)	99,016
HKD	105,491	4.1587	(HKD:NTD)	438,706
CAD	9,612	23.9093	(CAD:NTD)	229,817

(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) were \$1,115,971 thousand and \$369,280 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

#### **41. SEPARATELY DISCLOSED ITEMS**

##### a. Information about significant transactions and investees

- 1) Financing provided to others: see Table A attached;
- 2) Endorsement/guarantee provided: see Table B attached;
- 3) Marketable securities held: see Table C attached;
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: see Table D attached;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;

- 8) Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: see Table E attached;
  - 9) Trading in derivative instruments. (Note 7);
  - 10) Intercompany relationships and significant intercompany transactions: see Table F attached;
  - 11) Information on investees: see Table G attached;
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table H attached;
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None;
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

#### **42. SEGMENT INFORMATION**

The Group considered the following factors and has decided to aggregate the operating segments into a single operating segment for the preparation of these consolidated financial statements:

- a. The segments have similar long-term gross profit;
- b. The methods used to provide the segments' services are similar; and
- c. The type or class of customers is similar among the segments.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31, 2017					Combined
	Containership Department	Bulk shipping Department	Wharf Department	Other Departments	Adjustment and Eliminations	
Sales to customers	\$ 123,746,598	\$ 2,274,355	\$ 633,730	\$ 4,423,129	\$ -	\$ 131,077,812
Intercompany sales	<u>663,646</u>	<u>-</u>	<u>579,571</u>	<u>1,114,270</u>	<u>(2,357,487)</u>	<u>-</u>
Total revenue	<u>\$ 124,410,244</u>	<u>\$ 2,274,355</u>	<u>\$ 1,213,301</u>	<u>\$ 5,537,399</u>	<u>\$ (2,357,487)</u>	<u>\$ 131,077,812</u>
Segment operating income (loss)	<u>\$ 1,744,565</u>	<u>\$ (688,572)</u>	<u>\$ 146,698</u>	<u>\$ 58,390</u>	<u>\$ 50,203</u>	\$ 1,311,284
Administration cost						(835,270)
Other operating income and expenses						298,772
Other income						182,120
Other gains and losses						1,453,356
Financial costs						(1,811,454)
Share of profit of associates and joint ventures						<u>35,982</u>
Profit before income tax						<u>\$ 634,790</u>

	For the Year Ended December 31, 2016					Combined
	Containership Department	Bulk shipping Department	Wharf Department	Other Departments	Adjustment and Eliminations	
Sales to customers	\$ 108,724,772	\$ 1,280,100	\$ 1,067,035	\$ 4,328,243	\$ -	\$ 115,400,150
Intercompany sales	<u>576,229</u>	<u>-</u>	<u>998,690</u>	<u>1,197,233</u>	<u>(2,772,152)</u>	<u>-</u>
Total revenue	<u>\$ 109,301,001</u>	<u>\$ 1,280,100</u>	<u>\$ 2,065,725</u>	<u>\$ 5,525,476</u>	<u>\$ (2,772,152)</u>	<u>\$ 15,400,150</u>
Segment operating income (loss)	<u>\$ (12,302,634)</u>	<u>\$ (2,619,214)</u>	<u>\$ (9,877)</u>	<u>\$ 74,093</u>	<u>\$ 50,124</u>	\$ (14,807,508)
Administration cost						(348,808)
Other operating income and expenses						434,887
Other income						278,145
Other gains and losses						851,218
Financial costs						(1,990,057)
Share of loss of associates and joint ventures						<u>(113,451)</u>
Loss before income tax						<u>\$ (15,695,574)</u>

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, other operating income and expenses, other income, other gains and losses, financial costs, share of profit or loss of associates and joint ventures and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

Because reportable segments do not regularly report measures to the chief operating decision maker, measure of segment assets is zero.

c. Geographical information

The Group operates in four principal geographical areas - domestic, America, Europe and Asia.

The Group's revenue from continuing operation and information about its noncurrent assets by geographical location are detailed below. Containers, ships and construction in process cannot be allocated by location because they are used for worldwide operation.

	<b>Revenue From External Customers</b>	<b>Noncurrent Assets</b>
	<b>For the Year Ended December 31, 2017</b>	<b>December 31, 2017</b>
Domestic	\$ 7,757,977	\$ 8,885,366
America	50,889,769	16,731
Europe	39,549,825	44,788
Asia	32,871,348	458,300
Others	<u>8,893</u>	<u>151,917</u>
	<u>\$ 131,077,812</u>	9,557,102
Containers		11,189,908
Ships and construction in process		<u>67,241,955</u>
		<u>\$ 87,988,965</u>

	<b>Revenue From External Customers</b>	<b>Noncurrent Assets</b>
	<b>For the Year Ended December 31, 2016</b>	<b>December 31, 2016</b>
Domestic	\$ 6,998,168	\$ 9,023,972
America	48,841,538	23,252
Europe	30,207,211	53,994
Asia	29,344,053	490,324
Others	<u>9,180</u>	<u>170,228</u>
	<u>\$ 115,400,150</u>	9,761,770
Containers		12,615,812
Ships and construction in process		<u>70,913,153</u>
		<u>\$ 93,290,735</u>

Noncurrent assets excluded those classified as financial assets, investments accounted for using equity method, deferred tax assets, refundable deposits, post-employment benefit assets, prepayments for investments and assets arising from insurance contracts.

d. Critical customer

No single customer accounted for at least 10% of the Group's total operating revenues for the years ended December 31, 2017 and 2016.

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Relate Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amounts	Interest Rate	Nature of Financing (Note A)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Yang Ming Marine Transport Corporation	Yang Ming (Liberia) Corp.	Other receivables	Y	\$ 2,500,000	\$ 1,000,000	\$ 370,844	1.9616%	1	\$ 1,497,169	Repayment of loans/ obtain working capital	\$ -	-	\$ -	\$ 9,157,548	\$ 13,016,782	B, C and D
		All Oceans Transportation, Inc.	Other receivables	Y	3,500,000	3,000,000	2,257,299	1.9616%	1	2,901,619	Obtain working capital	-	-	-	10,413,426	13,016,782	
		Kung Ming (Liberia) Corp.	Other receivables	Y	595,200 (US\$ 20,000 thousand)	595,200 (US\$ 20,000 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	1,301,678	
1	Yang Ming Line (Singapore) Pte. Ltd.	Kung Ming (Liberia) Corp.	Other receivables	Y	148,800 (US\$ 5,000 thousand)	148,800 (US\$ 5,000 thousand)	148,800 (US\$ 5,000 thousand)	2.2079%	2	-	Obtain working capital	-	-	-	204,937	614,813	E and F
		Yang Ming Shipping (B.V.I) Inc.	Other receivables	Y	104,160 (US\$ 3,500 thousand)	104,160 (US\$ 3,500 thousand)	104,160 (US\$ 3,500 thousand)	2.1451%	2	-	Obtain working capital	-	-	-	1,024,689	1,024,689	
		All Oceans Transportation, Inc.	Other receivables	Y	297,600 (US\$ 10,000 thousand)	297,600 (US\$ 10,000 thousand)	297,600 (US\$ 10,000 thousand)	1.7498%	2	-	Obtain working capital	-	-	-	1,024,689	1,024,689	
		Yang Ming Shipping Philippines, Inc.	Other receivables	Y	29,760 (US\$ 1,000 thousand)	29,760 (US\$ 1,000 thousand)	4,464 (US\$ 150 thousand)	2.2982%	2	-	Obtain working capital	-	-	-	1,024,689	1,024,689	
2	Yang Ming Line (B.V.I) Holding Co., Ltd.	Kung Ming (Liberia) Corp.	Other receivables	Y	203,856 (US\$ 6,850 thousand)	203,856 (US\$ 6,850 thousand)	203,856 (US\$ 6,850 thousand)	2.1628%- 2.2354%	2	-	Obtain working capital	-	-	-	355,019	1,065,058	G and H
3	Kung Ming Shipping Corp.	Kung Ming (Liberia) Corp.	Other receivables	Y	184,051 (US\$ 6,185 thousand)	160,704 (US\$ 5,400 thousand)	-	-	2	-	Obtain working capital	-	-	-	236,213	708,641	I and J
4	Yes Logistics Corp.	Yes Logistics Europe GmbH	Other receivables	Y	54,741 (EUR 1,538 thousand)	39,741 (EUR 1,116 thousand)	39,741 (EUR 1,116 thousand)	1.5400%- 1.8500%	1	70,134	Obtain working capital	-	-	-	445,267	556,583	K and L
		Yes Logistics (Shanghai) Corp.	Other receivables	Y	361,354 (US\$ 6,000 thousand)	272,074 (US\$ 6,000 thousand)	129,038 (US\$ 4,336 thousand)	1.8260%- 3.0000%	1	119,370	Obtain working capital	-	-	-	445,267	556,583	
		Yes Logistics Benelux B.V.	Other receivables	Y	3,738 (EUR 105 thousand)	3,738 (EUR 105 thousand)	3,738 (EUR 105 thousand)	1.5400%	1	27,974	Obtain working capital	-	-	-	124,653	556,583	
		Sino Trans PFS Cold Chain Logistics Co., Ltd.	Other receivables	Y	30,458 (RMB 6,665 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	111,316	222,633	
		Kung Ming (Liberia) Corp.	Other receivables	Y	37,200 (US\$ 1,250 thousand)	37,200 (US\$ 1,250 thousand)	37,200 (US\$ 1,250 thousand)	1.7000%	2	-	Obtain working capital	-	-	-	111,316	222,633	
		Yang Ming Line (B.V.I) Holding Co Ltd.	Other receivables	Y	37,200 (US\$ 1,250 thousand)	37,200 (US\$ 1,250 thousand)	37,200 (US\$ 1,250 thousand)	1.7000%	2	-	Obtain working capital	-	-	-	111,316	222,633	
5	Kung Ming (Liberia) Corp.	Kung Ming Shipping Corp.	Other receivables	Y	59,698 (US\$ 2,006 thousand)	56,544 (US\$ 1,900 thousand)	-	-	2	-	Obtain working capital	-	-	-	143,989	431,968	M and N
6	Yang Ming Line Holding Co.	Olympic Container Terminal LLC	Other receivables	Y	297,600 (US\$ 10,000 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	897,776	897,776	O and P
		Kung Ming (Liberia) Corp.	Other receivables	Y	148,800 (US\$ 5,000 thousand)	148,800 (US\$ 5,000 thousand)	148,800 (US\$ 5,000 thousand)	2.2354%	2	-	Obtain working capital	-	-	-	179,555	538,665	

(Continued)



No.	Lender	Borrower	Financial Statement Account	Relate Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amounts	Interest Rate	Nature of Financing (Note A)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
		Triumph Logistics, Inc.	Other receivables	Y	\$ 23,808 (US\$ 800 thousand)	\$ 23,808 (US\$ 800 thousand)	\$ 23,808 (US\$ 800 thousand)	1.7318%	2	\$ -	Obtain working capital	\$ -	-	\$ -	\$ 897,776	\$ 897,776	
		Yang Ming (America) Co.	Other receivables	Y	148,800 (US\$ 5,000 thousand)	148,800 (US\$ 5,000 thousand)	148,800 (US\$ 5,000 thousand)	1.7048%	2	-	Obtain working capital	-	-	-	897,776	897,776	
		Yang Ming Line (B.V.I.) Holding Co Ltd.	Other receivables	Y	89,280 (US\$ 3,000 thousand)	89,280 (US\$ 3,000 thousand)	89,280 (US\$ 3,000 thousand)	2.3184%	2	-	Obtain working capital	-	-	-	179,555	538,665	
7	Ching Ming Investment Corp.	Sino Trans PFS Cold Chain Logistics Co., Ltd.	Other receivables	Y	15,240 (RMB 3,335 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	108,843	217,686	Q and R
		Kung Ming (Liberia) Corp.	Other receivables	Y	29,760 (US\$ 1,000 thousand)	29,760 (US\$ 1,000 thousand)	29,760 (US\$ 1,000 thousand)	2.3143%	2	-	Obtain working capital	-	-	-	108,843	217,686	
		Yang Ming Line (B.V.I.) Holding Co Ltd.	Other receivables	Y	17,865 (US\$ 600 thousand)	17,865 (US\$ 600 thousand)	17,865 (US\$ 600 thousand)	2.3012%	2	-	Obtain working capital	-	-	-	108,843	217,686	

Notes:

A. Nature of financing:

1. Yang Ming Marine Transport Corporation (the Corporation) has transactions with the borrower.
2. The borrower needs short-term financing.

B. The maximum financing amount is 60% of the net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 50% of the net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of the net assets of the Corporation.

C. For borrowers with transactions with the Corporation, maximum financing is the lower of 15% of the net assets of the Corporation or the total amount of transactions between the Corporation and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 5% of the net assets of the Corporation.

D. For a borrower that is a subsidiary of the Corporation, maximum financing is the lower of 40% of the latest net assets audited or reviewed by CPA of the Corporation or the total amount of transactions between the Corporation and the subsidiary in the last five years.

E. The maximum financing amount is 50% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 50% of the net assets of the lender. For borrowers with short-term financing need, the maximum is 30% of the net assets of the lender. For the borrower needing short-term financing with direct or indirect holding of 100% voting right on none ROC corporation, maximum financing is 50% of the net total assets.

F. For borrowers with transactions with the lender, maximum financing is the lower of 25% of the net assets of the lender or the total amount of transactions between the lender and the borrower in the last five years. For the borrower needing short-term financing, maximum financing is 10% of the net assets of the lender.

G. The maximum financing amount is 50% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 50% of the net assets of the lender. For borrowers with short-term financing need, the maximum is 30% of the net assets of the lender.

H. For borrowers with transactions with the lender, maximum financing is the lower of 25% of the net assets of the lender or the total amount of transactions between the lender and the borrower in the last five years. For the borrower needing short-term financing, maximum financing is 10% of the net assets of the lender.

I. The maximum financing amount is the 60% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 30% of the net assets of the lender. For borrowers with short-term financing need, the maximum is the 30% of the net assets of the lender.

J. For borrowers with transactions with the lender, maximum financing is 15% of the net assets of the lender or the total amount of transactions between the lender and the borrower in the last two years. For subsidiaries with transactions with the lender maximum financing is 30% of the latest net assets. For the borrower needing short-term financing maximum financing is 10% of the net assets of the lender.

K. The maximum financing amount is 70% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 50% of the net assets of the lender. For borrowers with short-term financing need, the maximum is 20% of the net assets of the lender.

L. For borrowers with transactions with the lender, maximum financing is the lower of 15% of the total amount financing amount or the total amount of transactions between the lender and the borrower in the last two years. For subsidiaries with transactions with the lender maximum financing is 40% of the latest net assets. For the borrower needing short-term financing, maximum financing is 10% of the financing amount.

M. The maximum financing amount is 60% of the net assets of the lender. For borrower with transactions with lender maximum financing is 30% of the net total assets of the lender. For subsidiaries with transaction with the lender, maximum financing is 30% of the latest net assets. For the borrower needing short-term financing, maximum financing is 30% of the total assets of the lender.

N. For borrower with transaction with the lender, maximum financing is 15% of the total amount of transactions between the lender and the borrower in the last two years. For the borrower needing short-term financing maximum financing is 10% of the net assets of the lender.

O. The maximum financing amount is 80% of the net assets of the lender. For borrower with transactions with lender maximum financing is 50% of the net total assets of the lender. For the borrower needing short-term financing, maximum financing is 30% of the net total assets. For the borrower needing short-term financing with direct or indirect holding of 100% voting right on non ROC corporation, maximum financing is 50% of the net total assets.

P. For borrower with transaction with the lender, maximum financing is 25% of the total amount of transaction between the lender and the borrower in the last five years. For the borrower needing short-term financing, maximum financing is 10% of the net assets of the lender. For the borrower needing short-term financing maximum financing is 50% of the net assets of the lender.

Q. The maximum financing amount is 50% of the net assets of the lender. For borrower with transactions with lender maximum financing is 30% of the net assets of the lender. For the borrower needing short-term financing maximum financing is 20% of the net assets of the lender.

R. For borrower with transaction with the lender, maximum financing is 15% of the total amount of transactions between the lender and the borrower in the last two years. For the borrower needing short-term financing maximum financing is 10% of the net assets of the lender.

S. United States dollars, Euros dollars and Ren Min Bi translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.76, EUR1= NT\$35.5989 and RMB1= NT\$4.5698 as of December 31, 2017.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorser/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes C and D)	Maximum Amount Endorsed/ Guaranteed During the Period (Note S)	Outstanding Endorsement/ Guarantee at the End of the Period (Note S)	Actual Borrowing Amount (Note S)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes C and D)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	Subsidiary	\$ 41,653,704 (Note B)	\$ 12,677,698 (US\$ 425,998 thousand)	\$ 12,677,698 (US\$ 425,998 thousand)	\$ 6,099,088 (US\$ 204,942 thousand)	\$ -	48.70	\$ 78,100,695 (Note A)	Y	N	N
		Kuang Ming Shipping Corp.	Subsidiary	41,653,704 (Note B)	3,114,472 (US\$ 58,450 thousand)	3,114,472 (US\$ 58,450 thousand)	2,888,505 (US\$ 50,857 thousand)	-	11.96	78,100,695 (Note A)	Y	N	N
		Kuang Ming (Liberia) Corp.	Subsidiary	41,653,704 (Note B)	and NT\$ 1,375,000 thousand 5,395,308 (US\$ 171,213 thousand)	and NT\$ 1,375,000 thousand 4,404,856 (US\$ 137,932 thousand)	and NT\$ 1,375,000 thousand 3,376,479 (US\$ 113,457 thousand)	-	16.92	78,100,695 (Note A)	Y	N	N
		Yang Ming (Liberia) Corp.	Subsidiary	41,653,704 (Note B)	and NT\$ 300,000 thousand 6,172,522 (US\$ 207,410 thousand)	and NT\$ 300,000 thousand 2,083,200 (US\$ 70,000 thousand)	390,600 (US\$ 13,125 thousand)	-	8.00	78,100,695 (Note A)	Y	N	N
		Yang Ming (America) Corp.	Subsidiary	41,653,704 (Note B)	386,880 (US\$ 13,000 thousand)	238,080 (US\$ 8,000 thousand)	153,327 (US\$ 5,152 thousand)	-	0.91	78,100,695 (Note A)	Y	N	N
		West Basin Container Terminal LLC	Investments in associates	41,653,704 (Note B)	476,160 (US\$ 16,000 thousand)	476,160 (US\$ 16,000 thousand)	72,251 (US\$ 2,428 thousand)	-	1.83	78,100,695 (Note A)	N	N	N
		Olympic Container Terminal LLC	Subsidiary	41,653,704 (Note B)	162,447 (US\$ 5,459 thousand)	-	-	-	-	78,100,695 (Note A)	Y	N	N
		1	Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Investments in associates	794,832 (Note F)	132,392 (US\$ 4,449 thousand)	132,392 (US\$ 4,449 thousand)	108,006 (US\$ 3,629 thousand)	-	0.51	993,541 (Note E)	N
United Terminal Leasing LLC	Investments in associates			794,832 (Note F)	52,530 (US\$ 1,765 thousand)	52,530 (US\$ 1,765 thousand)	41,579 (US\$ 1,397 thousand)	-	0.20	993,541 (Note E)	N	N	N
2	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming (UK) Ltd.	Subsidiary	2,781,256 (Note H)	1,347 (GBP 34 thousand)	-	-	-	-	3,476,570 (Note G)	N	N	N
3	All Oceans Transportation, Inc.	Yang Ming Marine Transport Corporation	Parent	24,335,501 (Note J)	2,144,000	2,144,000	1,727,500	2,144,000 (Note T)	8.24	30,419,377 (Note I)	N	Y	N

(Continued)

No.	Endorser/Guarantor	Endorser/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes C and D)	Maximum Amount Endorsed/ Guaranteed During the Period (Note S)	Outstanding Endorsement/ Guarantee at the End of the Period (Note S)	Actual Borrowing Amount (Note S)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes C and D)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
4	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Subsidiary	\$ 22,880,884 (Note L)	\$ 3,935,234 (US\$ 31,400 thousand JPY 10,220,000 thousand and NT\$ 300,000 thousand)	\$ 3,044,261 (US\$ 1,449 thousand JPY 10,220,000 thousand and NT\$ 300,000 thousand)	\$ 1,152,054 (US\$ 38,711 thousand)	\$ -	11.69	\$ 28,601,105 (Note K)	N	N	N
5	Kuang Ming (Liberia) Corp.	Kuang Ming Shipping Corp.	Parent	8,399,340 (Note N)	500,000	500,000	200,000	-	1.92	10,499,175 (Note M)	N	N	N
6	Yes Logistics Corp.	YES LIBERAL Logistics Corp.	Investments in joint ventures	306,093 (Note P)	25,000	-	-	-	-	765,232 (Note O)	N	N	N
7	Karlman Properties Limited	Yang Ming Marine Transport Corporation	Parent	346,900 (Note R)	310,000	310,000	294,500	310,000	1.19	433,625 (Note Q)	N	Y	N

A. Represents 300% of the latest net assets audited or reviewed by CPA of Yang Ming Marine Transport Corporation (the "Corporation").

B. Represents 160% of the amount mentioned in Note A.

C. Represents 400% of the latest net assets audited or reviewed by CPA of the Corporation, and subsidiaries.

D. Represents 180% of the amount mentioned in Note C.

E. Represents 50% of assets of Yang Ming Line Holding Co.

F. Represents 80% of the amount mentioned in Note E.

G. Represents 50% of assets of Yang Ming Line (B.V.I.) Holding Co., Ltd.

H. Represents 80% of the amount mentioned in Note G.

I. Represents 100% of asset of All Oceans Transportation, Inc.

J. Represents 80% of the amount mentioned in Note I.

K. Represents 400% of the net asset value of Kuang Ming Shipping Corp.

L. Represents 320% of the amount mentioned in Note K.

M. Represents 200% of the net asset value of Kuang Ming (Liberia) Corp.

N. Represents 80% of the amount mentioned in Note M.

O. Represents 50% of assets of Yes Logistics Corp.

P. Represents 40% of the amount mentioned in Note O.

Q. Represents 500% of assets of Karlman Properties Limited.

R. Represents 400% of the amount mentioned in Note Q.

S. United States dollars, Great Britain Pounds and Japanese yen translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.76, GBP1=NT\$40.1313 and JPY1=NT\$0.2643 on December 31, 2017.

T. Represents 10 ships used as guarantees, with carrying value of \$5,771,582 thousand as of December 31, 2017.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Yang Ming Marine Transport Corporation	<u>Domestic unquoted shares</u> Taipei Port Container Terminal Co., Ltd.	-	Financial asset measured at cost - non-current	51,000,000	\$ 472,188	9.81	\$ -	
	United Stevedoring Corp.	-	Financial asset measured at cost - non-current	500,000	5,000	10.00	-	
	<u>Domestic quoted shares</u> Taiwan Navigation Co., Ltd.	Governed by the MOTC	Available-for-sale financial asset - non-current	70,758,243	1,174,587	16.96	1,174,587	
	<u>Mutual funds</u> BlackRock ICS GBP Liquidity Funds	-	Financial assets at fair value through profit or loss - current	1,771	71	-	71	
	<u>Corporates bonds</u> Domestic Privately Placed Unsecured Bonds - Kuang Ming Shipping Corp.	Subsidiary	Debt investment with no active market	-	800,000	-	-	
Ching Ming Investment Corp.	<u>Domestic unquoted shares</u> Ascentek Venture Capital Corporation	-	Financial asset measured at cost - non-current	784,000	7,896	2.14	-	
	<u>Domestic quoted shares</u> Winbond Electronics Corp.	-	Financial assets at fair value through profit or loss - current	54,469	1,277	-	1,277	
	U-Ming Marine Transport Corp.	-	Financial assets at fair value through profit or loss - current	30,000	1,095	-	1,095	
	Accton Electronics Corp.	-	Financial assets at fair value through profit or loss - current	10,000	1,060	-	1,060	
	China Steel Corporation	-	Financial assets at fair value through profit or loss - current	50,000	1,237	-	1,237	
	Win Semiconductors Corp.	-	Financial assets at fair value through profit or loss - current	6,000	1,698	-	1,698	
	Ruentex Industries Limited	-	Financial assets at fair value through profit or loss - current	10,000	506	-	506	
	Visual Photonics Epitaxy Co., Ltd.	-	Financial assets at fair value through profit or loss - current	25,000	2,328	-	2,328	
	Hon Hai Precision Industry Co., Ltd.	-	Financial assets at fair value through profit or loss - current	5,000	476	-	476	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	40,000	\$ 2,028	-	\$ 2,028	
	Dynapack International Technology Corp.	-	Financial assets at fair value through profit or loss - current	20,000	897	-	897	
	AURAS Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	20,000	1,460	-	1,460	
	Flexium Interconnect Inc.	-	Financial assets at fair value through profit or loss - current	30,495	3,248	-	3,248	
	Makalot Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss - current	15,000	1,875	-	1,875	
	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	21,138	346	-	346	
	Nan Ya Plastics Corp.	-	Financial assets at fair value through profit or loss - current	50,000	3,895	-	3,895	
	Hota Industrial Mfg. Co., Ltd.	-	Financial assets at fair value through profit or loss - current	10,000	1,470	-	1,470	
	Foxconn Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - current	15,000	1,278	-	1,278	
	BizLink Holding Inc.	-	Financial assets at fair value through profit or loss - current	10,000	2,785	-	2,785	
	Chailease Holding Company Limited	-	Financial assets at fair value through profit or loss - current	10,000	866	-	866	
	Chung Hwa Pulp Corp.	-	Financial assets at fair value through profit or loss - current	50,000	585	-	585	
	EPISTAR Corporation	-	Financial assets at fair value through profit or loss - current	15,000	677	-	677	
	Shin Kong Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	140,000	1,470	-	1,470	
	Global Unichip Corp.	-	Financial assets at fair value through profit or loss - current	11,000	2,805	-	2,805	
	Parade Technologies, Ltd.	-	Financial assets at fair value through profit or loss - current	4,000	2,356	-	2,356	
	<u>Overseas quoted shares</u>							
	Apple Inc.	-	Financial assets at fair value through profit or loss - current	500	2,518	-	2,518	
	Applied Materials, Inc.	-	Financial assets at fair value through profit or loss - current	500	761	-	761	
	<u>Mutual funds</u>							
	Franklin Templeton Developing Market Trust	-	Available-for-sale financial assets - current	2,254	1,475	-	1,475	
	Global Xrobotics & Artificial Intelligence ETF	-	Financial assets at fair value through profit or loss - current	2,100	1,481	-	1,481	
	Krane Shares CSI China Internet ETF	-	Financial assets at fair value through profit or loss - current	500	872	-	872	
	Health Care Select Sector SPDR (XLV)	-	Financial assets at fair value through profit or loss - current	500	1,230	-	1,230	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	CTBC Emerging and Growth-Leading Economies Bond Fund	-	Financial assets at fair value through profit or loss - current	5,000	\$ 1,489	-	\$ 1,489	
	Yuanta New China Fund	-	Financial assets at fair value through profit or loss - current	102,120	1,224	-	1,224	
	Yuanta Emerging Indonesia Opportunity Bond Fund	-	Financial assets at fair value through profit or loss - current	181,176	2,042	-	2,042	
	Yuanta S&P GSCI Crude Oil 1x Inverse ER Futures ETF	-	Financial assets at fair value through profit or loss - current	80,000	1,355	-	1,355	
	Yuanta/P-Shares CSI 300 2X ETF	-	Financial assets at fair value through profit or loss - current	100,000	1,897	-	1,897	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	-	Financial assets at fair value through profit or loss - current	188,000	3,589	-	3,589	
	Jih Sun Anti-Global Warming Fund	-	Financial assets at fair value through profit or loss - current	103,734	1,056	-	1,056	
	Taishin CSI Leading Consumption and Services Index Fund	-	Financial assets at fair value through profit or loss - current	64,462	1,049	-	1,049	
	Taishin Global Disruptive Innovation Fund	-	Financial assets at fair value through profit or loss - current	100,000	998	-	998	
	Mega China A Share Equity Fund	-	Financial assets at fair value through profit or loss - current	65,711	1,370	-	1,370	
	Allianz Global Investors Greater China Fund	-	Financial assets at fair value through profit or loss - current	8,019	3,449	-	3,449	
	Manulife China High Yield Bond Fund (CNY)	-	Financial assets at fair value through profit or loss - current	12,019	4,653	-	4,653	
	Prudential Financial China Small & Mid cap Fund	-	Financial assets at fair value through profit or loss - current	17,498	6,134	-	6,134	
	Prudential Financial China Flexible Balanced Fund	-	Financial assets at fair value through profit or loss - current	252,325	2,695	-	2,695	
	Prudential Financial Global Bio-Health Fund	-	Financial assets at fair value through profit or loss - current	160,635	4,896	-	4,896	
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	637,644	10,025	-	10,025	
	Prudential Financial Aggressive Growth ETF Fund of Funds	-	Financial assets at fair value through profit or loss - current	195,708	2,050	-	2,050	
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss - current	645,270	10,009	-	10,009	
	Pinebridge China Balanced Fund A	-	Financial assets at fair value through profit or loss - current	100,000	1,078	-	1,078	
	PineBridge BRIIC Infrastructure Equity Fund	-	Financial assets at fair value through profit or loss - current	623,609	4,390	-	4,390	
	PineBridge Asia ex Japan Focus Equity Fund CHN	-	Financial assets at fair value through profit or loss - current	18,077	1,141	-	1,141	
	Cathay China Domestic Demand Growth Fund USD	-	Financial assets at fair value through profit or loss - current	159,796	3,601	-	3,601	
	Cathay China Emerging Industries Fund	-	Financial assets at fair value through profit or loss - current	100,897	2,363	-	2,363	
	Cathay Asia-Pacific Income Balanced Fund CNH	-	Financial assets at fair value through profit or loss - current	440,723	5,150	-	5,150	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Cathay FTSE China A50 Daily Leveraged 2X ETF	-	Financial assets at fair value through profit or loss - current	30,000	\$ 1,107	-	\$ 1,107	
	Cathay FTSE China A50 ETF	-	Financial assets at fair value through profit or loss - current	50,000	1,060	-	1,060	
	Cathay European Equity Fund	-	Financial assets at fair value through profit or loss - current	181,682	2,051	-	2,051	
	FSITC China Century Fund RMB	-	Financial assets at fair value through profit or loss - current	75,019	5,094	-	5,094	
	FSITC China Century Fund	-	Financial assets at fair value through profit or loss - current	99,503	1,109	-	1,109	
	FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	2,799,737	42,576	-	42,576	
	FSITC Global Utilities and Infrastructure Fund	-	Financial assets at fair value through profit or loss - current	300,000	2,955	-	2,955	
	Nomura Global Biotech & Health Care Fund	-	Financial assets at fair value through profit or loss - current	120,473	1,972	-	1,972	
	Nomura Low Volatility Multi Asset Balanced Fund	-	Financial assets at fair value through profit or loss - current	500,000	5,274	-	5,274	
	Nomura Europe Mid & Small Cap Growth Fund	-	Financial assets at fair value through profit or loss - current	94,251	1,050	-	1,050	
	Fubon SSE180 ETF	-	Financial assets at fair value through profit or loss - current	50,000	1,601	-	1,601	
	Fubon SSE180 Leveraged 2X Index ETF	-	Financial assets at fair value through profit or loss - current	20,000	1,001	-	1,001	
	Fubon Hang Seng H-Share Leveraged Index ETF	-	Financial assets at fair value through profit or loss - current	50,000	1,611	-	1,611	
	Fubon SZSE 100 ETF	-	Financial assets at fair value through profit or loss - current	50,000	577	-	577	
	Fidelity (Taiwan) Emerging Market Corporate Debt Fund	-	Financial assets at fair value through profit or loss - current	300,000	3,010	-	3,010	
	Franklin Utilities Fund	-	Financial assets at fair value through profit or loss - current	1,648	917	-	917	
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,876,777	50,101	-	50,101	
	Fuh Hwa China New Economy A Shares Eq	-	Financial assets at fair value through profit or loss - current	419,640	3,684	-	3,684	
	Fuh Hwa Taiwan Intelligence Fund	-	Financial assets at fair value through profit or loss - current	300,000	3,414	-	3,414	
	Fuh Hwa Global IoT and Tech Fund	-	Financial assets at fair value through profit or loss - current	78,616	1,101	-	1,101	
	Fuh Hwa US Equity Fund	-	Financial assets at fair value through profit or loss - current	93,371	1,120	-	1,120	
	Hua Nan Shiller US CAPE ETF Fund of Fund	-	Financial assets at fair value through profit or loss - current	300,000	3,102	-	3,102	
	Hun Nan China A Share Equity Fund	-	Financial assets at fair value through profit or loss - current	292,145	3,517	-	3,517	
	Paradigm China Multi-opportunities Fund	-	Financial assets at fair value through profit or loss - current	147,383	1,963	-	1,963	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Shin Kong China Growth Fund	-	Financial assets at fair value through profit or loss - current	173,310	\$ 2,250	-	\$ 2,250	
	Shin Kong Global Biotech & Health Care Fund	-	Financial assets at fair value through profit or loss - current	362,278	3,894	-	3,894	
	Shin Kong Global Total Return Balanced Fund	-	Financial assets at fair value through profit or loss - current	200,000	1,990	-	1,990	
	Capital Grand India CNH	-	Financial assets at fair value through profit or loss - current	35,293	2,285	-	2,285	
	Capital Global Biotech Fund	-	Financial assets at fair value through profit or loss - current	307,181	4,119	-	4,119	
	Capital Small-And-Medium Cap Fund	-	Financial assets at fair value through profit or loss - current	560,000	8,753	-	8,753	
	Capital Emerging Markets Fund TWD	-	Financial assets at fair value through profit or loss - current	108,696	1,080	-	1,080	
	Reliance Chinese Selected Growth Equity Fund	-	Financial assets at fair value through profit or loss - current	107,390	1,339	-	1,339	
	Allianz Global Investors Global Biotech Fund	-	Financial assets at fair value through profit or loss - current	29,603	998	-	998	
	JPMorgan (Taiwan) Greater Europe Fund	-	Financial assets at fair value through profit or loss - current	56,370	1,047	-	1,047	
	JPMorgan (Taiwan) China A Share Fund	-	Financial assets at fair value through profit or loss - current	93,696	1,430	-	1,430	
	JPM China Income Fund CNH Acc	-	Financial assets at fair value through profit or loss - current	54,040	3,709	-	3,709	
	JPMorgan (Taiwan) New Silk Road Emerging Markets Fund	-	Financial assets at fair value through profit or loss - current	93,633	1,013	-	1,013	
	JPMorgan (Taiwan) Global Emerging Markets Fund	-	Financial assets at fair value through profit or loss - current	148,148	2,107	-	2,107	
	Eastspring Investments India Equity Fund CNH	-	Financial assets at fair value through profit or loss - current	35,285	2,345	-	2,345	
	M&G Optimal Income Fund USD	-	Financial assets at fair value through profit or loss - current	30,000	9,124	-	9,124	
	Eastspring Investments Asia-Pacific High Yield Equity Fund	-	Financial assets at fair value through profit or loss - current	72,940	1,145	-	1,145	
	SinoPac CSI 300 Dividend Index Fund	-	Financial assets at fair value through profit or loss - current	84,477	1,679	-	1,679	
	KGI Silver Age Fund	-	Financial assets at fair value through profit or loss - current	191,571	2,077	-	2,077	
	KGI Emerging Markets Equity Small & Mid Cap Fund TWD	-	Financial assets at fair value through profit or loss - current	111,919	2,091	-	2,091	
Yes Logistics Corp.	<u>Domestic unquoted shares</u> United Raw Material Solutions Inc./URMS	-	Financial asset measured at cost - non-current	319,751	2,953	2.76	-	

(Concluded)



## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2017  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Change of Investment Accounted for Using the Equity Method	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Shares	Amount
Yang Ming Marine Transport Corp.	<u>Mutual funds</u>														
	Yuanta Wan Tai Money Market Fund	Available-for-sale financial assets - current	-	-	-	\$ -	26,643,132	\$ 400,000	26,643,132	\$ 400,042	\$ 400,000	\$ 42	\$ -	-	\$ -
	Cathay Taiwan Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	24,275,936	300,000	24,275,936	300,023	300,000	23	-	-	-
	Capital Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	37,467,210	600,000	37,467,210	600,059	600,000	59	-	-	-

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	A	\$ 23,043,414 (Note E)	-	\$ -	-	\$ -	\$ -
	Yang Ming (Liberia) Corp.	A	370,844 (Note F)	-	-	-	-	-
	Young-Carrier Company Limited	A	1,475,652	-	-	-	1,475,652	-
	Yangming (Japan) Co., Ltd.	A	101,108	-	-	-	101,108	-
	Yang Ming (Netherlands) B.V.	A	142,561	-	-	-	142,561	-
	Yang Ming (Italy) S.P.A.	A	184,182	-	-	-	184,182	-
	Yangming (UK) Ltd.	A	143,482	-	-	-	143,482	-
	Yang Ming Shipping Europe GmbH.	A	210,497	-	-	-	210,497	-
	Yang Ming Shipping (Vietnam) Co., Ltd.	A	114,304	-	-	-	114,304	-
	Yang Ming (U.A.E) LLC	D	129,018	-	-	-	129,018	-
All Oceans Transportation, Inc.	Yang Ming (Liberia) Corp.	B	7,122,849 (Note G)	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	Yang Ming Marine Transport Corporation	C	108,526	-	-	-	45,378	-
Yang Ming Line (Singapore) Pte. Ltd.	All Oceans Transportation, Inc.	B	297,600 (Note I)	-	-	-	-	-
	Kuang Ming (Liberia) Corp.	B	151,702 (Note I)	-	-	-	-	-
	Yang Ming Shipping (B.V.I.) Inc.	B	104,160 (Note I)	-	-	-	5,952	-
Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	B	252,083	-	-	-	252,083	-
Yang Ming Line (Hong Kong) Ltd.	Yang Ming Marine Transport Corporation	C	109,438	-	-	-	109,438	-
Young-Carrier Company Limited	Yang Ming Marine Transport Corporation	C	983,470	-	-	-	686,430	-
Yang Ming Anatolia Shipping Agency S.A.	Yang Ming Marine Transport Corporation	C	108,717	-	-	-	108,717	-
Yang Ming Line Holding Co.	Yang Ming (America) Corp.	A	173,225 (Note I)	-	-	-	-	-
	West Basin Container Terminal LLC	D	113,088	-	-	-	-	-
	Kuang Ming (Liberia) Shipping Corp.	B	148,800 (Note I)	-	-	-	-	-

(Continued)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming (America) Corp.	Yang Ming Marine Transport Corporation	C	\$ 265,108	-	\$ -	-	\$ 265,108	\$ -
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming (UK) Ltd.	A	3,821,487 (Note H)	-	-	-	-	-
	Kuang Ming (Liberia) Shipping Corp.	B	207,524 (Note I)	-	-	-	-	-
Yang Ming (UK) Ltd.	Yang Ming Marine Transport Corporation	C	966,855	-	-	-	-	-
	Young-Carrier Company Limited	B	186,106	-	-	-	9,774	-
Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Shipping Corp.	A	204,908	-	-	-	204,908	-
Yes Logistics Corp.	Yes Logistics Europe GmbH.	A	133,216 (Note I)	-	-	-	-	-
	Yes Logistics (Shanghai) Corp.	A	161,926 (Note I)	-	-	-	-	-

Notes:

- A. Subsidiary of the Corporation.
- B. The same parent company.
- C. Parent company.
- D. Associates.
- E. Interest receivable, financing provided and proceeds from sale of ships.
- F. Financing provided.
- G. Interest receivable and proceeds from sale of ships.
- H. Accounts receivable.
- I. Interest receivable and financing provided.
- J. Collections between related parties made according to "Agency Accounting Procedure" by the Corporation and local business conventions.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details					
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets		
0	Yang Ming Marine Transport Corp.	All Oceans Transportation, Inc.	1	Prepayments	\$ 57,326	Conducted as agreed terms	-		
				Long-term notes receivable and trade receivables	23,043,414	Conducted as agreed terms	0.17		
				Operating revenue	9,692	Conducted as agreed terms	-		
				Operating cost	2,901,619	Conducted as agreed terms	0.02		
		Yang Ming (Liberia) Corp.	1	Long-term notes receivable and trade receivables	370,843	Conducted as agreed terms	-		
				Operating cost	1,497,169	Conducted as agreed terms	0.01		
				Interest revenue	14,485	Conducted as agreed terms	-		
		Honming Terminal & Stevedoring Co., Ltd.	1	Other receivables	95,378	Conducted as agreed terms	-		
				Other payables	74,952	Conducted as agreed terms	-		
				Operating revenue	82,672	Conducted as agreed terms	-		
				Operating cost	280,992	Conducted as agreed terms	-		
				Other income	26,200	Conducted as agreed terms	-		
				Rent income	480	Conducted as agreed terms	-		
				Jing Ming Transportation Co.	1	Other receivables	88	Conducted as agreed terms	-
						Other payables	108,526	Conducted as agreed terms	-
						Operating revenue	708	Conducted as agreed terms	-
				Ching Ming Investment Corp.	1	Operating cost	616,823	Conducted as agreed terms	-
		Rent income	743			Conducted as agreed terms	-		
		Guarantee deposits received	145			Conducted as agreed terms	-		
		Yang Ming Shipping (B.V.I.) Inc.	1	Rent income	1,001	Conducted as agreed terms	-		
				Interest expense	1	Conducted as agreed terms	-		
		Yang Ming Line (Hong Kong) Ltd.	1	Payables to shipping agent	22,312	Conducted as agreed terms	-		
				Operating cost	169,611	Conducted as agreed terms	-		
		Yang Ming Line (India) Pvt. Ltd.	1	Trade receivables	8,335	Conducted as agreed terms	-		
				Payables to shipping agent	109,438	Conducted as agreed terms	-		
				Operating cost	97,606	Conducted as agreed terms	-		
				Trade receivables	18,914	Conducted as agreed terms	-		
		Yang Ming (Korea) Co., Ltd.	1	Advances to shipping agents	57,521	Conducted as agreed terms	-		
				Operating cost	20,119	Conducted as agreed terms	-		
				Trade receivables	69,462	Conducted as agreed terms	-		
				Payables to shipping agent	37,225	Conducted as agreed terms	-		
		Young-Carrier Company Ltd.	1	Operating revenue	1,124	Conducted as agreed terms	-		
Operating cost	166,875			Conducted as agreed terms	-				
Trade receivables	1,475,652			Conducted as agreed terms	0.01				
Payables to shipping agent	983,470			Conducted as agreed terms	0.01				
Operating revenue	4,635			Conducted as agreed terms	-				
				Operating cost	649,473	Conducted as agreed terms	-		

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets
		Yang Ming (Japan) Co., Ltd.	1	Trade receivables	\$ 101,108	Conducted as agreed terms	-
				Payables to shipping agent	48,723	Conducted as agreed terms	-
				Operating cost	235,969	Conducted as agreed terms	-
		Manwa & Co., Ltd.	1	Trade receivables	3,099	Conducted as agreed terms	-
		Yang Ming (Singapore) Pte. Ltd.	1	Payables to shipping agent	34,634	Conducted as agreed terms	-
				Operating cost	108,387	Conducted as agreed terms	-
		Yang Ming Line (M) Sdn. Bhd.	1	Payables to shipping agent	72,398	Conducted as agreed terms	-
				Operating cost	48,504	Conducted as agreed terms	-
		Sunbright Insurance Pte. Ltd.	1	Operating cost	23,156	Conducted as agreed terms	-
				Prepayments	1,829	Conducted as agreed terms	-
				Other income	3,983	Conducted as agreed terms	-
		Yang Ming Shipping (Vietnam) Co., Ltd.	1	Trade receivables	114,304	Conducted as agreed terms	-
				Payables to shipping agent	93,441	Conducted as agreed terms	-
				Operating cost	80,790	Conducted as agreed terms	-
		Yang Ming Anatolia Shipping Agency S.A.	1	Trade receivables	84,972	Conducted as agreed terms	-
				Payables to shipping agent	108,717	Conducted as agreed terms	-
				Operating cost	74,405	Conducted as agreed terms	-
		Yang Ming Shipping Philippines, Inc.	1	Trade receivables	6,176	Conducted as agreed terms	-
				Payables to shipping agent	16,295	Conducted as agreed terms	-
				Operating cost	18,696	Conducted as agreed terms	-
		Yang Ming (Latin America) Corp.	1	Other receivables	1,488	Conducted as agreed terms	-
				Payables to shipping agent	2,206	Conducted as agreed terms	-
				Advances to shipping agents	223	Conducted as agreed terms	-
				Operating cost	15,128	Conducted as agreed terms	-
		Yang Ming (America) Corp.	1	Payables to shipping agent	265,108	Conducted as agreed terms	-
				Operating cost	1,137,879	Conducted as agreed terms	0.01
		Olympic Container Terminal LLC	1	Operating cost	280,280	Conducted as agreed terms	-
		Triumph Logistics, Inc.	1	Operating cost	116,202	Conducted as agreed terms	-
		Topline Transportation, Inc.	1	Trade payables	2,053	Conducted as agreed terms	-
				Operating cost	70,111	Conducted as agreed terms	-
		Transcont Intermodal Logistics, Inc.	1	Trade payables	1,641	Conducted as agreed terms	-
				Operating cost	20,266	Conducted as agreed terms	-
		Yang Ming Shipping (Canada) Ltd.	1	Payables to shipping agent	12,242	Conducted as agreed terms	-
				Operating cost	31,055	Conducted as agreed terms	-
		Yang Ming (Belgium) N.V.	1	Trade receivables	86,880	Conducted as agreed terms	-
				Payables to shipping agent	29,753	Conducted as agreed terms	-
				Operating cost	51,572	Conducted as agreed terms	-
		Yang Ming (Netherlands) B.V.	1	Trade receivables	142,561	Conducted as agreed terms	-
				Payables to shipping agent	24,291	Conducted as agreed terms	-
				Operating revenue	9,471	Conducted as agreed terms	-
				Operating cost	79,396	Conducted as agreed terms	-
		Yang Ming (Italy) S.p.A	1	Trade receivables	184,182	Conducted as agreed terms	-
				Payables to shipping agent	36,335	Conducted as agreed terms	-
				Operating cost	88,649	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	1	Trade receivables	143,482	Conducted as agreed terms	-
				Trade payables	945,591	Conducted as agreed terms	0.01
				Payables to shipping agent	21,264	Conducted as agreed terms	-

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets
		Yang Ming Shipping Europe GmbH	1	Operating revenue	\$ 790,570	Conducted as agreed terms	0.01
				Operating cost	669,669	Conducted as agreed terms	-
				Trade receivables	210,497	Conducted as agreed terms	-
				Payables to shipping agent	92,535	Conducted as agreed terms	-
		Yang Ming (Russia) LLC.	1	Operating revenue	5,531	Conducted as agreed terms	-
				Operating cost	327,610	Conducted as agreed terms	-
				Trade receivables	6,663	Conducted as agreed terms	-
				Payables to shipping agent	200	Conducted as agreed terms	-
		Yang Ming (Spain), S.L	1	Operating cost	13,023	Conducted as agreed terms	-
				Trade receivables	77,680	Conducted as agreed terms	-
				Payables to shipping agent	25,716	Conducted as agreed terms	-
		Kuang Ming Shipping Corp.	1	Operating cost	19,922	Conducted as agreed terms	-
				Other receivables	9,088	Conducted as agreed terms	-
				Refundable deposits	126	Conducted as agreed terms	-
				Operating revenue	93	Conducted as agreed terms	-
				Marketing expense	721	Conducted as agreed terms	-
				Interest revenue	22,522	Conducted as agreed terms	-
				Rent income	4,389	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	1	Non-active market debt instruments - non-current	800,000	Conducted as agreed terms	0.01
				Operating revenue	18	Conducted as agreed terms	-
				Interest revenue	4,248	Conducted as agreed terms	-
		YES Logistics Corp.	1	Trade receivables	823	Conducted as agreed terms	-
				Other payables	1,156	Conducted as agreed terms	-
				Operating revenue	492,237	Conducted as agreed terms	-
				Operating cost	11,143	Conducted as agreed terms	-
				Rent income	6,037	Conducted as agreed terms	-
				Marketing expense	74	Conducted as agreed terms	-
		YES Logistics Corp. (USA)	1	Other receivables	2,795	Conducted as agreed terms	-
				Trade payables	172	Conducted as agreed terms	-
				Operating revenue	77,810	Conducted as agreed terms	-
				Operating cost	184	Conducted as agreed terms	-
		Golden Logistics USA Corporation	1	Trade payables	9,382	Conducted as agreed terms	-
				Operating cost	61,004	Conducted as agreed terms	-
1	All Oceans Transportation, Inc.	Yang Ming (Liberia) Corp.	2	Long-term notes receivable and trade receivables	7,122,849	Conducted as agreed terms	0.05
		Sunbright Insurance Pte. Ltd.	2	Interest revenue	120,518	Conducted as agreed terms	-
				Prepayments	2,968	Conducted as agreed terms	-
				Operating cost	42,091	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	2	Operating revenue	1,268,358	Conducted as agreed terms	0.01
		Yang Ming (Singapore) Pte. Ltd.	2	Long-term debt payable	297,600	Conducted as agreed terms	-
				Interest expense	6,173	Conducted as agreed terms	-
2	Yang Ming (Liberia) Corp.	Sunbright Insurance Pte. Ltd.	2	Prepayments	967	Conducted as agreed terms	-
				Operating cost	13,825	Conducted as agreed terms	-
				Other income	2,227	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	2	Operating revenue	234,211	Conducted as agreed terms	-

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets
3	Honming Terminal & Stevedoring Co., Ltd.	Jing Ming Transportation Co., Ltd.	2	Other payables	\$ 20,622	Conducted as agreed terms	-
				Operating cost	74,891	Conducted as agreed terms	-
		Yes Logistics Corp.	2	Other payables	5,217	Conducted as agreed terms	-
				Other receivables	456	Conducted as agreed terms	-
				Operating revenue	18,299	Conducted as agreed terms	-
				Operating cost	29,389	Conducted as agreed terms	-
4	Jing Ming Transportation Co., Ltd.	Yes Logistics Corp.	2	Trade receivables	1,666	Conducted as agreed terms	-
				Operating revenue	8,748	Conducted as agreed terms	-
5	Ching Ming Investment Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd.	2	Other receivables	18,192	Conducted as agreed terms	-
				Interest revenue	343	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Other receivables	30,321	Conducted as agreed terms	-
				Interest revenue	574	Conducted as agreed terms	-
6	Yang Ming Shipping (Singapore) Pte. Ltd.	Young-Carrier Company Ltd.	2	Other payables	1,079	Conducted as agreed terms	-
				Guarantee deposits received	7,510	Conducted as agreed terms	-
		YES Logistics (Shanghai) Corp.	2	Rent income	28,807	Conducted as agreed terms	-
				Guarantee deposits received	152	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Rent income	263	Conducted as agreed terms	-
				Other receivables	151,702	Conducted as agreed terms	-
		Yang Ming Shipping (B.V.I.) Inc.	2	Interest revenue	3,287	Conducted as agreed terms	-
				Other receivables	104,160	Conducted as agreed terms	-
		Yang Ming Shipping Philippines, Inc.	2	Interest revenue	2,322	Conducted as agreed terms	-
				Other receivables	202	Conducted as agreed terms	-
7	Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	2	Long-term notes receivable and trade receivables	4,464	Conducted as agreed terms	-
				Interest revenue	536	Conducted as agreed terms	-
8	Karlman Properties Limited	Yang Ming Line (Hong Kong) Ltd.	2	Trade receivables	252,083	Conducted as agreed terms	-
				Marketing expense	37,500	Conducted as agreed terms	-
9	Yang Ming Line (Hong Kong) Ltd.	Yes Logistics Company Ltd.	2	Guarantee deposits received	762	Conducted as agreed terms	-
				Rent income	9,375	Conducted as agreed terms	-
10	Yang Ming (Japan) Co., Ltd.	Manwa & Co., Ltd.	2	Rent income	234	Conducted as agreed terms	-
				Operating revenue	35	Conducted as agreed terms	-
11	Manwa & Co., Ltd.	Yes Logistics Company Ltd.	2	Operating revenue	503	Conducted as agreed terms	-
				Rent income	163	Conducted as agreed terms	-
		Kuang Ming Shipping Corp.	2	Operating revenue	27	Conducted as agreed terms	-
				Trade payables	2,379	Conducted as agreed terms	-

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets
12	Sunbright Insurance Pte. Ltd.	Kuang Ming Shipping Corp.	2	Advances from customers	\$ 182	Conducted as agreed terms	-
				Operating revenue	2,465	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Operating revenue	21,337	Conducted as agreed terms	-
				Advances from customers	1,554	Conducted as agreed terms	-
				Other current assets	5,506		-
13	Yang Ming Line Holding Corp	Yang Ming (America) Corp.	2	Other receivables	24,425	Conducted as agreed terms	-
				Other payables	16,364	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	148,800	Conducted as agreed terms	-
				Interest revenue	3,032	Conducted as agreed terms	-
		Olympic Container Terminal LLC	2	Interest revenue	3,044	Conducted as agreed terms	-
		Triumph Logistics, Inc.	2	Other receivables	24,577	Conducted as agreed terms	-
				Interest revenue	516	Conducted as agreed terms	-
		Yang Ming Shipping (B.V.I.) Inc.	2	Other receivables	89,280	Conducted as agreed terms	-
				Interest revenue	1,717	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Other receivables	148,800	Conducted as agreed terms	-
				Interest revenue	3,321	Conducted as agreed terms	-
14	Yang Ming (America) Corp.	Topline Transportation, Inc.	2	Other receivables	44	Conducted as agreed terms	-
		Transcont Intermodal Logistics, Inc.	2	Operating revenue	4,018	Conducted as agreed terms	-
		Triumph Logistics, Inc.	2	Other receivables	100	Conducted as agreed terms	-
		Golden Logistics USA Corporation	2	Other receivables	2,232	Conducted as agreed terms	-
15	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	2	Other receivables	3,363	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	2	Trade receivables	3,821,487	Conducted as agreed terms	0.03
				Operating revenue	183,325	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Other receivables	207,524	Conducted as agreed terms	-
				Interest revenue	3,896	Conducted as agreed terms	-
		Yes Logistics Corp.	2	Other payables	37,713	Conducted as agreed terms	-
				Interest expense	524	Conducted as agreed terms	-
16	Yang Ming Line N.V.	Yang Ming Line B.V.	2	Other receivables	4,267	Conducted as agreed terms	-
17	Yang Ming (Belgium) N.V.	Yang Ming (Netherlands) B.V.	2	Marketing expense	453	Conducted as agreed terms	-
18	Yang Ming (Netherlands) B.V.	Yes Logistics Benelux B.V.	2	Trade receivables	883	Conducted as agreed terms	-
				Other payables	15	Conducted as agreed terms	-
		Yang Ming Shipping Europe GmbH	2	Trade receivables	286	Conducted as agreed terms	-
				Other payables	14	Conducted as agreed terms	-
19	Yang Ming (Italy) S.p.A.	Yang Ming (Naples) S.r.l.	2	Trade receivables	647	Conducted as agreed terms	-
				Other payables	375	Conducted as agreed terms	-
				Operating cost	2,426	Conducted as agreed terms	-
20	Yang Ming (U.K.) Ltd.	Yes Logistics Corp.	2	Trade receivables	2,134	Conducted as agreed terms	-
				Operating revenue	5,877	Conducted as agreed terms	-
				Operating cost	1,205	Conducted as agreed terms	-

(Continued)



Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets
		Yang Ming Line (Hone Kong) Ltd.	2	Trade receivables	\$ 19,834	Conducted as agreed terms	-
				Payables to shipping agent	21,721	Conducted as agreed terms	-
				Operating cost	22,249	Conducted as agreed terms	-
		Young-Carrier Company Ltd.	2	Trade receivables	186,106	Conducted as agreed terms	-
				Payables to shipping agent	67,251	Conducted as agreed terms	-
				Operating cost	35,564	Conducted as agreed terms	-
		Yang Ming (America) Corp.	2	Payables to shipping agent	64,123	Conducted as agreed terms	-
				Operating cost	190,638	Conducted as agreed terms	-
		Yang Ming (Korea) Co., Ltd.	2	Trade receivables	1,922	Conducted as agreed terms	-
				Payables to shipping agent	2,356	Conducted as agreed terms	-
				Operating cost	14,100	Conducted as agreed terms	-
		Yang Ming (Japan) Co., Ltd.	2	Trade receivables	1,444	Conducted as agreed terms	-
				Payables to shipping agent	255	Conducted as agreed terms	-
				Operating cost	2,060	Conducted as agreed terms	-
		Yang Ming Shipping (Singapore) Pte. Ltd.	2	Payables to shipping agent	2,060	Conducted as agreed terms	-
				Operating cost	19,390	Conducted as agreed terms	-
		Yang Ming Line (M) Sdn Bhd.	2	Payables to shipping agent	4,280	Conducted as agreed terms	-
				Operating cost	6,254	Conducted as agreed terms	-
		Yang Ming Shipping (Canada) Ltd.	2	Payables to shipping agent	91	Conducted as agreed terms	-
				Operating cost	6,786	Conducted as agreed terms	-
		Yang Ming Line (India) Pvt. Ltd.	2	Trade receivables	68,229	Conducted as agreed terms	-
				Payables to shipping agent	60,709	Conducted as agreed terms	-
		Sunbright Insurance Pte. Ltd.	2	Prepayments	725	Conducted as agreed terms	-
				Operating cost	9,968	Conducted as agreed terms	-
		Yang Ming Shipping (Vietnam) Co., Ltd.	2	Trade receivables	7,509	Conducted as agreed terms	-
				Payables to shipping agent	5,867	Conducted as agreed terms	-
				Operating cost	6,288	Conducted as agreed terms	-
		Yang Ming Shipping Philippines, Inc.	2	Trade receivables	4,180	Conducted as agreed terms	-
				Payables to shipping agent	1,351	Conducted as agreed terms	-
21	Yang Ming Shipping Europe GmbH	Yes Logistics Europe GmbH	2	Trade receivables	9,004	Conducted as agreed terms	-
				Other payables	56	Conducted as agreed terms	-
22	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Shipping Corp.	2	Other receivables	204,908	Conducted as agreed terms	-
				Other income	12,571	Conducted as agreed terms	-
				Operating revenue	68,260	Conducted as agreed terms	-
				Interest revenue	388	Conducted as agreed terms	-
		Yes Logistics Corp.	2	Administrative expense	34	Conducted as agreed terms	-
23	Kuang Ming (Liberia) Shipping Corp.	Yes Logistics Corp.	2	Other payables	37,709	Conducted as agreed terms	-
				Interest expense	521	Conducted as agreed terms	-
24	Yes Logistics Corp.	Yes Logistics Benelux B.V	2	Trade receivables	1,248	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	3,738	Conducted as agreed terms	-
				Trade payables	5,078	Conducted as agreed terms	-
				Operating revenue	337	Conducted as agreed terms	-
				Operating cost	27,974	Conducted as agreed terms	-
				Interest revenue	79	Conducted as agreed terms	-

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets
		Yes Logistics Company Ltd.	2	Trade receivables	\$ 1,986	Conducted as agreed terms	-
				Operating revenue	336	Conducted as agreed terms	-
				Operating cost	6,955	Conducted as agreed terms	-
		Yes Logistics Corp. (USA)	2	Trade receivables	59,477	Conducted as agreed terms	-
				Trade payables	36,272	Conducted as agreed terms	-
				Operating revenue	69,065	Conducted as agreed terms	-
				Operating cost	171,660	Conducted as agreed terms	-
		Yes Logistics Europe GmbH	2	Trade receivables	93,267	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	39,949	Conducted as agreed terms	-
				Trade payables	24,287	Conducted as agreed terms	-
				Operating revenue	12,045	Conducted as agreed terms	-
				Operating cost	70,134	Conducted as agreed terms	-
				Interest revenue	944	Conducted as agreed terms	-
				Other income	827	Conducted as agreed terms	-
		YES Logistics (Shanghai) Corp.	2	Trade receivables	32,889	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	129,038	Conducted as agreed terms	-
				Trade payables	40,601	Conducted as agreed terms	-
				Operating revenue	65,016	Conducted as agreed terms	-
				Operating cost	119,370	Conducted as agreed terms	-
				Interest revenue	2,832	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp	2	Other receivables	37,709	Conducted as agreed terms	-
				Interest revenue	521	Conducted as agreed terms	-
		Yang Ming Line (B.V.I.) Holding Co., Ltd.	2	Other receivables	37,713	Conducted as agreed terms	-
				Interest revenue	525	Conducted as agreed terms	-
		Yes Logistics Bulgaria Ltd.	2	Trade payables	23	Conducted as agreed terms	-
25	Yes Logistics Benelux B.V.	Yes Logistics Europe GmbH	2	Trade receivables	607	Conducted as agreed terms	-
				Trade payables	27	Conducted as agreed terms	-
				Operating revenue	12,455	Conducted as agreed terms	-
				Operating cost	67	Conducted as agreed terms	-
		YES Logistics (Shanghai) Corp.	2	Trade receivables	124	Conducted as agreed terms	-
				Trade payables	24	Conducted as agreed terms	-
				Operating revenue	122	Conducted as agreed terms	-
				Operating cost	150	Conducted as agreed terms	-
26	Yes Logistics Company Ltd.	YES Logistics (Shanghai) Corp.	2	Trade receivables	20,644	Conducted as agreed terms	-
				Trade payables	20,258	Conducted as agreed terms	-
27	Yes Logistics Corp. (USA)	YES Logistics (Shanghai) Corp.	2	Trade receivables	3,504	Conducted as agreed terms	-
				Trade payables	1,987	Conducted as agreed terms	-
				Operating revenue	2,113	Conducted as agreed terms	-
				Operating cost	6,164	Conducted as agreed terms	-
		Golden Logistics USA Corporation	2	Trade receivables	42	Conducted as agreed terms	-
				Trade payables	57	Conducted as agreed terms	-
				Operating cost	42	Conducted as agreed terms	-
		Yes Logistics Europe GmbH	2	Trade receivables	117	Conducted as agreed terms	-

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			
				Financial Statement Accounts	Amount (Note C)	Payment Terms	% to Total Sales or Assets
28	YES Logistics (Shanghai) Corp.	Yes Logistics Europe GmbH	2	Trade receivables	\$ 22,335	Conducted as agreed terms	-
				Trade payables	836	Conducted as agreed terms	-
				Other receivables	37	Conducted as agreed terms	-
				Operating revenue	6,317	Conducted as agreed terms	-
				Operating cost	1,869	Conducted as agreed terms	-
29	Yes Logistics Europe GmbH	Yes MLC GmbH	2	Trade receivables	54,600	Conducted as agreed terms	-
				Trade payables	57	Conducted as agreed terms	-
				Operating revenue	4,595	Conducted as agreed terms	-
				Interest revenue	258	Conducted as agreed terms	-
30	YES MLC GmbH	Merlin Logistics GmbH	2	Trade payables	1,956	Conducted as agreed terms	-

Note A: Transactions between Yang Ming Marine Transport Corp. and its subsidiaries should be remarked, as well as numbered in the first column. Rules are as follows:

1. Yang Ming Marine Transport Corp. - 0
2. Subsidiaries are numbered in Arabic figures.

Note B: Related party transactions are divided into two categories as follows:

1. Yang Ming Marine Transport Corp. to its subsidiaries.
2. Subsidiaries to its parent company Yang Ming Marine Transport Corp.

Note C: Information on the Table is equivalent to the eliminated material intercompany transactions.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note A)		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Amount			
Yang Ming Marine Transport Corporation	Kao Ming Container Terminal Corp.	Taiwan	Terminal operation and stevedoring	\$ 3,181,313	\$ 3,181,313	323,000,000	47.50	\$ 6,100,423	\$ 115,114 (Note B)	\$ 54,679 (Note B)	Investments in associates
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	3,272,005	3,272,005	10,351	100.00	3,550,194	103,751	103,751	Subsidiary
	Kuang Ming Shipping Corp.	Taiwan	Shipping service, shipping agency and forwarding agency	7,928,163 (Note C)	5,530,987	295,557,949	98.52	2,255,782	(769,134)	(734,306)	Subsidiary
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency	1,113,356	1,113,356	60,130,000	100.00	2,049,380	360,160	360,160	Subsidiary
	Yang Ming Line Holding Co.	U.S.A.	Investment, shipping agency, forwarding agency and shipping managers	143,860	143,860	13,500	100.00	1,795,553	83,332	83,332	Subsidiary
	Ching Ming Investment Corp.	Taiwan	Investment	1,098,388	1,500,013	120,487,500	100.00	1,088,433	15,296	15,296	Subsidiary
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,399	3,399	1	100.00	725,736	92,259	92,259	Subsidiary
	All Oceans Transportation, Inc.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	689,256	112,975	112,975	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	460,371	(16,573)	(18,159)	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Taiwan	Terminal operation and stevedoring	79,273	79,273	7,916,908	79.17	126,865	20,962	16,596	Subsidiary
	Jing Ming Transportation Co., Ltd.	Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	123,891	9,971	5,084	Subsidiary
	Yunn Wang Investment Co., Ltd.	Taiwan	Investment	179,810	179,810	5,211,474	49.75	102,431	(275)	(137)	Investments in associates
	Transyang Shipping Pte. Ltd.	Singapore	Shipping services, chartering, sale and purchase of ships; forwarding agency and shipping agency	57,802	57,802	1,345	49.00	60,683	618	303	Investments in associates
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Taiwan	Terminal operation and stevedoring	24,988	24,988	2,083,092	20.83	33,378	20,962	-	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	548,286	548,286	55,630,977	46.36	516,065	(16,573)	-	Subsidiary
Yang Ming Line Holding Co.	Yang Ming (America) Corp.	U.S.A.	Shipping agency, forwarding agency and shipping managers	17,305	17,305	5,000	100.00	207,619	20,826	-	Subsidiary
	Olympic Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	-	120,078	-	-	-	92,956	-	Subsidiary
	Triumph Logistics, Inc.	U.S.A.	Container transportation	1,699	1,699	200	100.00	(9,902)	1,268	-	Subsidiary
	Topline Transportation Inc.	U.S.A.	Container transportation	4,860	4,860	100	100.00	8,409	2,839	-	Subsidiary
	Transcont Intermodal Logistics, Inc.	U.S.A.	Inland forwarding agency	2,444	2,444	200	100.00	7,480	(3,016)	-	Subsidiary
	Yang Ming Shipping (Canada) Ltd.	Canada	Shipping agency, forwarding agency and shipping managers	2,981	2,981	1,000	100.00	24,074	686	-	Subsidiary
	West Basin Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	132,050	132,050	(Note E)	40.00	652,100	(56,511)	-	Investments in associates
United Terminal Leasing LLC	U.S.A.	Terminal operation and machine lease	34,750	34,750	(Note F)	40.00	260,616	15,407	-	Investments in associates	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(2,162,596) (Note D)	19,933	-	Subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	(2,163,500) (Note D)	19,688	-	Subsidiary
Yang Ming Line B.V.	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	8,614	8,614	553	89.92	26,323	11,000	-	Subsidiary
	Yang Ming (Netherlands) B.V.	Netherlands	Shipping agency	15,285	15,285	400,000	100.00	101,698	75,214	-	Subsidiary
	Yang Ming (Italy) S.p.A.	Italy	Shipping agency	4,319	4,319	125,000	50.00	45,246	46,526	-	Subsidiary
	Yang Ming (UK) Ltd.	U.K.	Shipping agency, forwarding agency and shipping managers	70,709	70,709	1,500,000	100.00	(2,878,348) (Note D)	(94,803)	-	Subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	29,697	29,697	(Note G)	100.00	165,763	9,675	-	Subsidiary
	YangMing (Russia) LLC.	Russia	Shipping agency	3,017	3,017	(Note H)	60.00	18,617	26,086	-	Subsidiary
	Yang Ming (Spain), S.L.	Spain	Shipping agency	2,213	2,213	60,000	60.00	26,231	32,370	-	Subsidiary
Yang Ming (Netherlands) B.V.	Yang Ming Shipping (Egypt) S.A.E.	Egypt	Shipping agency, forwarding agency and shipping managers	15,757	15,757	24,500	49.00	22,971	31,161	-	Investments in associates
	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	1,900	1,900	62	10.08	2,950	11,000	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note A)		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Amount			
Yang Ming (UK) Ltd.	Corstor Ltd.	U.K.	Forwarding agency and shipping managers	\$ 25	\$ 25	500	50.00	\$ 4,326	\$ 1,280	\$ -	Investments in associates
Yang Ming (Italy) S.p.A.	Yang Ming (Naples) S.r.l.	Italy	Forwarding agency	238	238	(Note I)	60.00	1,923	1,312	-	Subsidiary
Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Shipping (B.V.I.) Inc. Yang Ming Line (Hong Kong) Ltd.	British Virgin Islands Hong Kong	Forwarding agency and shipping agency	247,772	247,772	1,000	100.00	326,101	13,814	-	Subsidiary
			Forwarding agency and shipping agency	2,138	2,138	1,000,000	100.00	(231,541) (Note D)	(18,807)	-	Subsidiary
	Yang Ming Line (India) Pvt. Ltd.	India	Shipping agency, forwarding agency and shipping managers	2,228	2,228	300,000	60.00	44,282	56,666	-	Subsidiary
	Yang Ming (Korea) Co., Ltd.	Korea	Shipping agency, forwarding agency and shipping managers	10,107	10,107	60,000	60.00	38,220	14,767	-	Subsidiary
	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	197,325	80,117	-	Subsidiary
	Yangming (Japan) Co., Ltd.	Japan	Shipping services; chartering, sale and purchase of ships; and forwarding agency	36,235	36,235	3,000	100.00	(21,054) (Note D)	1,777	-	Subsidiary
	Yangming Shipping (Singapore) Pte. Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	71,544	20,492	-	Subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	10,727	1,000,000	100.00	41,110	5,221	-	Subsidiary
	Sunbright Insurance Pte. Ltd.	Singapore	Insurance	32,440	32,440	5,000,000	100.00	201,982	47,184	-	Subsidiary
	Yang Ming Anatolia Shipping Agency	Turkey	Shipping agency, forwarding agency and shipping managers	1,077	1,077	50,000	50.00	131,461	257,381	-	Subsidiary
	Formosa International Development Corporation Yang Ming (U.A.E.) LLC.	Vietnam U.A.E.	Invest industry district and real estate	251,329	251,329	(Note J)	30.00	153,150	(58,441)	-	Investments in associates
			Shipping agency, forwarding agency and shipping managers	2,140	2,140	(Note K)	49.00	35,701	40,077	-	Investments in associates
	Yang Ming (Vietnam) Company Limited	Vietnam	Forwarding agency and shipping managers	3,197	3,197	(Note L)	49.00	4,474	-	-	Investments in associates
	Yang Ming Shipping (Vietnam) Co., Ltd.	Vietnam	Forwarding agency and shipping managers	9,881	9,881	(Note M)	100.00	31,674	17,869	-	Subsidiary
	Yang Ming (Australia) Pty. Ltd.	Australia	Shipping agency, forwarding agency and shipping managers	4,597	4,597	150,000	50.00	33,690	37,256	-	Investments in associates
	LogiTrans Technology Private Limited	India	Information system service	10,211	10,211	2,040,000	51.00	15,201	4,924	-	Investments in joint ventures
	Yang Ming Shipping Philippines, Inc.	Philippines	Forwarding agency and shipping managers	6,435	6,435	99,995	100.00	(15,197) (Note D)	(15,398)	-	Subsidiary
	Yang Ming (Latin America) Corp.	Panama	Shipping agency, forwarding agency and shipping managers	6,020	-	200	100.00	6,249	304	-	Subsidiary
	Yang Ming Line (Thailand) Co., Ltd.	Thailand	Shipping agency, forwarding agency and shipping managers	3,589	-	3,920	49.00	2,790	(1,581)	-	Subsidiary
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,551	27	-	Subsidiary
Yang Ming Shipping (B.V.I.) Inc.	Karlman Properties Limited	Hong Kong	Property agency	4	4	24,000,000	100.00	84,942	52	-	Subsidiary
Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Shipping Corp.	Republic of Liberia	Forwarding agency	4,232,144 (Note N)	2,713,544	3	100.00	1,439,895	(648,606)	-	Subsidiary
Yes Logistics Corp.	Yes Logistics Corp. (USA)	U.S.A.	Shipping agency, forwarding agency and shipping managers	179,763	179,763	2,173,411	100.00	(14,358) (Note D)	(40,714)	-	Subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment and subsidiaries management	34,214	34,214	1,471,304	100.00	20,922	(5,464)	-	Subsidiary
	ANSHIP-YES Logistics Corporation Limited Yes LIBERAL Logistics Corp.	Thailand Taiwan	Terminal operation and stevedoring Storage	- 75,000	3,763 75,000	- 7,500,000	- 50.00	- 67,218	- (6,075)	-	Investments in associates Investments in joint ventures
Yes Yangming Logistics (Singapore) Pte. Ltd.	Yes Logistics Benelux B.V.	Netherlands	Forwarding agency	10,179	10,179	12,600	70.00	(9,051) (Note D)	(6,328)	-	Subsidiary
	Yes Logistics Company Ltd.	Hong Kong	Forwarding agency	32,351	32,351	7,882,278	100.00	28,515	(994)	-	Subsidiary
Yes Logistics Corp. (USA)	Golden Logistics USA Corporation	U.S.A.	Container transportation	328	328	100	100.00	8,788	3,145	-	Subsidiary
	YES Logistics Europe GmbH	Germany	Forwarding agency	40,090	40,090	(Note O)	100.00	(80,012) (Note D)	(44,184)	-	Subsidiary
YES Logistics Europe GmbH	YES MLC GmbH	Germany	Import and export, storage and delivery, and other warehousing related business	10,826	10,826	(Note P)	100.00	(56,316) (Note D)	(30,712)	-	Subsidiary
YES MLC GmbH	Merlin Logistics GmbH	Austria	Storage and logistics	1,380	1,380	(Note Q)	100.00	3,183	(954)	-	Subsidiary
Merlin Logistics GmbH	YES Logistics Bulgaria	Bulgaria	Cargo consolidation service and forwarding agency	740	740	500	100.00	485	(916)	-	Subsidiary

(Continued)

Notes:

- A. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- B. This is an adjustment to the remainder investment of investment income or loss recognized at fair value on the date of losing control.
- C. The Original investment amount did not deduct the amount of offsetting the deficits \$4,701,339 thousand in May 2017.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- E. This is equivalent to US\$3,800 thousand, and no shares were issued.
- F. This is equivalent to US\$1,000 thousand, and no shares were issued.
- G. This equivalent to EUR818 thousand and no shares were issued.
- H. This equivalent to US\$92 thousand and no shares were issued.
- I. This is equivalent to EUR6 thousand, and no shares were issued.
- J. This is equivalent to US\$7,700 thousand, and no shares were issued.
- K. This is equivalent to AED245 thousand, and no shares were issued.
- L. This is equivalent to US\$94 thousand, and no shares were issued.
- M. This equivalent to US\$300 thousand and no shares were issued.
- N. The Original investment amount did not deduct the amount of offsetting the deficits \$2,139,659 thousand in June 2017.
- O. This is equivalent to EUR1,025 thousand, and no shares were issued.
- P. This is equivalent to EUR290 thousand, and no shares were issued.
- Q. This is equivalent to EUR35 thousand, and no shares were issued.
- R. The information on investments in mainland China is provided in Table H.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note G)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note G)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount as of December 31, 2017 (Note E)	Accumulated Repatriation of Investment Income as of December 31, 2017
						Outflow	Inflow						
Yes Logistics Corp.	Yes Logistics (Shanghai) Corp. (Note A)	International shipping agency	US\$ 4,300 thousand	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	\$ 148,800 (US\$ 5,000 thousand)	\$ 89,280 (US\$ 3,000 thousand)	\$ -	\$ 238,080 (US\$ 8,000 thousand)	\$ 9,966	96.36	\$ 9,603	\$ 81,768	\$ -
	Chang Ming Logistics Company Limited (Note B)	Terminal operation and stevedoring, storage, and shipping agency	RMB 144,800 thousand	Investee's direct investment in Mainland China.	276,798 (US\$ 9,301 thousand)	-	-	276,798 (US\$ 9,301 thousand)	(3,847)	47.22	(1,817)	300,953	-
	Sino-YES Tianjin Cold Chain Logistics Company Limited	Stevedoring, container inspection, repair and maintenance, cleaning, dismantling and loading services	RMB 7,000 thousand	Investee's direct investment in Mainland China	(Note F)	-	-	-	(1,720)	-	(812)	-	-
	Sino Trans PFS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and correlation service	US\$ 46,242 thousand	Investee's direct investment in Mainland China	183,441 (US\$ 6,164 thousand)	-	-	183,441 (US\$ 6,164 thousand)	(62,284)	12.85	(8,003)	84,249	-
	Shanghai United Cold Chain Logistics Co., Ltd. (Note H)	Stevedoring equipment, management and correlation service	RMB 50,000 thousand	Investee's direct investment in Mainland China	-	45,698 (RMB 10,000 thousand)	-	45,698 (RMB 10,000 thousand)	17,296	19.27	3,333	53,999	-
Ching Ming Investment Corp.	Sino Trans PFS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and correlation service	US\$ 46,242 thousand	Investee's direct investment in Mainland China	91,780 (US\$ 3,084 thousand)	-	-	91,780 (US\$ 3,084 thousand)	(62,284)	6.67	(4,154)	42,024	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Note G)	Investment Amounts Authorized by Investment Commission, MOEA (Note G)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Yang Ming Marine Transportation Corporation	\$ -	\$ 194,244 (US\$ 6,527 thousand)	\$ 15,905,760
Yes Logistics Corp. (Note C)	697,670 (US\$ 17,301 thousand) (RMB 40,000 thousand)	697,670 (US\$ 17,301 thousand) (RMB 40,000 thousand)	- (Note G)
Ching Ming Investment Corp. (Note D)	91,396 (RMB 20,000 thousand)	91,396 (RMB 20,000 thousand)	654,700

Notes:

- A. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on June 3, 2004, July 4, 2006, December 26, 2006 and August 31, 2016.
- B. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on April 11, 2005, August 22, 2006, November 29, 2006 and December 2, 2008.
- C. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on December 16, 2013.
- D. Ching Ming Investment Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on December 17, 2013.
- E. Calculated by the % ownership of direct or indirect investment.
- F. Yes Logistics (Shanghai) Corp. reinvested RMB3,430 thousand directly in 2013, and it was approved and completed the liquidation on November 8, 2017.
- G. Yes Logistics Corp. applied for and obtained the Business Operations Headquarters letter on August 22, 2016, and the term for the letter is to August 21, 2019. Therefore, the restrictions on the amount of investment in China are not applicable to Yes Logistics Corp.
- H. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on May 12, 2017.
- I. United States dollars and Ren min bi Yuan translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.76 and RMB1=NT\$4.5698 as of December 31, 2017.