

**Yang Ming Marine Transport Corporation
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2018 and 2017 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 (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 independent auditors (refer to the Other Matter paragraph below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, 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 independent 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, 2018. 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 for the year ended December 31, 2018 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 was NT\$80,254,725 thousand. The amount was material to the consolidated financial statements. Furthermore, but also the economic trend of the industry influenced the assessment of impairment reached by the management of the Group. The Group's management evaluated the impairment amount 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 assessment of impairment involves judgment of critical estimation from the Group's management, we deemed the assessment of impairment of the tangible assets (not including investment properties) and intangible assets as a key audit matter.

The assessment of impairment of the tangible assets (not including investment properties) and intangible assets included 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, and the test covers the forecast of cash flow and the discount rate.

Evaluation of the Impairment of Deferred Tax Assets Generated from Tax Loss Carryforwards

The carrying amount of deferred tax assets generated from tax loss carryforwards was NT\$4,688,658 thousand. The amount was material to the consolidated financial statements. Furthermore, 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 the impairment of deferred tax assets generated from tax loss carryforwards as a key audit matter.

The evaluation of the impairment of deferred tax assets generated from tax loss carryforwards included the critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 31 to the accompanying consolidated financial statements.

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

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 charter-in contracts. The market's supply - demand conditions of the charter-in hire affects the Group's rental revenue. Since the provisions involves judgment of critical estimation from the Group's management, we deemed the evaluation of provisions for onerous contracts as a key audit matter.

The evaluation of provisions for onerous contracts included critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 25 to the accompanying consolidated financial statements.

We gained an understanding of the rationale of the evaluation of the Group's management, and reviewed the documentation of the assumption used 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 the percentage-of-completion method of revenue recognition 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 included critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 29 to the accompanying consolidated financial statements.

We tested the accuracy of the timing of the revenue recognition. Through subsequent information of voyages, berthing reports, sailing schedules and report of the estimation of the bill of landing revenue, we reviewed the basis of estimates and 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 subsidiaries, namely Yes Logistics Company Ltd. and Yang Ming Line Holding Co., and some subsidiaries, namely Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line B.V., as of and for the years ended December 31, 2018 and 2017. The financial statements of these subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, 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 assets of these subsidiaries were NT\$5,388,236 thousand and NT\$4,740,569 thousand, representing 3.85% and 3.57% of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively. The combined operating revenue of these subsidiaries were NT\$561,174 thousand and NT\$701,728 thousand, representing 0.40% and 0.54% of the Group's total consolidated operating revenue for the years ended December 31, 2018 and 2017, respectively. Also, we did not audit the financial statements of the associates and joint ventures, which were accounted for by the equity-method, listed 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) Company Limited, Corstor Ltd., Chang Ming Logistics Company Limited, YES LIBERAL Logistics Corp., LogiTrans Technology Private Limited, PT. Formosa Sejati Logistics and YES AND HQL LOGISTICS COMPANY for the year ended December 31, 2018, 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) Company Limited, 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. The financial statements of these associates and joint ventures were audited by other auditors. The carrying amounts of these associates and joint ventures were NT\$1,485,082 thousand and NT\$1,543,832 thousand, representing 1.06% and 1.16% of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively. The amounts of profit or loss recognized on investments accounted for by the equity method were NT\$187,273 thousand and NT\$(109,783) thousand, representing (3.01%) and (166.08%) of the Group's total comprehensive income for the years ended December 31, 2018 and 2017, 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 as of and for the years ended December 31, 2018 and 2017 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 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, 2018 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 25, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 37)	\$ 17,399,750	12	\$ 12,806,622	10
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	262,576	-	317,796	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	1,475	-
Financial assets at amortized cost - current (Notes 4, 9 and 37)	651,187	1	-	-
Contract assets, net (Notes 4, 29 and 37)	1,747,637	1	-	-
Notes receivable, net (Notes 4 and 12)	7,534	-	7,982	-
Trade receivables, net (Notes 4 and 12)	8,203,538	6	7,965,350	6
Trade receivables from related parties (Notes 4, 12 and 37)	248,268	-	324,938	-
Shipping fuel (Notes 4 and 13)	4,082,616	3	2,772,425	2
Prepayments (Notes 4, 18 and 37)	725,586	1	770,906	1
Prepayments to shipping agents (Note 37)	18,608	-	300,225	-
Other financial assets - current (Notes 4, 19, 37 and 38)	-	-	318,790	-
Other current assets (Notes 31 and 37)	1,292,173	1	1,300,816	1
Total current assets	<u>34,639,473</u>	<u>25</u>	<u>26,887,325</u>	<u>20</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	1,701,701	1	-	-
Available-for-sale financial assets - non-current (Notes 4, 10 and 38)	-	-	1,174,587	1
Financial assets at amortized cost - non-current (Notes 4 and 9)	3,254,132	2	-	-
Financial assets measured at cost - non-current (Notes 4 and 11)	-	-	488,037	-
Investments accounted for using equity method (Notes 4 and 15)	8,031,722	6	7,994,209	6
Property, plant and equipment (Notes 4, 5, 16 and 38)	78,371,995	56	80,987,285	61
Investment properties (Notes 4, 17 and 38)	6,272,493	5	6,286,118	5
Other intangible assets (Notes 4 and 5)	98,222	-	106,454	-
Deferred tax assets (Notes 4, 5 and 31)	5,324,506	4	4,044,294	3
Prepayments for equipment (Notes 4 and 5)	1,279,519	1	50,997	-
Refundable deposits (Note 34)	451,572	-	701,014	1
Other financial assets - non-current (Notes 4, 19, 26 and 38)	63,447	-	3,597,979	3
Long-term prepayments for leases (Notes 4, 5, 18 and 37)	473,417	-	504,989	-
Other non-current assets	10,900	-	53,122	-
Total non-current assets	<u>105,333,626</u>	<u>75</u>	<u>105,989,085</u>	<u>80</u>
TOTAL	<u>\$ 139,973,099</u>	<u>100</u>	<u>\$ 132,876,410</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 37)	\$ 4,756,377	4	\$ 4,470,166	3
Short-term bills payable (Note 20)	9,601,979	7	7,212,281	6
Financial liabilities at FVTPL - current (Notes 4 and 7)	37,460	-	-	-
Contract liabilities - current (Notes 4 and 29)	120,736	-	-	-
Notes payable (Note 37)	29,763	-	31,729	-
Trade payables (Note 22)	12,965,069	9	12,248,428	9
Trade payables to related parties (Notes 22 and 37)	571,016	1	547,579	1
Other payables (Notes 24 and 37)	3,296,101	2	3,114,868	2
Current tax liabilities (Notes 4 and 31)	179,271	-	223,423	-
Provisions - current (Notes 4, 5 and 25)	478,622	-	791,602	1
Current portion of long-term liabilities (Notes 20, 21, 23, 26, 37 and 38)	14,715,685	11	15,037,430	11
Other advance account	204,546	-	282,742	-
Other current liabilities	540,003	-	380,454	-
Total current liabilities	<u>47,496,628</u>	<u>34</u>	<u>44,340,702</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 21, 37 and 38)	13,164,195	9	11,892,879	9
Long-term borrowings (Notes 20, 37 and 38)	46,929,208	34	37,805,130	29
Provisions - non-current (Notes 4, 5 and 25)	297,007	-	24,672	-
Deferred tax liabilities (Notes 4 and 31)	1,696,647	1	1,798,614	1
Finance lease payables - non-current (Notes 4 and 23)	3,834,330	3	4,010,269	3
Other advance account - non-current	765,068	1	932,178	1
Other financial liabilities - non-current (Notes 4, 21 and 26)	2,697,493	2	3,050,068	2
Net defined benefit liabilities - non-current (Notes 4 and 27)	2,557,552	2	2,332,688	2
Other non-current liabilities	240,227	-	179,610	-
Total non-current liabilities	<u>72,181,727</u>	<u>52</u>	<u>62,026,108</u>	<u>47</u>
Total liabilities	<u>119,678,355</u>	<u>86</u>	<u>106,366,810</u>	<u>80</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital - ordinary shares	23,230,248	17	23,230,248	18
Capital surplus	4,739,792	3	5,571,490	4
Accumulated deficits	(7,131,851)	(5)	(1,565,150)	(1)
Other equity	(1,010,181)	(1)	(1,203,023)	(1)
Total equity attributable to owners of the Company	19,828,008	14	26,033,565	20
NON-CONTROLLING INTERESTS				
Total equity	<u>466,736</u>	<u>-</u>	<u>476,035</u>	<u>-</u>
TOTAL	<u>\$ 139,973,099</u>	<u>100</u>	<u>\$ 132,876,410</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 29 and 37)	\$ 141,832,929	100	\$ 131,077,812	100
OPERATING COSTS (Notes 4, 13, 30 and 37)	<u>141,790,706</u>	<u>100</u>	<u>124,582,587</u>	<u>95</u>
GROSS PROFIT	<u>42,223</u>	<u>-</u>	<u>6,495,225</u>	<u>5</u>
OPERATING EXPENSES (Notes 30 and 37)				
Selling and marketing expenses	5,346,019	4	5,183,941	4
General and administrative expenses	793,717	-	835,270	1
Expected credit loss reversed	<u>(3,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>6,136,581</u>	<u>4</u>	<u>6,019,211</u>	<u>5</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 4 and 30)	<u>427,966</u>	<u>-</u>	<u>298,772</u>	<u>-</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(5,666,392)</u>	<u>(4)</u>	<u>774,786</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 30 and 37)				
Other income	291,812	-	182,120	-
Other gains and losses	(38,761)	-	1,453,356	1
Finance costs	(1,829,511)	(1)	(1,811,454)	(1)
Share of profit or loss of associates and joint ventures	<u>162,644</u>	<u>-</u>	<u>35,982</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,413,816)</u>	<u>(1)</u>	<u>(139,996)</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	(7,080,208)	(5)	634,790	-
INCOME TAX BENEFIT (EXPENSE) (Notes 4, 5 and 31)	<u>773,852</u>	<u>1</u>	<u>(142,924)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(6,306,356)</u>	<u>(4)</u>	<u>491,866</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 27, 28 and 31)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at FVTOCI	86,968	-	-	-
Remeasurement of defined benefit plans	(219,875)	-	(255,378)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	\$ 11,600	-	\$ 291	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>61,879</u>	-	<u>43,414</u>	-
	<u>(59,428)</u>	-	<u>(211,673)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	148,885	-	(577,119)	-
Unrealized gain on available-for-sale financial assets	-	-	304,588	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	21,561	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>2,233</u>	-	<u>36,881</u>	-
	<u>151,118</u>	-	<u>(214,089)</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>91,690</u>	-	<u>(425,762)</u>	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (6,214,666)</u>	<u>(4)</u>	<u>\$ 66,104</u>	<u>-</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (6,590,955)	(4)	\$ 320,849	-
Non-controlling interests	<u>284,599</u>	-	<u>171,017</u>	-
	<u>\$ (6,306,356)</u>	<u>(4)</u>	<u>\$ 491,866</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (6,473,151)	(4)	\$ (90,971)	-
Non-controlling interests	<u>258,485</u>	-	<u>157,075</u>	-
	<u>\$ (6,214,666)</u>	<u>(4)</u>	<u>\$ 66,104</u>	<u>-</u>

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YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
EARNING (LOSS) PER SHARE (Note 32)				
From continuing operations				
Basic	<u>\$ (2.53)</u>		<u>\$ 0.17</u>	
Diluted	<u>\$ (2.53)</u>		<u>\$ 0.17</u>	

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company									
	Share Capital (Notes 4 and 28)		Capital Surplus (Notes 4 and 28)	Accumulated Deficits (Note 28) Deficit to be Compensated	Other Equity			Total	Non-controlling Interests (Note 28)	Total Equity
	Shares (In Thousands)	Amount			Exchange Differences on Translating Foreign Operations Reserve (Notes 4 and 28)	Unrealized Gain/Loss from Available-for- sale Financial Assets (Notes 4 and 28)	Unrealized Gain/Loss on Financial Assets at Fair Value Through Other (Notes 4 and 28)			
BALANCE AT JANUARY 1, 2017	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
Changes 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	-	-	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 33)	-	-	-	(21,398)	-	-	-	(21,398)	21,398	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(172,195)	(172,195)
BALANCE AT DECEMBER 31, 2017	2,323,025	23,230,248	5,571,490	(1,565,150)	(85,841)	(1,117,182)	-	26,033,565	476,035	26,509,600
Effect of retrospective application and retrospective restatement	-	-	-	37,543	-	1,117,182	(1,201,784)	(47,059)	(48)	(47,107)
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,323,025	23,230,248	5,571,490	(1,527,607)	(85,841)	-	(1,201,784)	25,986,506	475,987	26,462,493
Equity component of convertible bonds issued by the Company	-	-	308,765	-	-	-	-	308,765	-	308,765
Capital surplus used to offset accumulated deficits	-	-	(1,146,351)	1,146,351	-	-	-	-	-	-
Net profit (loss) for the year ended December 31, 2018	-	-	-	(6,590,955)	-	-	-	(6,590,955)	284,599	(6,306,356)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(159,640)	178,191	-	99,253	117,804	(26,114)	91,690
Total comprehensive loss for the year ended December 31, 2018	-	-	-	(6,750,595)	178,191	-	99,253	(6,473,151)	258,485	(6,214,666)
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 33)	-	-	5,718	-	-	-	-	5,718	(17,632)	(11,914)
Change in percentage of ownership interests in subsidiaries	-	-	170	-	-	-	-	170	2	172
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(250,106)	(250,106)
BALANCE AT DECEMBER 31, 2018	<u>2,323,025</u>	<u>\$ 23,230,248</u>	<u>\$ 4,739,792</u>	<u>\$ (7,131,851)</u>	<u>\$ 92,350</u>	<u>\$ -</u>	<u>\$ (1,102,531)</u>	<u>\$ 19,828,008</u>	<u>\$ 466,736</u>	<u>\$ 20,294,744</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FORM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (7,080,208)	\$ 634,790
Adjustments for:		
Depreciation expenses	6,471,883	6,412,932
Amortization expenses	35,148	38,335
Impairment loss recognized on trade receivables	-	25,818
Expected credit loss reversed on trade receivables	(3,155)	-
Net loss (gain) on fair value change of financial assets/liabilities at FVTPL	61,468	(57,375)
Finance costs	1,829,511	1,811,454
Interest income	(155,192)	(95,971)
Dividend income	(52,515)	(2,831)
Compensation costs of employee share options	-	22,511
Share of profit of associates and joint ventures	(162,644)	(35,982)
Gain on disposal of property, plant and equipment	(309,201)	(194,242)
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	-	(6,542)
Impairment loss recognized on financial assets	-	140
(Reversal of) write-downs of shipping fuel	91,276	(230,430)
Net loss (gain) on foreign currency exchange	261,130	(753,107)
Net loss on repurchase of bonds payable	466	-
Loss (gain) on changes in fair value of investment properties	19,540	(73,884)
Amortization of long-term prepayments for leases	31,572	31,572
Reversal of provisions	(59,320)	(481,380)
Recognition of donations	-	(1,542)
Changes in operating assets and liabilities		
Financial assets held for trading	-	428,181
Financial assets mandatorily classified as at FVTPL	16,656	-
Contract assets	661,954	-
Notes receivable	448	(1,039)
Trade receivables	(2,599,552)	(463,675)
Trade receivables from related parties	14,071	(29,560)
Shipping fuel	(1,402,890)	(553,344)
Prepayments	44,441	9,073
Prepayments to shipping agents	281,617	(821)
Other current assets	(94,534)	(120,553)
Notes payable	(1,966)	(22,553)
Trade payables	716,641	(1,679,205)
Trade payables to related parties	23,437	(348,320)
Other payables	184,854	(21,011)
Contract liabilities	5,104	-
Other advance account	(129,674)	(153,401)
Other current liabilities	126,794	(123,878)
Net defined benefit liabilities	4,989	(83,312)
Cash generated from (used in) operations	(1,167,851)	3,880,848

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Interest received	\$ 147,799	\$ 105,606
Dividends received	331,732	246,442
Interest paid	(1,872,869)	(2,001,269)
Income tax paid	<u>(536,100)</u>	<u>(315,588)</u>
Net cash generated from (used in) operating activities	<u>(3,097,289)</u>	<u>1,916,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital reduction and withdrawal of shares of financial assets at FVTOCI	784	-
Purchase of financial assets at amortized cost	(505,164)	-
Proceeds from sale of financial assets at amortized cost	373,687	-
Purchase of available-for-sale financial assets	-	(1,700,000)
Proceeds from disposal of available-for-sale financial assets	-	1,700,161
Proceeds from disposal of financial assets measured at cost	-	10,286
Acquisition of associates and joint ventures	(112,631)	(44,950)
Net cash inflow on disposal of associates	60,331	13,255
Payments for property, plant and equipment	(4,182,445)	(1,552,495)
Proceeds from disposal of property, plant and equipment	470,858	241,306
Decrease (increase) in refundable deposits	249,442	(299,673)
Payments for intangible assets	(27,695)	(25,491)
Acquisition of investment properties	(5,915)	(5,476)
Decrease (increase) in other financial assets	(9,912)	687,896
Decrease (increase) in other non-current assets	49,165	(2,038)
Increase in prepayments for equipment	<u>(755,743)</u>	<u>(403,189)</u>
Net cash used in investing activities	<u>(4,395,238)</u>	<u>(1,380,408)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	286,211	(1,315,922)
Proceeds from short-term bills payable	2,400,000	5,828,000
Repurchase of bonds payable	(149,200)	-
Proceeds from issuance of bonds payable	7,676,000	-
Repayments of bonds payable	(1,275,952)	(6,585,000)
Proceeds from long-term borrowings	29,353,066	17,163,891
Repayments of long-term borrowings	(25,424,533)	(23,862,897)
Payments for obligations under finance leases	(318,966)	(381,650)
Decrease in other financial liabilities	(247,704)	(580,498)
Increase in other non-current liabilities	60,617	92,575
Issuance of ordinary shares for cash	-	10,314,668
Acquisition of subsidiaries (Note 33)	(11,914)	-
Net change in non-controlling interests	<u>(250,106)</u>	<u>(172,195)</u>
Net cash generated from financing activities	<u>12,097,519</u>	<u>500,972</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ <u>(11,864)</u>	\$ <u>(167,357)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,593,128	869,246
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,806,622</u>	<u>11,937,376</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,399,750</u>	<u>\$ 12,806,622</u>

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

(With Deloitte & Touche auditors' report dated March 25, 2019)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 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 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 25, 2019.

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 Financial Supervisory Commission (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:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 12,806,622	\$ 12,806,622
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	1,662,624	1,615,517
Mutual funds	Available-for-sale	Mandatorily at fair value through profit or loss (i.e. FVTPL)	1,475	1,475
Notes receivable, trade receivables, other receivables (included in other current assets) and long-term receivables (included in other non-current assets)	Loans and receivables	Amortized cost	6,488,821	6,488,821
Other financial assets - time deposits with original maturities of more than 3 months, deposit of stand-by letter of credit and restricted bank balance	Loans and receivables	Amortized cost	3,863,234	3,863,234

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Accumulated Deficits Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Non-controlling interests Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 317,796							
Add: Reclassification from available-for-sale (IAS 39)		\$ 1,475	\$ -					
Required reclassification	<u>317,796</u>	<u>1,475</u>	<u>-</u>	\$ 319,271	\$ 269	\$ 269	\$ -	(a)
<u>FVTOCI</u>								
Equity instruments								
Add: Reclassification from available-for-sale (IAS 39)		<u>1,662,624</u>	<u>(47,107)</u>	1,615,517	37,812	(84,847)	(48)	(b)
<u>Amortized cost</u>								
Add: Reclassification from loans and receivables (IAS 39)		<u>23,158,677</u>	<u>-</u>	<u>23,158,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	(c) (d)
	<u>\$ 317,796</u>	<u>\$ 24,822,776</u>	<u>\$ 47,107</u>	<u>\$ 25,093,465</u>	<u>\$ 37,543</u>	<u>\$ 84,062</u>	<u>\$ (48)</u>	

- a) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of \$269 thousand in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of \$269 thousand in accumulated deficits on January 1, 2018.
- b) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of \$1,116,913 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$488,037 thousand and a decrease of 47,059 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018, with a decrease of \$48 thousand in non-controlling interests on January 1, 2018.

The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in accumulated deficits. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$37,812 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an decrease of \$37,812 thousand in accumulated deficits on January 1, 2018.

- c) Time deposits with original maturities of more than 3 months, deposit of stand-by letter of credit and restricted bank balance previously classified as other financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- d) Notes receivable, trade receivables, other receivables and long-term receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised the loss allowance. The impact on assets and liabilities as of January 1, 2018 from the initial application of IFRS 15 is set out in Note 3(1) b. IFRS 15 “Revenue from Contracts with Customers” and related amendments.

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 supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in accumulated deficits on January 1, 2018.

The impact on assets and liabilities as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Trade receivables	\$ 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>
Other advance account	\$ 282,742	\$ (115,632)	\$ 167,110
Contract liabilities - current	<u>-</u>	<u>115,632</u>	<u>115,632</u>
Total effect on liabilities	<u>\$ 282,742</u>	<u>\$ -</u>	<u>\$ 282,742</u>

Had the Group applied IAS 18 in the current year, the following adjustments should be made to reflect the line item and balance under IAS 18.

	December 31, 2018 (IFRS 15)	Impact of IFRS 15	December 31, 2018 (IAS 18)
Contract assets - current	\$ 1,747,637	\$ (1,747,637)	\$ -
Trade receivables	8,203,538	1,644,548	9,848,086
Trade receivables from related parties	<u>248,268</u>	<u>103,089</u>	<u>351,357</u>
Total effect on assets	<u>\$ 10,199,443</u>	<u>\$ -</u>	<u>\$ 10,199,443</u>
Other unearned revenue	\$ 204,546	\$ 120,736	\$ 325,282
Contract liabilities - current	<u>120,736</u>	<u>(120,736)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 325,282</u>	<u>\$ -</u>	<u>\$ 325,282</u>

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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: 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.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. In order to obtain the payments of prepaid lease are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities (adjusted by the amount of any prepaid or accrued lease payments). Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

If the Group determines that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 to be accounted for as a sale of an asset, it will be accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Group will recognize only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Currently, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

The Group will not reassess sale and leaseback transactions entered into before January 1, 2019 to determine whether the transfer of an underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale. Upon initial application of IFRS 16, the aforementioned transitional provision for a lessee will apply to the leaseback portion. In addition, finance lease under IAS 17, the Group will continue to amortize any gains on sales over the lease term. Operating lease under IAS 17, the Group will adjust the leaseback right-of-use assets for any deferred gains or losses recognized on January 1, 2019.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold assets to a third party. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments	\$ 725,586	\$ (31,572)	\$ 694,014
Long-term prepayment for leases	473,417	(473,417)	-
Property, plant and equipment	78,371,995	(3,473,417)	75,204,093
Right-of-use assets	<u>-</u>	<u>55,548,934</u>	<u>55,548,934</u>
Total effect on assets	<u>\$ 79,570,998</u>	<u>\$ 51,876,043</u>	<u>\$131,447,041</u>
Finance lease payables - current (included in current portion of long-term liabilities)	\$ 305,302	\$ (305,302)	\$ -
Provisions - current	478,622	(476,725)	1,897
Other advance account	119,680	(119,680)	-
Lease liabilities - current	-	8,640,383	8,640,383
Finance lease payables - non-current	3,834,330	(3,834,330)	-
Provisions - non-current	297,007	(295,563)	1,444
Other advance account - non-current	670,208	(670,208)	-
Finance lease payables - non-current	<u>-</u>	<u>48,967,042</u>	<u>48,967,042</u>
Total effect on liabilities	<u>\$ 5,705,149</u>	<u>\$ 51,905,617</u>	<u>\$ 57,610,766</u>
Accumulated deficits	\$ (7,131,851)	\$ (29,136)	\$ (7,160,987)
Non-controlling interests	<u>466,736</u>	<u>(438)</u>	<u>466,298</u>
Total effect on equity	<u>\$ (6,665,115)</u>	<u>\$ (29,574)</u>	<u>\$ (6,694,689)</u>

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 14 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).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

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 FVTPL) 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 FVTPL 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 categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 36.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, note and trade receivables at amortized cost and time deposits with original maturities of more than 3 months, restricted bank balance, deposits of stand-by letter of credit, other receivables and long-term receivables are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits and 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset may be designated as at FVTPL 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 FVTPL.

Financial assets at FVTPL 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 36.

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 FVTPL.

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 and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), other receivables, as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, other receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, 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.

Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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 FVTPL

Financial liabilities are classified as at FVTPL 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 36.

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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

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

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

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

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the services promised in the contracts are a single performance obligation.

1) Revenue from contracts with customers

Revenue from contracts with customers comes from providing container shipping services. As the Group provides container shipping services, customers simultaneously receive and consume the benefits provided by the Group's performance. The Group recognizes the cargo revenue and contract asset on the basis of the percentage-of-completion. The contract assets are reclassified to trade receivables when the voyage is completed.

2) Rental revenues

Rental revenues (included shipping, container and warehousing rental revenue) from operating leases are recognized on a straight-line basis over the lease term.

3) Other operating revenues

a) 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.

b) 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.

c) Other service revenue

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

2017

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 rereasurement) 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. Rereasurement, 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. Rereasurement 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 rereasurement 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 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.

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.

c. Income taxes

As of December 31, 2018 and 2017, the carrying amount of deferred tax assets in relation to unused tax losses was \$4,688,658 thousand and \$3,561,187 thousand, respectively. As of December 31, 2018 and 2017, no deferred tax asset has been recognized on tax losses of \$5,414,470 thousand and \$3,984,230 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

	<u>December 31</u>	
	2018	2017
Cash on hand	\$ 87,423	\$ 87,664
Checking accounts and demand deposits	12,265,827	8,793,505
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	<u>5,046,500</u>	<u>3,925,453</u>
	<u>\$ 17,399,750</u>	<u>\$ 12,806,622</u>

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

	<u>December 31</u>	
	2018	2017
Time deposits	0.15%-24.25%	0.01%-13.80%

7. FINANCIAL INSTRUMENT AT FVTPL - CURRENT

	<u>December 31</u>	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Domestic quoted shares	\$ -	\$ 37,718
Overseas quoted shares	-	3,279
Mutual funds	<u>-</u>	<u>276,799</u>
	<u>-</u>	<u>317,796</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic quoted shares	92,656	-
Mutual funds	<u>169,920</u>	<u>-</u>
	<u>262,576</u>	<u>-</u>
	<u>\$ 262,576</u>	<u>\$ 317,796</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Oil swap and oil swap option	\$ 20,573	\$ -
Put option of bonds payable (Note 21)	<u>16,887</u>	<u>-</u>
	<u>\$ 37,460</u>	<u>\$ -</u>

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 US\$0 thousand and US\$222 thousand every month for the years ended December 31, 2018 and 2017, 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	Unsettled Amount	
		Notional Amount	Fair Value
December 31, 2018	2019.06.30	US\$ 2,586 thousand	\$ (20,573)

8. FINANCIAL ASSETS AT FVTOCI - NON CURRENT - 2018

	December 31, 2018
<u>Investments in equity instruments</u>	
Domestic investments	
Listed shares and emerging market shares	
Ordinary shares -Taiwan Navigation Co., LTD.	\$ 1,344,407
Unlisted shares	
Ordinary shares - Taipei Port Container Terminal Co., LTD.	346,302
Ordinary shares - United Stevedoring Corp.	4,596
Ordinary shares - United Raw Material Solutions Inc.	1,647
Ordinary shares - Ascentek Venture Capital Corporation	<u>4,749</u>
	<u>\$ 1,701,701</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and financial assets measured at cost - non- current under IAS 39. Refer to Note 3, Note 10 and Note 11 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Time deposits with original maturity of more than 3 months	\$ 545,467
Deposits of stand-by letter of credit (Notes 26 and 38)	3,078,116
Restricted bank balance (Note 38)	<u>281,736</u>
	<u>\$ 3,905,319</u>
Current	<u>\$ 651,187</u>
Non-current	<u>\$ 3,254,132</u>

These financial assets at amortized cost were classified as other financial assets under IAS 39. Refer to Note 3 and Note 19 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

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

Available-for-sale financial assets pledged as collaterals for secured loans is set out in Note 38.

11. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted ordinary shares	<u>\$ 488,037</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 488,037</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.

12. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2018	2017
<u>Notes receivable- operating</u>	<u>\$ 7,534</u>	<u>\$ 7,982</u>
<u>Trade receivables</u>		
At amortized cost		
Trade receivable - non-related parties	\$ 8,240,614	\$ 8,006,473
Trade receivable - related parties	248,268	324,938
Less: Allowance for impairment loss	<u>(37,076)</u>	<u>(41,123)</u>
	<u>\$ 8,451,806</u>	<u>\$ 8,290,288</u>

2018

The average credit period of notes receivable and trade receivables from cargo business is 14 to 28 days. For logistics, terminal, and warehousing services, the average credit period is within 90 days.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes receivable, trade receivables and contract assets. The expected credit losses on notes receivable, trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, and 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. The provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The Group recognize contract assets by completion ratio of transportation. According to historical experience, the completion of transportation period is within 60 days. The recognition method of The Group to assess contract assets which have expected credit loss is same as the trade receivables, and to assess within 60 days after invoice date.

The Group writes off a notes receivable, trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables, notes receivables and contract asset that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

For the notes receivable and 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 following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2018

	No Signs of Default By Client					Signs of Default By Client	Total
	Less than 60 Days	61 to 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days		
Expected credit loss rate	0.12%-0.51%	0.47%-1.51%	0.50%-4.51%	0.50%-10.01%	0.50%-20.01%	100%	-
Gross carrying amount	\$ 8,153,105	\$ 203,328	\$ 89,503	\$ 19,805	\$ 24,512	\$ 6,163	\$ 8,496,416
Loss allowance (Lifetime ECL)	<u>(24,279)</u>	<u>(1,960)</u>	<u>(1,332)</u>	<u>(1,690)</u>	<u>(1,652)</u>	<u>(6,163)</u>	<u>(37,076)</u>
Amortized cost	<u>\$ 8,128,826</u>	<u>\$ 201,368</u>	<u>\$ 88,171</u>	<u>\$ 18,115</u>	<u>\$ 22,860</u>	<u>\$ -</u>	<u>\$ 8,459,340</u>

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	\$ 41,123
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	41,123
Add: Net remeasurement of loss allowance	10,541
Less: Amounts written off	(14,412)
Foreign exchange gains and losses	<u>(176)</u>
Balance at December 31, 2018	<u>\$ 37,076</u>

2017

The Group applied the same credit policy in 2018 and 2017. 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 aging of receivables was as follows:

	December 31, 2017
Less than and including 90 days	\$ 8,223,748
91-180 days	81,075
181-365 days	20,218
Over 365 days	<u>14,352</u>
	<u>\$ 8,339,393</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:

	December 31, 2017
Less than and including 90 days	\$ 218,656
91-180 days	15,793
181-365 days	9,869
Over 365 days	<u>5,778</u>
	<u>\$ 250,096</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:

	For the Year Ended December 31, 2017		
	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
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>

13. SHIPPING FUEL

	December 31	
	2018	2017
Shipping fuel	<u>\$ 4,082,616</u>	<u>\$ 2,772,425</u>

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2018 and 2017, was \$24,080,596 thousand and \$17,513,140 thousand, respectively.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2018 and 2017 included reversals of shipping fuel write-downs of \$91,276 thousand and reversals of shipping fuel write-downs \$230,430 thousand, respectively. Previous write-downs were reversed as a result of increased profit from marine operations.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2018	2017	
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	98.52	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	Note b
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	-	-	Note c
"	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	
"					
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		
			2018	2017	
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	
	Yang Ming (MEDITERRANEAN) Marine Services Single-Member Limited Liability Company	Shipping agency, forwarding agency and shipping managers	100.00	-	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	100.00	91.00	Note e
"	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	
"	Yang Ming (Latin America) Corp.	Shipping agency, forwarding agency and shipping managers	100.00	100.00	Note f
"	Yang Ming Line (Thailand) Co., Ltd. (YML-Thailand)	Shipping agency, forwarding agency and shipping managers	49.00	49.00	Note g
"	Yang Ming Line shipping (Thailand) Co., Ltd.	Shipping agency	49.00	-	Note h
YML-Thailand	Yang Ming Line shipping (Thailand) Co., Ltd.	Shipping agency	50.00	-	Note h
Yang Ming Line shipping (Thailand) Co., Ltd.	Yang Ming Line (Thailand) Co., Ltd. (YML-Thailand)	Shipping agency, forwarding agency and shipping managers	49.00	-	Note i
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	69.80	Note j
"	PT. YES Logistics Indonesia	Forwarding agency	51.00	-	Note k

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2018	2017	
Yes-USA	Yes Logistics (Shanghai) Corp. (Yes-Shanghai)	Forwarding agency	30.20	30.20	Note j
"	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	

(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 November 2018 to liquidate Yang Ming (Liberia) Corp. (Yang Ming-Liberia) in February 2019.

Note c: The Group's board of directors resolved in August 2017 to liquidate Olympic Container Terminal LLC in October 2017.

Note d: The Group's board of directors resolved to establish Yang Ming (MEDITERRANEAN) Marine Services Single-Member Limited Liability Company in December 2017 and had registered in March 2018.

Note e: The Group's board of directors resolved to acquire equity of Young-Carrier Company Ltd. with 9% in May 2018. The shareholding ratio from 91% increase to 100% after acquisition.

Note f: The Group's board of directors resolved to establish Yang Ming (Latin America) Corp. in February 2017 and had registered in May 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: The Group's board of directors resolved to establish Yang Ming Line shipping (Thailand) Co., Ltd. in September 2017 and had registered in February 2018.

Note i: The Group's board of directors resolved to invest YML-Thailand in February 2018 and had registered in April 2018.

Note j: 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 k: The Group's board of directors resolved to establish PT. YES Logistics Indonesia in February 2017 and had registered in January 2018.

Although YMTC directly or indirectly owns less than 50% of shares with voting rights of Yang Ming-Italy and Yang Ming Anatolia Shipping Agency S.A., 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, 2018 (PT. YES Logistics Indonesia., 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, 2017 (Yes Logistics Benelux B.V., Golden Logistics USA Corporation, Yes Logistics Europe GmbH, YES MLC GmbH, Merlin Logistics GmbH and YES Logistics Bulgaria) 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.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Investment in associates	\$ 7,647,957	\$ 7,610,837
Investments in joint ventures	<u>383,765</u>	<u>383,372</u>
	<u>\$ 8,031,722</u>	<u>\$ 7,994,209</u>

a. Investment in associates

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Associates that are not individually material		
Kao Ming Container Terminal Corp.	\$ 5,987,984	\$ 6,100,423
West Basin Container Terminal LLC	721,107	652,100
United Terminal Leasing LLC	277,182	260,616
Sino Trans PFS Cold Chain Logistics Co., Ltd.	118,823	126,273
Formosa International Development Corporation	135,829	153,150
Yang Ming (U.A.E.) LLC	52,340	35,701
Yunn Wang Investment Co., Ltd.	115,002	102,431
Yang Ming Shipping (Egypt) S.A.E.	35,864	22,971
Yang Ming (Australia) Pty. Ltd.	33,060	33,690
Corstor Ltd.	4,798	4,326
Yang Ming (Vietnam) Corp.	4,522	4,474
Shanghai United Cold Chain logistics Co., Ltd. (Note a)	51,967	53,999
PT. Formosa Sejati Logistics (Note b)	5,504	-
Transyang Shipping Pte. Ltd. (Note c)	-	60,683
Taiwan Foundation International Pte. Ltd. (Note d)	103,975	-
Sino-YES Tianjin Cold Chain Logistics Company Limited (Note e)	<u>-</u>	<u>-</u>
	<u>\$ 7,647,957</u>	<u>\$ 7,610,837</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 acquire 15% of PT. Formosa Sejati Logistics in May 2018. The Group have a representative of the director and significant influence to the company.
- Note c: The Group's board of directors resolved in August 2017 for a capital reduction for return of cash of Transyang Shipping Pte. Ltd in January 2018 and liquidate in July 2018.
- Note d: The Group's board of directors resolved to establish Taiwan Foundation International Pte. Ltd. in August 2018 and had registered in October 2018.
- Note e: 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.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net gain for the year	\$ 158,182	\$ 38,808
Other comprehensive income	<u>11,600</u>	<u>21,853</u>
Total comprehensive income for the year	<u>\$ 169,782</u>	<u>\$ 60,661</u>

Except for Sino Trans PFS Cold Chain Logistics Co., Ltd., Shanghai United Cold Chain logistics Co., Ltd. and Taiwan Foundation International Pte. Ltd., 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 2018. 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

	December 31	
	2018	2017
Joint ventures that are not individually material		
Chang Ming Logistics Company Limited	\$ 295,793	\$ 300,953
YES LIBERAL Logistics Corp.	68,505	67,218
LogiTrans Technology Private Limited	16,634	15,201
Yes and HQL Logistics Company (Note a)	<u>2,833</u>	<u>-</u>
	<u>\$ 383,765</u>	<u>\$ 383,372</u>

Note a: The Group's board of directors resolved to establish Yes And HQL Logistics Company in April 2018 and had registered in August 2018.

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

Aggregate information of joint ventures that are not individually material

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
The Group's share of:		
Net gain (loss) for the year	\$ 4,462	\$ (2,826)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (4,462)</u>	<u>\$ (2,826)</u>

The share of profit or loss of joint ventures and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 was based on the joint ventures' financial statements audited by the auditors for the same years.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>									
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	<u>(103)</u>	<u>(36,662)</u>	<u>(211)</u>	<u>(998,586)</u>	<u>(490,041)</u>	<u>(1,874)</u>	<u>(18,970)</u>	<u>-</u>	<u>(1,546,447)</u>
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>
<u>Accumulated depreciation and impairment</u>									
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	<u>-</u>	<u>(13,643)</u>	<u>-</u>	<u>(437,553)</u>	<u>(186,700)</u>	<u>(1,527)</u>	<u>(16,799)</u>	<u>-</u>	<u>(656,222)</u>
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>
<u>Cost</u>									
Balance at January 1, 2018	\$ 691,157	\$ 1,437,787	\$ 21,684,085	\$ 96,795,540	\$ 8,567,975	\$ 544,323	\$ 3,543,108	\$ 347,683	\$ 133,611,658
Additions	-	319	2,739,802	754,323	-	24,125	116,564	519,566	4,154,699
Disposals	-	-	(1,023,317)	(252,796)	(73)	(17,333)	(208,302)	-	(1,501,821)
Reclassification	-	-	-	379,696	-	10,030	4,744	(867,249)	(472,779)
Effect of foreign currency exchange differences	<u>126</u>	<u>9,062</u>	<u>(168)</u>	<u>385,868</u>	<u>188,233</u>	<u>773</u>	<u>936</u>	<u>-</u>	<u>584,830</u>
Balance at December 31, 2018	<u>\$ 691,283</u>	<u>\$ 1,447,168</u>	<u>\$ 23,400,402</u>	<u>\$ 98,062,631</u>	<u>\$ 8,756,135</u>	<u>\$ 561,918</u>	<u>\$ 3,457,050</u>	<u>\$ -</u>	<u>\$ 136,376,587</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2018	\$ -	\$ 485,309	\$ 10,578,766	\$ 33,073,103	\$ 5,099,454	\$ 433,444	\$ 2,954,297	\$ -	\$ 52,624,373
Disposals	-	-	(920,454)	(252,796)	(73)	(16,923)	(182,845)	-	(1,373,091)
Depreciation expenses	-	31,152	1,440,869	4,386,864	404,279	48,934	159,785	-	6,471,883
Effect of foreign currency exchange differences	<u>-</u>	<u>5,082</u>	<u>-</u>	<u>189,595</u>	<u>85,296</u>	<u>419</u>	<u>1,035</u>	<u>-</u>	<u>281,427</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 521,543</u>	<u>\$ 11,099,181</u>	<u>\$ 37,396,766</u>	<u>\$ 5,588,956</u>	<u>\$ 465,874</u>	<u>\$ 2,932,272</u>	<u>\$ -</u>	<u>\$ 58,004,592</u>
Carrying amount at December 31, 2018	<u>\$ 691,283</u>	<u>\$ 925,625</u>	<u>\$ 12,301,221</u>	<u>\$ 60,665,865</u>	<u>\$ 3,167,179</u>	<u>\$ 96,044</u>	<u>\$ 524,778</u>	<u>\$ -</u>	<u>\$ 78,371,995</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 38.

17. INVESTMENT PROPERTIES

	Completed Investment Property
Balance at January 1, 2017	\$ 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	6,286,118
Additions	5,915
Loss on change in fair value of investment properties	<u>(19,540)</u>
Balance at December 31, 2018	<u>\$ 6,272,493</u>

The investment properties are leased out for 0.17 to 5 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:

	December 31	
	2018	2017
Not later than 1 year	\$ 70,681	\$ 72,307
Later than 1 year and not later than 5 years	82,741	133,151
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 153,422</u>	<u>\$ 205,458</u>

The investment property had been leased out under operating leases. The rental income generated for the years ended December 31, 2018 and 2017 was \$80,406 thousand and \$80,709 thousand, respectively.

The fair values of investment properties were measured on a recurring basis, as follows:

	December 31	
	2018	2017
Independent valuation	\$ 6,264,815	\$ 6,278,290
Valuation by the Group	<u>7,678</u>	<u>7,828</u>
	<u>\$ 6,272,493</u>	<u>\$ 6,286,118</u>

As of December 31, 2018 and 2017, the fair values were based on the valuations carried out on January 7, 2019 and January 5, 2018, 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:

	Keelung	Taipei	Kaohsiung	Total
Balance at December 31, 2017	\$ 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)	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	325,082	5,369,907	591,129	6,286,118
Recognized in profit or loss (gain arising from the change in fair value of investment property)	(3,653)	(17,959)	2,072	(19,540)
Purchases	<u>5,153</u>	<u>762</u>	<u>-</u>	<u>5,915</u>
Balance at December 31, 2018	<u>\$ 326,582</u>	<u>\$ 5,352,710</u>	<u>\$ 593,201</u>	<u>\$ 6,272,493</u>
Unrealized gain (loss) arising from the change in fair value of investment properties for the year ended December 31				
2018	<u>\$ (3,653)</u>	<u>\$ (17,959)</u>	<u>\$ 2,072</u>	<u>\$ (19,540)</u>
2017	<u>\$ 13,131</u>	<u>\$ 76,528</u>	<u>\$ (15,775)</u>	<u>\$ 73,884</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.

	December 31	
	2018	2017
Expected future cash inflows	\$ 5,172,232	\$ 5,910,225
Expected future cash outflows	<u>(419,572)</u>	<u>(526,852)</u>
Expected future cash inflows, net	<u>\$ 4,752,660</u>	<u>\$ 5,383,373</u>
Discount rate	3.845%-4.345%	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 2018 and 2017. The market rentals for comparable properties were between \$0.4 thousand and \$3.1 thousand per ping (35.59 square feet) in 2018 and between \$0.4 thousand and \$2.6 thousand per ping (35.59 square feet) in 2017.

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%-2.5%.

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:

	December 31	
	2018	2017
Estimated total sale price	<u>\$ 5,981,809</u>	<u>\$ 5,988,524</u>
Rate of return	14%-20%	14%-20%
Overall capital interest rate	1.54%-4.22%	1.83%-4.34%

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 38.

18. LONG-TERM PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Current asset (included in prepayments)	\$ 181,261	\$ 172,908
Non-current asset	<u>473,417</u>	<u>504,989</u>
	<u>\$ 654,678</u>	<u>\$ 677,897</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, 2018 and 2017, prepayments for lease were \$149,689 thousand and \$141,336 thousand, respectively.

19. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Time deposits with original maturities of more than 3 months	\$ -	\$ 224,551
Deposit of stand-by letter of credit (Notes 26 and 38)	-	3,394,440
Restricted bank balance (Note 38)	-	244,243
Cash surrender value of life insurance	<u>63,447</u>	<u>53,535</u>
	<u>\$ 63,447</u>	<u>\$ 3,916,769</u>
Current	<u>\$ -</u>	<u>\$ 318,790</u>
Non-current	<u>\$ 63,447</u>	<u>\$ 3,597,979</u>

The interest rate of time deposits with original maturities of more than 3 months were 0.01%-8.25% per annum as of December 31, 2017.

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 2,955,080	\$ 2,287,464
Loans from related parties (Note 37)	1,689,320	2,151,400
Other borrowings	<u>111,977</u>	<u>31,302</u>
	<u>\$ 4,756,377</u>	<u>\$ 4,470,166</u>

- 1) The range of weighted average effective interest rate on credit borrowings was 1.40%-4.81% and 1.29%-4.12% per annum as of December 31, 2018 and 2017, respectively.
- 2) Loans from related parties of the Group were the amounts repayable to government-related entities. Interest rate was 1.30%-3.89% and 1.29%-2.62% per annum as of December 31, 2018 and 2017.
- 3) Other borrowings of the Group were the unsecured borrowings from Young-Carrier (Shanghai). Interest rate was 2.06% and 1.50% per annum as of December 31, 2018 and 2017.

b. Short-term bills payable

	December 31	
	2018	2017
Commercial paper	\$ 9,628,000	\$ 7,228,000
Less: Unamortized discount on bills payable	<u>26,021</u>	<u>15,719</u>
	<u>\$ 9,601,979</u>	<u>\$ 7,212,281</u>

Interest rate of the outstanding short-term bills payable was 1.08%-2.07% and 1.07%-2.07% per annum as of December 31, 2018 and 2017.

c. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 38)		
Secured bank loans	\$ 5,522,339	\$ 6,546,463
Loans from related parties (Note 37)	19,736,539	22,657,325
Others borrowings	<u>997,895</u>	<u>1,025,196</u>
	<u>26,256,773</u>	<u>30,228,984</u>
Unsecured borrowings		
Line of credit borrowings	10,882,433	10,378,627
Loans from related parties (Note 37)	6,586,144	6,138,800
Others borrowings	<u>59,942</u>	<u>99,042</u>
	<u>17,528,519</u>	<u>16,616,469</u>

(Continued)

	December 31	
	2018	2017
Long-term bills payable		
Commercial paper	\$ 11,300,000	\$ 4,000,000
Less: Unamortized discount on bills payable	<u>14,302</u>	<u>3,273</u>
	<u>11,285,698</u>	<u>3,996,727</u>
	55,070,990	50,842,180
Less: Current portion	<u>8,141,782</u>	<u>13,037,050</u>
Long-term borrowings	<u>\$ 46,929,208</u>	<u>\$ 37,805,130</u> (Concluded)

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:

	December 31	
	2018	2017
<u>NT\$</u>		
Amount	\$ 45,968,070	\$ 41,452,208
Interest rate	1.25%-4.00%	1.20%-4.00%
Contract term	2010/12/03- 2026/04/24	2010/12/03- 2026/04/24
<u>US\$</u>		
Foreign currency amount	\$ 296,319	\$ 315,523
New Taiwan dollar amount	9,102,920	9,389,972
Interest rate	3.09%-4.65%	2.01%-3.21%
Contract term	2011/04/19- 2028/02/09	2009/12/17- 2027/01/13

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%-4.65% and 1.44%-2.50% on December 31, 2018 and 2017, 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 1.32%-4.45% and 1.33%-3.21% on December 31, 2018 and 2017, respectively. The loans are repayable in installment at varying amounts before February 9, 2028. 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, 2018 and 2017. 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 1.39%-4.49% and 1.25%-3.12% on December 31, 2018 and 2017, 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 1.37%-3.23% and 1.40%-3.23% on December 31, 2018 and 2017, respectively.

3) Other borrowings

Other borrowings were unsecured loans from a finance company. Interest rates were 2.92% on December 31, 2018 and 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 2016 and 2018, 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 November 2021. 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, 2018 and 2017, YMTC had met the above requirements.

As of December 31, 2018 and 2017, the interest rates were 1.25%-1.58% and 1.20%-1.61% respectively.

21. BONDS PAYABLE

	December 31	
	2018	2017
Domestic privately placed secured mandatory convertible bonds	\$ 170,025	\$ 332,280
Domestic privately placed unsecured bonds	3,850,000	3,850,000
Secured domestic bonds	3,974,454	3,972,854
Unsecured domestic bonds	3,900,000	5,000,000
Domestic unsecured convertible bonds	-	148,104
Domestic secured convertible bonds	<u>7,276,968</u>	<u>-</u>
	19,171,447	13,303,238
Less: Current portion	<u>6,007,252</u>	<u>1,410,359</u>
	<u>\$ 13,164,195</u>	<u>\$ 11,892,879</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, 2018 and 2017 were as follows:

	Liability Component	Equity Component
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>
January 1, 2018	\$ 332,280	\$ 4,413,702
Interest charged using effective interest rate method	11,745	-
Interest paid	<u>(174,000)</u>	<u>-</u>
December 31, 2018	<u>\$ 170,025</u>	<u>\$ 4,413,702</u>

As of December 31, 2018, 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, 2018 and 2017, unamortized cost of issuance was recognized as other financial liabilities (Note 26).

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, 2018 and 2017, 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:

Bonds issued on March 6, 2012:	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.

Bonds issued on March 30, 2012:	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.

Bonds issued on July 8, 2014:	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.
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c. Secured domestic bonds

YMTC issued 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:

Bonds issued in October 2015:	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:

Bonds issued in November 2013:	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.

Type A Bonds had been repaid \$1,100,000 thousand as of October 30, 2018.

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 May 28, 2018 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.
- 5) Repurchase and write-off by YMTC from securities dealer office.

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, 2018.

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, 2018 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, 2018 and 2017 were as follows:

	Liability Component		Equity Component
	Bond	Financial Liability	Option
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>
January 1, 2018	\$ 148,104	\$ -	\$ 11,437
Interest charged using effective interest rate method	630	-	-
Redeemed on convertible bonds	(149,200)	-	(11,437)
Loss of repurchase	<u>466</u>	<u>-</u>	<u>-</u>
December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

f. Domestic secured convertible bonds

On May 29, 2018, YMTC issued five-year domestic secured bonds (the 2018 convertible bonds) with an aggregate face value of \$7,600,000 thousand, and the issuance price was 101% of the 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 August 30, 2018 to May 29, 2023 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.

5) Repurchase and write-off by YMTC from securities dealer office.

The initial conversion price was \$10.40 as of the date of issuance. The bonds contained liability component and equity component to recognize capital surplus-equity component of convertible bonds of \$308,765 thousand.

Movements of the convertible bonds' liability and equity components from May 29, 2018 to December 31, 2018 were as follows:

	<u>Liability Component</u>		<u>Equity</u>
	<u>Bond</u>	<u>Financial Liability</u>	<u>Component Option</u>
May 29, 2018	\$ 7,277,894	\$ 15,352	\$ 308,765
Interest charged using effective interest rate method	28,737	-	-
Interest paid	(29,663)	-	-
Valuation gain	-	1,535	-
December 31, 2018	<u>\$ 7,276,968</u>	<u>\$ 16,887</u>	<u>\$ 308,765</u>

22. TRADE PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Trade payables - operating</u>		
Trade payables - non-related parties	\$ 12,965,069	\$ 12,248,428
Trade payables - related parties	<u>571,016</u>	<u>547,579</u>
	<u>\$ 13,536,085</u>	<u>\$ 12,796,007</u>
Payable for cost of voyage in sailing	\$ 9,026,934	\$ 8,686,482
Payable for fuel	3,492,665	2,674,113
Payable for space hire	369,345	846,419
Payable for freight expenses	513,521	435,573
Payable for stevedoring expenses	112,411	133,905
Payable for management expenses	<u>21,209</u>	<u>19,515</u>
	<u>\$ 13,536,085</u>	<u>\$ 12,796,007</u>

23. FINANCE LEASE PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Minimum lease payments</u>		
Not later than 1 year	\$ 594,764	\$ 617,341
Later than 1 year and not later than 5 years	2,379,055	2,304,710
Later than 5 years	<u>2,800,346</u>	<u>3,289,012</u>
	5,774,165	6,211,063
Less: Future finance charges	<u>1,634,533</u>	<u>1,884,930</u>
Present value of minimum lease payments	<u>\$ 4,139,632</u>	<u>\$ 4,326,133</u>
<u>Present value of minimum lease payments</u>		
Not later than 1 year	\$ 305,302	\$ 315,864
Later than 1 year and not later than 5 years	1,467,259	1,322,502
Later than 5 years	<u>2,367,071</u>	<u>2,687,767</u>
	<u>\$ 4,139,632</u>	<u>\$ 4,326,133</u>
Current (included in current portion of long-term liabilities)	\$ 305,302	\$ 315,864
Non-current	<u>3,834,330</u>	<u>4,010,269</u>
	<u>\$ 4,139,632</u>	<u>\$ 4,326,133</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, and the lease expires in the 2018. 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 1.53%-7.24% and 0.22%-7.24% for the years ended December 31, 2018 and 2017.

24. OTHER PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Payable for container lease	\$ 1,096,327	\$ 940,365
Payable for salary and bonus	315,154	317,466
Payable for interest expenses	221,572	197,447
Payable for equipment M&R expenses	116,416	149,483
Payable for annual leave	217,283	228,793
Payable for vessel charter hire	111,136	77,723
Others	<u>1,218,213</u>	<u>1,203,591</u>
	<u>\$ 3,296,101</u>	<u>\$ 3,114,868</u>

25. PROVISIONS

	<u>December 31</u>	
	2018	2017
Restoration cost for leased assets (a)	\$ 1,445	\$ 24,672
Onerous leases (b)	<u>774,184</u>	<u>791,602</u>
	<u>\$ 775,629</u>	<u>\$ 816,274</u>
Current	\$ 478,622	\$ 791,602
Non-current	<u>297,007</u>	<u>24,672</u>
	<u>\$ 775,629</u>	<u>\$ 816,274</u>

	Restoration Cost for Leased Assets	Onerous Leases	Total
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>
Balance at January 1, 2018	\$ 24,672	\$ 791,602	\$ 816,274
Reversing the balances	(23,241)	(36,079)	(59,320)
Effect of foreign currency exchange differences	<u>14</u>	<u>18,661</u>	<u>18,675</u>
Balance at December 31, 2018	<u>\$ 1,445</u>	<u>\$ 774,184</u>	<u>\$ 775,629</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.

26. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	2018	2017
Cost of issuance of bonds (Note 21,a)	\$ 13,896	\$ 66,462
Others	<u>2,944,946</u>	<u>3,257,763</u>
	<u>\$ 2,958,842</u>	<u>\$ 3,324,225</u>
Current (included in current portion of long-term liabilities)	\$ 261,349	\$ 274,157
Non-current	<u>2,697,493</u>	<u>3,050,068</u>
	<u>\$ 2,95,842</u>	<u>\$ 3,324,225</u>

YML-BVI leased ships under 25-year capital lease agreements in 2000 and 2001. The lease contracts were secured by stand-by letters of credit issued by a bank. YML-BVI deposited a portion of its lease payments in bank as collaterals, which were included in financial assets at amortized cost under IFRS 9 in 2018 and other financial assets in 2017. The balance was \$3,078,116 thousand and \$3,394,440 thousand, respectively as of the years ended December 31, 2018 and 2017.

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.

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Current (included in current portion of long-term liabilities)	\$ 247,452	\$ 221,591
Non-current	<u>2,697,494</u>	<u>3,036,172</u>
	<u>\$ 2,944,946</u>	<u>\$ 3,257,763</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 2018 and 2017 are included in the following account.

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Non-operating income and expenses		
Other income	<u>\$ 21,524</u>	<u>\$ 13,500</u>
Finance costs	<u>\$ (19,308)</u>	<u>\$ (11,396)</u>

27. 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, 2018 and 2017, the balance of the accrued expense was \$5,933 thousand and \$27,772 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:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 3,399,747	\$ 3,150,228
Fair value of plan assets	<u>(848,128)</u>	<u>(845,312)</u>
Net defined benefit liability	<u>\$ 2,551,619</u>	<u>\$ 2,304,916</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	\$ 2,984,224	\$ (876,024)	\$ 2,108,200
Service cost			
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
Changes in financial assumptions	81,469	-	81,469
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>233,378</u>
Contributions from the employer	-	(25,976)	(25,976)
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>
Service cost			
Current service cost	104,657	-	104,657
Past service cost	(14)	-	(14)
Net interest expense (income)	<u>39,298</u>	<u>(10,397)</u>	<u>28,901</u>
Recognized in profit or loss	<u>143,941</u>	<u>(10,397)</u>	<u>133,544</u>
Remeasurement			
Return on plan assets	-	(24,590)	(24,590)
Actuarial loss (gain)			
Changes in demographic assumptions	(7,849)	-	(7,849)
Changes in financial assumptions	12,653	-	12,653
Experience adjustments	<u>239,661</u>	<u>-</u>	<u>239,661</u>
Recognized in other comprehensive income	<u>244,465</u>	<u>(24,590)</u>	<u>219,875</u>
Contributions from the employer	-	(32,501)	(32,501)
Benefits paid	(141,497)	64,672	(76,825)
Exchange differences on foreign plans	<u>2,610</u>	<u>-</u>	<u>2,610</u>
Balance at December 31, 2018	<u>\$ 3,399,747</u>	<u>\$ (848,128)</u>	<u>\$ 2,551,619</u>

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

	For the Year Ended December 31	
	2018	2017
Current service cost	\$ 104,657	\$ 108,923
Past service cost	(14)	711
Net interest expense	<u>28,901</u>	<u>31,058</u>
	<u>\$ 133,544</u>	<u>\$ 140,692</u>
 An analysis by function		
Operating costs	\$ 72,520	\$ 77,993
Selling and marketing expenses	49,836	49,590
General and administrative expenses	<u>11,188</u>	<u>13,109</u>
	<u>\$ 133,544</u>	<u>\$ 140,692</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:

	December 31	
	2018	2017
Discount rates	1.00%-1.25%	1.11%-1.65%
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:

	December 31	
	2018	2017
Discount rates		
0.25%-0.50% increase	<u>\$ (167,633)</u>	<u>\$ (175,034)</u>
0.25%-0.50% decrease	<u>\$ 182,379</u>	<u>\$ 190,134</u>
Expected rates of salary increase		
0.25%-0.50% increase	<u>\$ 179,351</u>	<u>\$ 186,837</u>
0.25%-0.50% decrease	<u>\$ (155,127)</u>	<u>\$ (173,758)</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.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 33,267</u>	<u>\$ 27,174</u>
The average duration of the defined benefit obligation	9 years	10 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 \$21,811 thousand and \$37,820 thousand for the years ended December 31, 2018 and 2017, respectively.

28. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2018	2017
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>2,323,025</u>
Shares issued	<u>\$ 23,230,248</u>	<u>\$ 23,230,248</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, 2018 and 2017, there were 896 units and 38,852 units outstanding, representing 8,971 shares and 388,531 shares, which is 0.0004% and 0.02% 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>2018</u>	<u>2017</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ -	\$ 1,128,344
Donations	-	7
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	5,718	-
<u>May be used to offset a deficit only</u>		
Expiration of employee share options	-	18,000
Treasury share transactions	11,437	-
Changes in percentage of ownership interests in subsidiaries (2)	170	-
<u>May not be used for any purpose</u>		
Employee share options	<u>4,722,467</u>	<u>4,425,139</u>
	<u>\$ 4,739,792</u>	<u>\$ 5,571,490</u>

- 1) 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).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

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 30(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.

The statements of deficit compensated for 2017 approved in the shareholders’ meetings on June 22, 2018, were as follows:

	Offsetting of Deficit
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 offsetting of deficits for 2018 approved in the shareholders’ meetings on March 25, 2019 was as follows:

	Offsetting of Deficit
Capital surplus - the difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition	\$ 5,718
Capital surplus - treasury share transactions	11,437
Capital surplus - changes in percentage of ownership interest in subsidiaries	<u>170</u>
	<u>\$ 17,325</u>

The offset of deficits for 2018 will be resolved in the shareholders’ meeting to be held on June 25, 2019.

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

	For the Year Ended December 31	
	2018	2017
Balance at January 1	\$ (85,841)	\$ 439,738
Effect of change in tax rate	(1,049)	-
Recognized for the year		
Exchange differences arising on translating the financial statements of foreign operations	174,698	(562,460)
Related income tax	3,282	36,881
Reclassification adjustment		-
Disposal of foreign operations	<u>1,260</u>	<u>-</u>
Other comprehensive income recognized for the year	<u>178,191</u>	<u>(525,579)</u>
Balance at December 31	<u>\$ 92,350</u>	<u>\$ (85,841)</u>

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

	Amount
Balance at January 1, 2017	\$ (1,443,331)
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	304,749
Share from associates accounted for using the equity method	21,561
Reclassification adjustment	
Disposal of available-for-sale financial assets	<u>(161)</u>
Other comprehensive income recognized for the year	<u>326,149</u>
Balance at December 31, 2017	(1,117,182)
Adjustment on initial application of IFRS 9	<u>1,117,182</u>
Balance at January 1, 2018 per IFRS 9	<u>\$ -</u>

3) Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>(1,201,784)</u>
Balance at January 1 per IFRS 9	<u>(1,201,784)</u>
Recognized for the year	
Unrealized gain - equity instruments	86,968
Share from associates accounted for using the equity method	12,034
Related income tax	<u>251</u>
Other comprehensive income recognized for the year	<u>99,253</u>
Balance at December 31	<u>\$ (1,102,531)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1 per IAS 39	\$ 476,035	\$ 469,667
Adjustment on initial application of IFRS 9	(48)	-
Balance at January 1 per IFRS 9	<u>475,987</u>	<u>469,667</u>
Share of profit for the year	284,599	171,017
Other comprehensive income/(loss) during the year		
Exchange difference on translating the financial statements of foreign entities	(27,073)	(14,659)
Others	10	-
Issue of ordinary share for cash by subsidiaries	-	2,825
Changes in percentage of ownership interests in associates	-	90
Changes in percentage of ownership interest in subsidiaries (Note 33)	2	21,398
Remeasurement on defined benefit plan	-	864
Related income tax	949	(147)
Cash dividends distributed by subsidiaries	(250,106)	(175,020)
Acquisition of Young-Carrier Company Ltd.'s non-controlling interests (Note 33)	<u>(17,632)</u>	<u>-</u>
Balance at December 31	<u>\$ 466,736</u>	<u>\$ 476,035</u>

29. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Cargo revenue	\$ 123,778,218	\$ 117,143,169
Rental income		
Rental revenue on vessel	3,081,244	2,138,844
Slottage revenue	3,368,360	2,280,971
Other operating revenue	<u>11,605,107</u>	<u>9,514,828</u>
	<u>\$ 141,832,929</u>	<u>\$ 131,077,812</u>

a. Contact balances

	December 31, 2018
Trade receivables (Note 12)	<u>\$ 8,451,806</u>
Contract assets	
Cargo revenue	\$ 1,751,644
Less: Allowance for impairment loss	<u>(4,007)</u>
Contract assets	<u>\$ 1,747,637</u>
Contract liabilities - current	
Other advance account	<u>\$ 120,736</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for the contract assets. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables

The movements of the loss allowance of contract assets are as follows:

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1 per IFRS 9	-
Add: Net remeasurement of loss allowance	4,003
Foreign exchange gains and losses	<u>4</u>
Balance at December 31	<u>\$ 4,007</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

The information of contract recognition of assets expected credit loss on contract assets, refer to Note 12.

b. Disaggregation of revenue

Refer to Note 42 for information about disaggregation of revenue.

30. NET PROFIT (LOSS)

Net profit (loss) included items below:

a. Other operating income and expenses

	<u>For the Year Ended December 31</u>	
	2018	2017
Gain on disposal and retirement of property, plant and equipment	\$ 309,201	\$ 194,242
Reimbursement income	<u>118,765</u>	<u>104,530</u>
	<u>\$ 427,966</u>	<u>\$ 298,772</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2018	2017
Rental income	\$ 84,105	\$ 83,318
Interest income		
Bank deposits	150,902	93,044
Short-term bills	570	781
Others	3,720	2,146
Dividends	<u>52,515</u>	<u>2,831</u>
	<u>\$ 291,812</u>	<u>\$ 182,120</u>

c. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2018	2017
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	\$ -	\$ 6,542
Net foreign exchange gains	96,059	1,115,971
Fair value changes of financial assets and financial liabilities		
Financial assets held for trading	-	57,375
Financial assets mandatorily classified as at FVTPL	(39,360)	-
Financial liabilities designated as at FVTPL	(22,108)	-
(Loss)/gain on change in fair value of investment properties	(19,540)	73,884
Others	<u>(53,812)</u>	<u>199,584</u>
	<u>\$ (38,761)</u>	<u>\$ 1,453,356</u>

d. Finance costs

	<u>For the Year Ended December 31</u>	
	2018	2017
Interest on bank loans	\$ 993,436	\$ 961,697
Interest on obligations under finance leases	305,591	333,359
Interest on other financial liabilities	19,308	11,396
Interest on bonds	318,632	331,766
Other interest expenses	<u>192,544</u>	<u>173,236</u>
	<u>\$ 1,829,511</u>	<u>\$ 1,811,454</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 6,471,883	\$ 6,412,932
Intangible assets	<u>35,148</u>	<u>38,335</u>
	<u>\$ 6,507,031</u>	<u>\$ 6,451,267</u>
An analysis of depreciation by function		
Operating costs	\$ 6,361,371	\$ 6,303,733
Operating expenses	<u>110,512</u>	<u>109,199</u>
	<u>\$ 6,471,883</u>	<u>\$ 6,412,932</u>
An analysis of amortization by function		
Operating costs	\$ 7,004	\$ 5,479
Operating expenses	<u>28,144</u>	<u>32,856</u>
	<u>\$ 35,148</u>	<u>\$ 38,335</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	\$ 250,748	\$ 276,214
Defined benefit plans (Note 27)	133,544	140,692
Termination benefits	21,811	37,820
Other employee benefits	<u>6,779,936</u>	<u>6,549,092</u>
Total employee benefits expense	<u>\$ 7,186,039</u>	<u>\$ 7,003,818</u>
An analysis of employee benefits by function		
Operating costs	\$ 2,820,680	\$ 2,802,669
Operating expenses	<u>4,365,359</u>	<u>4,201,149</u>
	<u>\$ 7,186,039</u>	<u>\$ 7,003,818</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 because of the losses for the years ended December 31, 2018.

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.

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.

31. INCOME TAXES

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 547,633	\$ 373,370
Income tax on unappropriated earnings	827	119
Adjustments for prior years	<u>(383)</u>	<u>1,665</u>
	<u>548,077</u>	<u>375,154</u>
Deferred tax		
In respect of the current year	(795,106)	(246,285)
Effect of tax rate changes	(530,125)	-
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>3,302</u>	<u>14,055</u>
	<u>(1,321,929)</u>	<u>(232,230)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (773,852)</u>	<u>\$ 142,924</u>

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

	For the Year Ended December 31	
	2018	2017
Profit (loss) before tax	<u>\$ (7,080,208)</u>	<u>\$ 634,790</u>
Tax expense (benefit) calculated at the statutory rate	\$ (1,366,100)	\$ 160,762
Nondeductible expenses in determining taxable income	19,163	10,259
Tax-exempt income	102,435	98,915
Loss on the subsidiaries to offset deficits	-	(799,228)
Unrecognized loss carryforwards and deductible temporary differences	726,702	445,620
Effect of tax rate changes	(530,125)	-
Offshore income tax	177,124	140,460
Income tax on unappropriated earnings	827	119
Adjustments for prior years' tax	(383)	1,665
Others	<u>96,505</u>	<u>84,352</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (773,852)</u>	<u>\$ 142,924</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Deferred tax</u>		
Effect of change in tax rate	\$ (16,594)	\$ -
In respect of the current year:		
Translation of foreign operations	(3,282)	(36,881)
Remeasurement on defined benefit plan	(43,975)	(43,414)
Fair value changes of financial assets at FVTOCI	<u>(261)</u>	<u>-</u>
	<u>\$ (64,112)</u>	<u>\$ (80,295)</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	2018	2017
<u>Current tax assets</u>		
Tax refund receivable (included in other current assets)	<u>\$ 119,914</u>	<u>\$ 176,042</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 179,271</u>	<u>\$ 223,423</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, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
Tax losses	\$ 3,561,187	\$ 1,127,471	\$ -	\$ -	\$ 4,688,658
Temporary differences					
Unrealized shipping fuel valuation losses	5,702	20,676	-	-	26,378
Investment loss on investments accounted for using equity method	47,574	444	-	-	48,018
Defined benefit plan	337,069	52,277	61,618	-	450,964
Unrealized loss on voyage in sailing	8,676	2,796	-	-	11,472
Payable for annual leave	28,389	3,543	-	-	31,932
FVTOCI financial assets	-	-	261	-	261
Others	<u>55,697</u>	<u>11,126</u>	<u>-</u>	<u>-</u>	<u>66,823</u>
	<u>\$ 4,044,294</u>	<u>\$ 1,218,333</u>	<u>\$ 61,879</u>	<u>\$ -</u>	<u>\$ 5,324,506</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	\$ 973,751	\$ (44,875)	\$ -	\$ -	\$ 928,876
Reserve for land value increment tax	656,975	(8,245)	-	-	648,730
Investment properties	13,055	2,674	-	-	15,729
Property, plant and equipment	65,919	(37,692)	-	-	28,227
Exchange differences on translating foreign operations	5,945	-	(2,233)	-	3,712
Others	<u>82,969</u>	<u>(15,458)</u>	<u>-</u>	<u>3,862</u>	<u>71,373</u>
	<u>\$ 1,798,614</u>	<u>\$ (103,596)</u>	<u>\$ (2,233)</u>	<u>\$ 3,862</u>	<u>\$ 1,696,647</u>

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	<u>68,027</u>	<u>27,888</u>	<u>-</u>	<u>(12,946)</u>	<u>82,969</u>
	<u>\$ 1,778,163</u>	<u>\$ 70,278</u>	<u>\$ (36,881)</u>	<u>\$ (12,946)</u>	<u>\$ 1,798,614</u>

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

	December 31	
	2018	2017
Loss carryforwards		
Expire in 2019	\$ 263,188	\$ 771,391
Expire in 2021	6,139,274	9,246,501
Expire in 2022	378,686	2,701,422
Expire in 2023	4,590,481	8,071,939
Expire in 2024	381,489	381,489
Expire in 2025	528,293	1,475,708
Expire in 2026	10,658,828	513,155
Expire in 2027	1,336,263	275,043
Expire in 2028	<u>2,795,849</u>	<u>-</u>
	<u>\$ 27,072,351</u>	<u>\$ 23,436,648</u>
Deductible temporary differences	<u>\$ 86,135</u>	<u>\$ 88,330</u>

f. Information about unused loss carry-forward

As of December 31, 2018, unused loss carryforwards comprised of:

Unused Amount	Expiry Year
\$ 771,391	2019
9,246,501	2021
2,701,422	2022
8,065,942	2023
381,489	2024
4,921,391	2025
13,344,470	2026
4,811,723	2027
<u>6,271,310</u>	2028
<u>\$ 50,515,639</u>	

g. Income tax assessments

Company	Year
Yang Ming Marine Transport Corporation	2016
Kuang Ming Shipping Corp.	2015
Honming Terminal & Stevedoring Co., Ltd.	2016
Jing Ming Transportation Co., Ltd.	2016
YES Logistics Corp.	2016
Ching Ming Investment Corp.	2016

32. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2018	2017
Basic earnings (loss) per share	<u>\$ (2.53)</u>	<u>\$ 0.17</u>
Diluted earnings (loss) per share	<u>\$ (2.53)</u>	<u>\$ 0.17</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>	
	2018	2017
Earnings (loss) used in the computation of basic earnings (loss) per share	\$ (6,590,955)	\$ 320,849
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>\$ (6,590,955)</u>	<u>\$ 320,849</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares):

	For the Year Ended December 31	
	2018	2017
Outstanding shares	2,323,025	1,607,623
Not exercised number of convertible shares of mandatory convertible bonds	<u>278,311</u>	<u>261,615</u>
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	2,601,336	1,869,238
Effect of potentially dilutive ordinary shares:		
Convertible bonds	<u> -</u>	<u> -</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>2,601,336</u>	<u>1,869,238</u>

The Company did not consider the potential shares of convertible bonds in the calculation of diluted EPS for the years ended December 31, 2018 and 2017 due to their anti-dilutive effect.

33. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. On May 2018, the Group subscribed for additional new shares of Yang-Carrier Company Ltd. at 9 % from its existing ownership percentage, increasing its continuing interest from 91% to 100%.

	Total
Cash consideration paid	\$ (11,914)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>17,632</u>
Differences recognized from equity transactions	<u>\$ 5,718</u>
Line items adjusted for equity transaction	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>\$ 5,718</u>

- b. 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.

	June 2017	November 2017	Total
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>

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

34. 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, 2018 and 2017 was \$23,380,266 thousand and \$21,731,945 thousand, respectively. The rentals are paid monthly or quarterly, and the Group has deposited \$375,634 thousand and \$353,058 thousand as guarantee fund as of December 31, 2018 and 2017.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 19,659,492	\$ 21,202,207
Later than 1 year and not later than 5 years	60,078,871	63,844,016
Later than 5 years	<u>26,029,681</u>	<u>28,740,035</u>
	<u>\$ 105,768,044</u>	<u>\$ 113,786,258</u>

Provisions recognized for non-cancellable operating lease commitments are summarized in Note 25.

b. The Group as lessor

1) Vessels

The Group signed vessel lease contracts under operating lease. As of December 31, 2018 and 2017, the future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 1,791,302	\$ 493,018
Later than 1 year and not later than 5 years	12,145	-
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 1,803,447</u>	<u>\$ 493,018</u>

2) Investment properties

The Group signed land and building lease contracts under operating lease, please refer to Note 17.

35. 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:

	December 31	
	2018	2017
Debt (a)	\$ 119,640,895	\$ 106,366,810
Cash and cash equivalents	<u>(17,399,750)</u>	<u>(12,806,622)</u>
Net debt	<u>\$ 102,241,145</u>	<u>\$ 93,560,188</u>
Equity (b)	<u>\$ 20,294,744</u>	<u>\$ 26,509,600</u>
Net debt to equity ration	<u>503.78%</u>	<u>352.93%</u>

- a. Debt is defined as long-term and short-term borrowing (excluding derivative instruments and 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.

36. FINANCIAL INSTRUMENTS

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

December 31, 2018

	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*	\$ 183,921	\$ -	\$ -	\$ 185,577	\$ 185,577
Domestic privately placed unsecured bonds	3,850,000	-	3,915,432	-	3,915,432
Secured domestic bonds	3,974,454	-	3,989,798	-	3,989,798
Unsecured domestic bonds	3,900,000	-	3,973,281	-	3,973,281
Domestic unsecured convertible bonds	7,276,968	-	7,399,948	-	7,399,948
Finance lease payables	<u>4,139,632</u>	<u>-</u>	<u>4,437,917</u>	<u>-</u>	<u>4,437,917</u>
	<u>\$ 23,324,975</u>	<u>\$ -</u>	<u>\$ 23,716,376</u>	<u>\$ 185,577</u>	<u>\$ 23,901,953</u>

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>4,759,525</u>	<u>-</u>	<u>4,759,525</u>
	<u>\$ 17,695,833</u>	<u>\$ -</u>	<u>\$ 17,976,158</u>	<u>\$ 404,602</u>	<u>\$ 18,380,760</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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic quoted shares	\$ 92,656	\$ -	\$ -	\$ 92,656
Mutual funds	<u>169,920</u>	<u>-</u>	<u>-</u>	<u>169,920</u>
	<u>\$ 262,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,576</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares and emerging market shares	\$ 1,344,407	\$ -	\$ -	\$ 1,344,407
Unlisted shares	<u>-</u>	<u>-</u>	<u>357,294</u>	<u>357,294</u>
	<u>\$ 1,344,407</u>	<u>\$ -</u>	<u>\$ 357,294</u>	<u>\$ 1,701,701</u>
Financial liabilities at FVTPL				
Derivatives				
Put option of bonds payable	\$ -	\$ -	\$ 16,887	\$ 16,887
Oil swap and oil swap option	<u>-</u>	<u>-</u>	<u>20,573</u>	<u>20,573</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,460</u>	<u>\$ 37,460</u>

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>

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, 2018

Financial assets at FVTOCI

	Equity Instruments
Balance at January 1, 2018 under IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>440,930</u>
Balance at January 1, 2018 under IFRS 9	440,930
Unrealized gain/(loss) on financial assets at FVTOCI	(82,852)
Capital reduction for return of cash	<u>(784)</u>
Balance at December 31, 2018	<u>\$ 357,294</u>
Recognized in other gains and losses - unrealized	<u>\$ (82,590)</u>

Financial liabilities at FVTPL

	Derivatives		Total
	Oil Swap and Options	Repurchase on Bonds Payable	
Balance at January 1, 2018	\$ -	\$ -	\$ -
Recognized in profit or loss (included in other gains and losses)	20,573	1,535	22,108
Additions	-	15,352	15,352
Transfers out of Level 3	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 20,573</u>	<u>\$ 16,887</u>	<u>\$ 37,460</u>
Recognized in other gains and losses - unrealized	<u>\$ 20,573</u>	<u>\$ 1,535</u>	<u>\$ 22,108</u>

For the year ended December 31, 2017

Financial assets at FVTPL

	<u>Derivatives</u> <u>Oil Swap and</u> <u>Oil Swap</u> <u>Options</u>
Balance at January 1, 2017	\$ 2,905
Total gains or losses	
Recognized in profit or loss (included in other gains and losses)	
Realized	4,558
Unrealized	-
Reclassification	-
Purchases	-
Disposals/settlements	(7,463)
Transfers out of Level 3	<u>-</u>
Balance at December 31, 2017	<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) The fair values of domestic unlisted ordinary shares are determined using the comparable company analysis approach and asset-based approach. The comparable company analysis approach is a way to determine the value of a target company by reference to companies engaged in the similar industry, stock price in the active market and value multiplier implied by such prices, based on liquidity reduction. The asset-based approach is a way to determine the value of a target company by assessing the total value of individual assets and liabilities, based on liquidity reduction.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets</u>		
FVTPL		
Held for trading	\$ -	\$ 317,796
Mandatorily classified as at FVTPL	262,576	-
Loans and receivables (1)	-	25,572,275
Available-for-sale financial assets (2)	-	1,664,099

(Continued)

	December 31	
	2018	2017
Financial assets at amortized cost (3)	\$ 30,043,653	\$ -
Financial assets at FVTOCI		
Equity instruments	1,701,701	-
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	37,460	-
Amortized cost (4)	107,889,147	94,550,247 (Concluded)

- 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 include financial assets at amortized cost, which comprise cash and cash equivalents, time deposits with original maturities of more than 3 months, restricted bank balance, deposits of stand-by letter of credit, notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.
- 4) 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, CAD 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, CAD 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, CAD and HKD. For a 1% weakening of New Taiwan dollars against the U.S. dollars, RMB, GBP, CAD and HKD, there would be an equal and opposite impact on profit or loss.

Profit (Loss) of 1% Variation*	For the Year Ended December 31	
	2018	2017
U.S. dollars	\$ (99,282)	\$ (115,846)
RMB	(6,795)	5,843
GBP	4,764	4,325
CAD	(2,231)	1,308
HKD	2,220	1,871

* 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, RMB and CAD monetary liabilities; and due to the RMB's monetary assets were greater than the relevant currency assets. CAD's monetary liabilities were greater than the relevant currency liabilities. The GBP and HKD'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.

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 5,821,690	\$ 3,242,236
Financial liabilities	37,019,791	30,968,679
Cash flow interest rate risk		
Financial assets	10,947,021	8,639,576
Financial liabilities	58,679,476	52,536,233

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, 2018 would decrease/increase by \$47,732 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, 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.

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, 2018 would have increased/decreased by \$4,633 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income for the years ended December 31, 2018 would increase/decrease by \$85,085 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2017 would have increased/decreased by \$2,050 thousand, 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 would increase/decrease by \$58,729 thousand, as a result of the changes in fair value of available-for-sale shares.

If mutual funds had been 5% higher/lower, pre-tax profit for the years ended December 31, 2018 would have increased/decreased by \$8,496 thousand, as a result of the changes in fair value of financial assets at FVTPL.

If mutual funds had been 5% higher/lower, pre-tax profit for the years ended December 31, 2017 would have increased/decreased by \$13,840 thousand, 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 would increase/decrease by \$74 thousand, 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 \$184 thousand (US\$6 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, 2018.

The Group's sensitivity to other price increased during the current year mainly due to the increase in financial assets at FVTPL and financial assets at FVTOCI.

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, 2018 and 2017, the Group had available unutilized bank loans facilities \$4,639,468 thousand and \$5,419,483 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, 2018

	Less than 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 16,861,949	\$ 206,686	\$ -
Finance lease liabilities	594,764	2,379,055	2,800,346
Other financial liabilities*	257,202	1,357,822	1,459,977
Variable interest rate liabilities	9,506,411	46,498,817	1,243,504
Fixed interest rate liabilities	26,852,748	19,183,878	-
Financial guarantee liabilities	<u>190,886</u>	<u>-</u>	<u>-</u>
	<u>\$ 54,263,960</u>	<u>\$ 69,626,258</u>	<u>\$ 5,503,827</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 \$257,932 thousand, \$1,425,990 thousand and \$923,546 thousand, respectively.

December 31, 2017

	Less than 1 Year	1-5 Years	5+ Years
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.

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, 2018.

37. TRANSACTIONS WITH RELATED PARTIES

The Ministry of Transportation and Communications R.O.C. held 39.93% of the ordinary shares of YMCT as of December 31, 2018 and 2017, respectively. Over 50% of the members of YMTC's board of directors were appointed by the MOTC before the shareholders' meeting, and over 50% of the members of YMTC's board of directors were appointed by the MOTC and National Development Fund after the shareholders' meeting held on June 22, 2018. Therefore, the Company is a government-related entity, which is controlled by the central government. Transactions with other government-related entities were mainly bank deposits, borrowings and guarantees with government-owned banks (see Notes 20 and 21), concession rights of the Port of Kaohsiung, Taiwan International Ports Corporation Kaohsiung harbor intercontinental container and logistics center (see Note 18), operating commission contracts signed with TPC Corporation (see Note 39), government-related entities who subscribed for the ordinary shares of the Group which were issued for the purpose of a cash injection (see Note 28), and shipbuilding contracts signed with CSBC Corporation (see Note 39).

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

Related Party Name	Relationship with the Group
Yang Ming (Vietnam) Corp.	Associates
Formosa International Development Corporation	Associates
Yang Ming (U.A.E.) LLC	Associates
Yang Ming (Australia) Pty. Ltd.	Associates
PT. Formosa Sejati Logistics	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
Yunn Wang Investment Co., Ltd.	Associates
Taiwan Foundation International Pte. Ltd	Associates

(Continued)

Related Party Name	Relationship with the Group
LogiTrans Technology Private Limited	Joint ventures
YES LIBERAL Logistics Corp.	Joint ventures
Chang Ming Logistics Company Limited	Joint ventures
YES and HQL Logistics Company	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 International Investment Trust Co., Ltd.	Government - related parties
Central Reinsurance Corporation	Government - related parties
First Financial Holding Co., Ltd.	Government - related parties
Leader Container Transportation Co., Ltd.	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	
		2018	2017
Operating revenue	Government - related parties	\$ 393,540	\$ 315,314
	Joint ventures	775	613
	Associates	262,694	273,145
	Investors that have significant influence over the subsidiaries	<u>69</u>	<u>765</u>
		<u>\$ 657,078</u>	<u>\$ 589,837</u>
Operating cost	Associates	\$ 2,619,415	\$ 3,468,153
	Government - related parties	502,843	430,767
	Investors that have significant influence over the subsidiaries	330,108	438,564
	Joint ventures	<u>36,607</u>	<u>15,796</u>
		<u>\$ 3,488,973</u>	<u>\$ 4,353,280</u>
Operating expenses	Government - related parties	\$ 35,934	\$ 46,001
	Joint ventures	47,553	50,641
	Other related parties	29,381	29,961
	Investors that have significant influence over the subsidiaries	<u>10,694</u>	<u>6,964</u>
		<u>\$ 123,562</u>	<u>\$ 133,567</u>

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

c. Bank deposits

Bank deposits on reporting period (including financial assets at amortized cost as of December 31, 2018 and time deposits with original maturity of more than 3 months in other financial assets as of December 31, 2017) balance were as follows:

Related Party Category/Name	December 31	
	2018	2017
Government - related parties		
Land Bank of Taiwan	\$ 2,104,244	\$ 1,673,357
Others	<u>5,220,838</u>	<u>2,457,018</u>
	<u>\$ 7,325,082</u>	<u>\$ 4,130,375</u>

d. Contract assets

Line Item	Related Party Name	December 31	
		2018	2017
Contract assets	Associates	<u>\$ 103,089</u>	<u>\$ -</u>

e. Contract liabilities

Line Item	Related Party Name	December 31	
		2018	2017
Contract liabilities	Government - related parties	\$ <u>4,437</u>	\$ <u>-</u>

f. Receivables and payables from related parties (excluding loans to related parties and contract assets)

Line Item	Related Party Name	December 31	
		2018	2017
Trade receivables	Associates	\$ 247,756	\$ 317,469
	Joint ventures	392	1,216
	Government - related parties	<u>120</u>	<u>6,253</u>
		<u>\$ 248,268</u>	<u>\$ 324,938</u>
Other receivables (included in other current assets)	Associates		
	West Basin Container Terminal LLC	\$ 47,971	\$ 113,088
	Others	<u>21,629</u>	<u>26,421</u>
		69,600	139,509
	Government - related parties	<u>24,242</u>	<u>21,483</u>
	<u>\$ 93,842</u>	<u>\$ 160,992</u>	
Notes payable	Associates	\$ 35	\$ -
	Investors that have significant influence over the subsidiaries	<u>110</u>	<u>-</u>
		<u>\$ 145</u>	<u>\$ -</u>
Trade payables	Associates	\$ 468,805	\$ 428,345
	Joint ventures	2,248	13
	Government - related parties	9,148	14,106
	Investors that have significant influence over the subsidiaries	<u>90,815</u>	<u>105,115</u>
		<u>\$ 571,016</u>	<u>\$ 547,579</u>
Other payables	Associates	\$ -	\$ 87,734
	Government - related parties	85,492	78,734
	Investors that have significant influence over the subsidiaries	<u>-</u>	<u>34</u>
		<u>\$ 85,492</u>	<u>\$ 166,502</u>

g. Prepayments

Line Item	Related Party Category/Name	December 31	
		2018	2017
Prepayments to shipping agents	Associates	\$ <u>-</u>	\$ <u>59,496</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>473,417</u>	\$ <u>504,989</u>

h. Bonds payable

Related Party Category/Name	December 31	
	2018	2017
Government - related parties		
Taiwan International Ports Corporation, Ltd.	\$ 4,000,000	\$ 4,000,000
Others	<u>3,930,000</u>	<u>2,150,000</u>
	7,930,000	6,150,000
Investors that have significant influence	<u>450,000</u>	<u>450,000</u>
	<u>\$ 8,380,000</u>	<u>\$ 6,600,000</u>

Note: Original investment amount of privately placed bonds.

i. Loans from related parties

Line Item	Related Party Category/Name	December 31	
		2018	2017
Short-term borrowings	Government - related parties		
	Land Bank of Taiwan	\$ 800,000	\$ 767,840
	Chang Hwa Bank Ltd.	500,000	500,000
	First Financial Holding Co., Ltd.	-	500,000
	Others	<u>389,320</u>	<u>383,560</u>
		<u>\$ 1,689,320</u>	<u>\$ 2,151,400</u>
Long-term borrowings	Government - related parties		
Secured borrowings	Bank of Taiwan	\$ 4,655,258	\$ 5,912,585
	Mega International Commercial Bank	3,739,995	4,072,353
	Others	<u>11,341,286</u>	<u>12,672,387</u>
		<u>\$ 19,736,539</u>	<u>\$ 22,657,325</u>
Unsecured borrowings	Government - related parties	<u>\$ 6,586,144</u>	<u>\$ 6,138,800</u>

j. Others

Line Item	Related Party Name	For the Year Ended December 31	
		2018	2017
Rental income	Other related parties	\$ 3,200	\$ 3,852
	Government - related parties	<u>114</u>	<u>23</u>
		<u>\$ 3,314</u>	<u>\$ 3,875</u>
Interest income	Government - related parties		
	Land Bank of Taiwan	\$ 16,726	\$ 3,112
	Others	<u>11,750</u>	<u>6,519</u>
		28,476	9,631
	Associates	<u>-</u>	<u>197</u>
	<u>\$ 28,476</u>	<u>\$ 9,828</u>	
Dividends	Government - related parties		
	Taiwan Navigation Co., Ltd.	<u>\$ 49,531</u>	<u>\$ -</u>
Finance cost	Government - related parties		
	Mega International Commercial Bank Co., Ltd.	\$ 251,335	\$ 32,179
	Others	<u>560,178</u>	<u>622,287</u>
		811,513	654,466
	Investors that have significant influence	-	1,533
	Associates	<u>-</u>	<u>65</u>
	<u>\$ 811,513</u>	<u>\$ 656,064</u>	

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

k. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 47,925	\$ 36,070
Post-employment benefits	<u>4,323</u>	<u>10,048</u>
	<u>\$ 52,248</u>	<u>\$ 46,118</u>

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

38. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for syndicated bank loans, long-term bank loans, bonds and credit lines:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Property, plant and equipment, net	\$ 56,212,671	\$ 59,057,102
Deposit of stand-by letter of credit (included in other financial assets)	-	3,394,440
Pledged time deposits (included in other financial assets)	-	244,243
Deposit of stand-by letter of credit (included in financial assets at amortized cost)	3,078,116	-
Pledged time deposits (included in financial assets at amortized cost)	281,736	-
Available-for-sale financial assets	-	1,132,054
Investment properties, net	<u>4,764,430</u>	<u>4,759,370</u>
	<u>\$ 64,336,953</u>	<u>\$ 68,587,209</u>

39. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Table B, Notes 21, 25 and 34, 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 the contract is for five years. 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, unpaid amounts for these contracts were \$519,240 thousand.
- c. The Group signed ship lease contracts with other companies in 2013, 2015 and 2018, contracts that are effective beginning either in 2015, 2018 and 2020 with lease periods ranging from 10 to 12 years. As of December 31, 2018 and 2017, rentals for contracts that were yet in effect were respectively estimated from US\$1,706,000 thousand to US\$2,053,000 thousand and from US\$737,000 thousand to US\$883,000 thousand.
- d. The Group’s shipping and port business were secured by the letter of guarantee issued by a bank for \$588,259 thousand and \$349,607 thousand as of December 31, 2018 and 2017, respectively.
- e. The Group signed shipbuilding contracts with government - related parties. As of December 31, 2018, prepayments for equipment for these contracts amounted to \$1,132,622 thousand, and unpaid amounts for these contracts were \$5,113,560 thousand and US\$165,960 thousand, respectively.

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, 2018

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 177,214	30.7200	(USD:NTD)	\$ 5,444,020
GBP	79,959	1.2652	(GBP:USD)	3,107,658
RMB	59,902	4.4751	(RMB:NTD)	268,069
USD	50,001	5.2649	(USD:TRY)	1,536,046
EUR	28,467	35.1882	(EUR:NTD)	1,001,716
GBP	11,064	38.8654	(GBP:NTD)	430,016
HKD	82,902	3.9228	(HKD:NTD)	325,209
JPY	2,550,470	0.2781	(JPY:NTD)	709,246
USD	7,643	6.8646	(USD:RMB)	234,783
CAD	668	22.5725	(CAD:NTD)	15,075
Non-monetary items				
Investments accounted for using equity method				
USD	40,303	30.7200	(USD:NTD)	1,238,093
AUD	1,526	21.6607	(AUD:NTD)	33,060
AED	6,258	8.3637	(AED:NTD)	52,340
INR	37,925	0.4386	(INR:NTD)	16,634
GBP	123	38.8654	(GBP:NTD)	4,798
RMB	104,262	4.4751	(RMB:NTD)	466,583
IDR	2,620,952	0.0021	(IDR:NTD)	5,504
VND	5,657,692	0.0013	(VND:NTD)	7,355
EGP	20,890	1.7168	(EGP:NTD)	35,864
Financial assets at FVTPL				
GBP	2	38.8654	(GBP:NTD)	70
USD	121	30.7200	(USD:NTD)	3,723
<u>Financial liabilities</u>				
Monetary items				
USD	533,983	30.7200	(USD:NTD)	16,403,949
GBP	75,656	1.2652	(GBP:USD)	2,940,396
RMB	211,730	4.4751	(RMB:NTD)	947,520
EUR	27,228	35.1882	(EUR:NTD)	958,104
USD	19,539	5.2649	(USD:TRY)	600,241
JPY	1,861,868	0.2781	(JPY:NTD)	517,757
GBP	3,109	38.8654	(GBP:NTD)	120,840
HKD	26,298	3.9228	(HKD:NTD)	103,161
USD	4,520	6.8646	(USD:RMB)	138,867
CAD	10,552	22.5725	(CAD:NTD)	238,192

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
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 FVTPL				
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

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were \$96,059 thousand and \$1,115,971 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:

- The segments have similar long-term gross profit;
- The methods used to provide the segments' services are similar; and
- 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, 2018				
	Containership Department	Bulk Shipping Department	Other Departments	Adjustment and Eliminations	Combined
Sales to customers	\$ 133,149,129	\$ 3,223,332	\$ 5,460,468	\$ -	\$ 141,832,929
Intercompany sales	<u>748,291</u>	<u>-</u>	<u>1,447,514</u>	<u>(2,195,805)</u>	<u>-</u>
Total revenue	<u>\$ 133,897,420</u>	<u>\$ 3,223,332</u>	<u>\$ 6,907,982</u>	<u>\$ (2,195,805)</u>	<u>\$ 141,832,929</u>
Segment operating income (loss)	<u>\$ (5,484,516)</u>	<u>\$ (435,427)</u>	<u>\$ 121,732</u>	<u>\$ 53,793</u>	\$ (5,744,418)
Administration cost					(349,940)
Other operating income and expenses					427,966
Other income					291,812
Other gains and losses					(38,761)
Financial costs					(1,829,511)
Share of profit of associates and joint ventures					<u>162,644</u>
Loss before income tax					<u>\$ (7,080,208)</u>

	For the Year Ended December 31, 2017				
	Containership Department	Bulk Shipping Department	Other Departments	Adjustment and Eliminations	Combined
Sales to customers	\$ 123,746,598	\$ 2,274,355	\$ 5,056,859	\$ -	\$ 131,077,812
Intercompany sales	<u>663,646</u>	<u>-</u>	<u>1,693,841</u>	<u>(2,357,487)</u>	<u>-</u>
Total revenue	<u>\$ 124,410,244</u>	<u>\$ 2,274,355</u>	<u>\$ 6,750,700</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>\$ 205,088</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>

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.

	Revenue From External Customers	Noncurrent Assets
	For the Year Ended December 31, 2018	December 31, 2018
Domestic	\$ 9,572,160	\$ 8,381,205
America	56,173,883	13,720
Europe	42,710,841	36,066
Asia	33,367,067	480,031
Others	<u>8,978</u>	<u>95,161</u>
	<u>\$ 141,832,929</u>	9,006,183
Containers		12,387,076
Ships and construction in process		<u>65,113,287</u>
		<u>\$ 86,506,546</u>
	Revenue From External Customers	Noncurrent Assets
	For the Year Ended December 31, 2017	December 31, 2017
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>

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, 2018 and 2017.

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	\$ 1,000,000	\$ 1,000,000	\$ -	-	1	\$ 1,374,335	Repayment of loans/ obtain working capital	\$ -	-	\$ -	\$ 7,931,203	\$ 9,914,003	B, C and D	
		All Oceans Transportation, Inc.	Other receivables	Y	6,000,000	6,000,000	2,417,928	1.6275%	1	3,325,937	Obtain working capital	-	-	-	7,931,203	9,914,003		
		Kung Ming (Liberia) Corp.	Other receivables	Y	614,400 (US\$ 20,000 thousand)	-	-	-	-	2	-	Obtain working capital	-	-	-	991,400		1,982,800
1	Yang Ming Line (Singapore) Pte. Ltd.	Kung Ming (Liberia) Corp.	Other receivables	Y	153,600 (US\$ 5,000 thousand)	153,600 (US\$ 5,000 thousand)	153,600 (US\$ 5,000 thousand)	2.7905%	2	-	Obtain working capital	-	-	-	227,208	681,626	E and F	
		Yang Ming Shipping (B.V.I) Inc.	Other receivables	Y	107,520 (US\$ 3,500 thousand)	107,520 (US\$ 3,500 thousand)	95,232 (US\$ 3,100 thousand)	2.1451%	2	-	Obtain working capital	-	-	-	1,136,043	1,136,043		
		All Oceans Transportation, Inc.	Other receivables	Y	307,200 (US\$ 10,000 thousand)	307,200 (US\$ 10,000 thousand)	307,200 (US\$ 10,000 thousand)	1.7498%	2	-	Obtain working capital	-	-	-	1,136,043	1,136,043		
		Yang Ming Shipping Philippines, Inc.	Other receivables	Y	30,720 (US\$ 1,000 thousand)	30,720 (US\$ 1,000 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	1,136,043		1,136,043
		Yang Ming Line (B.V.I) Holding Co Ltd.	Other receivables	Y	87,552 (US\$ 2,850 thousand)	87,552 (US\$ 2,850 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	1,136,043		1,136,043
		Yang Ming Line(Thailand) Co., Ltd.	Other receivables	Y	27,345 (THB\$ 28,900 thousand)	27,345 (THB\$ 28,900 thousand)	22,141 (THB\$ 23,400 thousand)	2.9709%	2	-	Obtain working capital	-	-	-	227,208	681,626		
2	Yang Ming Line (B.V.I) Holding Co., Ltd.	Kung Ming (Liberia) Corp.	Other receivables	Y	333,312 (US\$ 10,850 thousand)	122,880 (US\$ 4,000 thousand)	122,880 (US\$ 4,000 thousand)	3.0626%	2	-	Obtain working capital	-	-	-	313,852	941,558	G and H	
3	Kung Ming Shipping Corp.	Kung Ming (Liberia) Corp.	Other receivables	Y	218,112	180,143	-	-	2	-	Obtain working capital	-	-	-	180,143	540,430	I and J	
4	Yes Logistics Corp.	Yes Logistics Europe GmbH	Other receivables	Y	39,283 (EUR 1,116 thousand)	39,283 (EUR 1,116 thousand)	39,283 (EUR 1,116 thousand)	1.5400%- 1.8500%	1	80,573	Obtain working capital	-	-	-	474,560	593,200	K and L	
		Yes Logistics (Shanghai) Corp.	Other receivables	Y	310,099 (US\$ 3,000 thousand)	131,094 (US\$ 3,000 thousand)	131,094 (US\$ 3,000 thousand)	1.7200%- 3.0000%	1	206,451	Obtain working capital	-	-	-	474,560	593,200		
		Yes Logistics Benelux B.V.	Other receivables	Y	and RMB 48,700 3,695 (EUR 105 thousand)	and RMB 8,700 3,695 (EUR 105 thousand)	and RMB 8,700 3,695 (EUR 105 thousand)	1.5400%	1	57,271	Obtain working capital	-	-	-	161,164	593,200		
		Kung Ming (Liberia) Corp.	Other receivables	Y	38,400 (US\$ 1,250 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	118,640	237,280		
		Yang Ming Line (B.V.I) Holding Co Ltd.	Other receivables	Y	38,400 (US\$ 1,250 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	118,640	237,280		
5	Kung Ming (Liberia) Corp.	Kung Ming Shipping Corp.	Other receivables	Y	58,368 (US\$ 1,900 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	243,020	729,062	M and N	
6	Yang Ming Line Holding Co.	Triumph Logistics, Inc.	Other receivables	Y	24,576 (US\$ 800 thousand)	24,576 (US\$ 800 thousand)	24,576 (US\$ 800 thousand)	1.7318%	2	-	Obtain working capital	-	-	-	998,890	998,890	O and P	

(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			
		Kung Ming (Liberia) Corp.	Other receivables	Y	\$ 153,600 (US\$ 5,000 thousand)	\$ 153,600 (US\$ 5,000 thousand)	\$ 153,600 (US\$ 5,000 thousand)	2.8906%	2	\$ -	Obtain working capital	\$ -	-	\$ -	\$ 199,778	\$ 599,334	
		Yang Ming (America) Co.	Other receivables	Y	307,200 (US\$ 10,000 thousand)	307,200 (US\$ 10,000 thousand)	307,200 (US\$ 10,000 thousand)	3.2768%	2	-	Obtain working capital	-	-	-	998,890	998,890	
		Yang Ming Line (B.V.I.) Holding Co Ltd.	Other receivables	Y	122,880 (US\$ 4,000 thousand)	122,880 (US\$ 4,000 thousand)	61,440 (US\$ 2,000 thousand)	3.0445%	2	-	Obtain working capital	-	-	-	199,778	599,334	
7	Ching Ming Investment Corp.	Kung Ming (Liberia) Corp.	Other receivables	Y	30,720 (US\$ 1,000 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	105,713	211,426	
		Yang Ming Line (B.V.I.) Holding Co Ltd.	Other receivables	Y	18,432 (US\$ 600 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	105,713	211,426	

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\$30.72, THB1= NT\$0.9462, EUR1= NT\$35.1882 and RMB1= NT\$4.4751 as of December 31, 2018.

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 O)	Outstanding Endorsement/Guarantee at the End of the Period (Note O)	Actual Borrowing Amount (Note O)	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	\$ 31,724,812 (Note B)	\$ 13,086,655 (US\$ 425,998 thousand)	\$ 13,086,655 (US\$ 425,998 thousand)	\$ 5,458,664 (US\$ 177,691 thousand)	\$ -	66.00	\$ 59,484,023 (Note A)	Y	N	N	
		Kuang Ming Shipping Corp.	Subsidiary	31,724,812 (Note B)	5,029,147 (US\$ 78,260 thousand)	5,029,147 (US\$ 78,260 thousand)	4,380,810 (US\$ 78,260 thousand)	-	25.36	59,484,023 (Note A)	Y	N	N	
		Kuang Ming (Liberia) Corp.	Subsidiary	31,724,812 (Note B)	4,982,315 (US\$ 162,185 thousand)	4,709,632 (US\$ 139,856 thousand)	3,283,976 (US\$ 106,900 thousand)	-	23.75	59,484,023 (Note A)	Y	N	N	
		Yang Ming (Liberia) Corp.	Subsidiary	31,724,812 (Note B)	2,150,400 (US\$ 70,000 thousand)	-	-	-	-	-	59,484,023 (Note A)	Y	N	N
		Yang Ming (America) Corp.	Subsidiary	31,724,812 (Note B)	245,760 (US\$ 8,000 thousand)	245,760 (US\$ 8,000 thousand)	8,422 (US\$ 274 thousand)	-	1.24	59,484,023 (Note A)	Y	N	N	
		West Basin Container Terminal LLC	Investments in associates	31,724,812 (Note B)	491,520 (US\$ 16,000 thousand)	-	-	-	-	-	59,484,023 (Note A)	N	N	N
1	Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Investments in associates	849,111 (Note F)	136,662 (US\$ 4,449 thousand)	136,662 (US\$ 4,449 thousand)	98,283 (US\$ 3,199 thousand)	-	0.69	1,061,389 (Note E)	N	N	N	
		United Terminal Leasing LLC	Investments in associates	849,111 (Note F)	54,224 (US\$ 1,765 thousand)	54,224 (US\$ 1,765 thousand)	37,634 (US\$ 1,225 thousand)	-	0.27	1,061,389 (Note E)	N	N	N	
2	All Oceans Transportation, Inc.	Yang Ming Marine Transport Corporation	Parent	23,239,973 (Note H)	2,144,000	2,144,000	1,506,000	2,144,000 (Note P)	10.81	29,049,966 (Note G)	N	Y	N	
3	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Subsidiary	24,057,677 (Note J)	3,174,429 (US\$ 22,400 thousand JPY 7,862,000 thousand and NT\$ 300,000 thousand)	1,807,057 (US\$ 9,000 thousand JPY 5,504,000 thousand)	623,251 (US\$ 20,288 thousand)	-	9.11	30,072,097 (Note I)	N	N	N	
4	Kuang Ming (Liberia) Corp.	Kuang Ming Shipping Corp.	Parent	9,203,953 (Note L)	500,000	-	-	-	-	11,504,941 (Note K)	N	N	N	
5	Karlman Properties Limited	Yang Ming Marine Transport Corporation	Parent	358,337 (Note N)	310,000	310,000	263,500	310,000	1.56	447,922 (Note M)	N	Y	N	

(Continued)

- 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 100% of asset of All Oceans Transportation, Inc.
- H. Represents 80% of the amount mentioned in Note I.
- I. Represents 400% of the net asset value of Kuang Ming Shipping Corp.
- J. Represents 320% of the amount mentioned in Note K.
- K. Represents 200% of the net asset value of Kuang Ming (Liberia) Corp.
- L. Represents 80% of the amount mentioned in Note M.
- M. Represents 500% of assets of Karlman Properties Limited.
- N. Represents 400% of the amount mentioned in Note Q.
- O. United States dollars, Great Britain Pounds and Japanese yen translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.72 and JPY1=NT\$0.2781 on December 31, 2018.
- P. Represents 10 ships used as guarantees, with carrying value of \$5,247,257 thousand as of December 31, 2018.

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(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, 2018				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 assets at FVTOCI - non-current	51,000,000	\$ 346,302	9.81	\$ 346,302	
	United Stevedoring Corp.	-	Financial assets at FVTOCI - non-current	500,000	4,596	10.00	4,596	
	<u>Domestic quoted shares</u>							
	Taiwan Navigation Co., Ltd.	Governed by the MOTC	Financial assets at FVTOCI - non-current	70,758,243	1,344,407	16.96	1,344,407	
Yang Ming Marine Transport Corporation	<u>Mutual funds</u>							
	BlackRock ICS GBP Liquidity Funds	-	Financial assets at FVTPL - current	1,780	70	-	70	
Yang Ming Marine Transport Corporation	<u>Corporates bonds</u>							
	Domestic Privately Placed Unsecured Bonds - Kuang Ming Shipping Corp.	Subsidiary	Financial assets at amortized cost - current	-	500,000	-	500,000	
Ching Ming Investment Corp.	<u>Domestic unquoted shares</u>							
	Ascentek Venture Capital Corporation	-	Financial assets at FVTOCI - non-current	705,600	4,749	2.14	4,749	
	<u>Domestic quoted shares</u>							
	Lotus Pharmaceutical Co., Ltd.	-	Financial assets at FVTPL - current	90,000	6,669	0.04	6,669	
	King Yuan Electronics Co., Ltd.	-	Financial assets at FVTPL - current	150,000	3,488	0.01	3,488	
	Innolux Corporation	-	Financial assets at FVTPL - current	300,000	2,916	-	2,916	
	Taimed Biologics Inc.	-	Financial assets at FVTPL - current	40,000	6,620	0.02	6,620	
	Coremax Corporation	-	Financial assets at FVTPL - current	45,000	4,118	0.05	4,118	
	Taiwan On-bright Electronics Incorporated	-	Financial assets at FVTPL - current	30,000	5,370	0.05	5,370	
	Tong Hsing Electronic Ind., Ltd.	-	Financial assets at FVTPL - current	30,000	3,225	0.02	3,225	
	Merry Electronics Co., Ltd.	-	Financial assets at FVTPL - current	15,000	1,845	0.01	1,845	
	Winbond Electronics Corp.	-	Financial assets at FVTPL - current	200,000	2,710	0.01	2,710	
	Walsin Technology Corp.	-	Financial assets at FVTPL - current	50,000	7,700	0.01	7,700	
	Catcher Technology Co., Ltd.	-	Financial assets at FVTPL - current	10,000	2,250	-	2,250	
	Center Laboratories Inc.	-	Financial assets at FVTPL - current	70,000	4,760	0.02	4,760	
	Delta Electronics, Inc.	-	Financial assets at FVTPL - current	60,000	7,770	-	7,770	
	Mediatek Inc.	-	Financial assets at FVTPL - current	10,000	2,295	-	2,295	
	Mega Financial Holding Company Ltd.	-	Financial assets at FVTPL - current	40,000	1,038	-	1,038	
	Largan Precision Co., Ltd.	-	Financial assets at FVTPL - current	2,000	6,430	-	6,430	
	Radiant Opto-electronics Corporation	-	Financial assets at FVTPL - current	90,000	7,605	0.02	7,605	
Sercomm Corporation	-	Financial assets at FVTPL - current	130,000	8,346	0.05	8,346		
Evergreen Marine Corporation (Taiwan) Ltd.	-	Financial assets at FVTPL - current	90,047	1,071	-	1,071		

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Foxconn Technology Co., Ltd.	-	Financial assets at FVTPL - current	20,000	\$ 1,210	-	\$ 1,210	
	CTBC FINANCIAL HOLDING CO., LTD.	-	Financial assets at FVTPL - current	50,000	1,010	-	1,010	
	Global Unichip Corp.	-	Financial assets at FVTPL - current	10,000	2,060	0.01	2,060	
	Parade Technologies, Ltd.	-	Financial assets at FVTPL - current	5,000	2,150	0.01	2,150	
	<u>Mutual funds</u>							
	Global Xrobotics & Artificial Intelligenco ETF	-	Financial assets at FVTPL - current	2,100	1,080	-	1,080	
	XLE Penergy Select SPDR ETF	-	Financial assets at FVTPL - current	1,500	2,643	-	2,643	
	Yuanta/p-shares Sse50 ETF	-	Financial assets at FVTPL - current	70,000	1,819	-	1,819	
	Yuanta Msci China A ETF	-	Financial assets at FVTPL - current	100,000	1,651	-	1,651	
	Yuanta New China Fund	-	Financial assets at FVTPL - current	102,120	754	-	754	
	Yuanta Emerging Indonesian Opportunity Bond Fund	-	Financial assets at FVTPL - current	181,176	1,873	-	1,873	
	Yuanta Emerging Asia Fund	-	Financial assets at FVTPL - current	79,177	809	-	809	
	Yuanta Daily CSI 300 Bull 2X ETF	-	Financial assets at FVTPL - current	150,000	1,611	-	1,611	
	W.I.S.E. Yuanta/P-shares CSI 300 ETF	-	Financial assets at FVTPL - current	80,000	1,148	-	1,148	
	Jih Sun China Strategy A Share Fund	-	Financial assets at FVTPL - current	156,296	1,336	-	1,336	
	Taishin CSI Leading Consumption and Services Index Fund	-	Financial assets at FVTPL - current	64,462	814	-	814	
	Taishin Global Disruptive Innovation Fund	-	Financial assets at FVTPL - current	100,000	895	-	895	
	SinoPac China Economic Development Fund	-	Financial assets at FVTPL - current	44,944	800	-	800	
	SinoPac Global Multi Income Fund-USD Acc.	-	Financial assets at FVTPL - current	5,000	1,410	-	1,410	
	SinoPac Global Multi Income Fund	-	Financial assets at FVTPL - current	100,000	905	-	905	
	SinoPac CSI 300 Dividend Index Fund	-	Financial assets at FVTPL - current	84,477	1,333	-	1,333	
	Mega China A Share Equity Fund	-	Financial assets at FVTPL - current	65,711	1,030	-	1,030	
	Allianz Global Investors Greater China Fund-USD	-	Financial assets at FVTPL - current	8,019	2,720	-	2,720	
	Prudential Financial China Small & Mid cap Fund-USD	-	Financial assets at FVTPL - current	17,498	3,892	-	3,892	
	Prudential Financial China Flexible Balanced Fund-TWD(A)	-	Financial assets at FVTPL - current	252,325	2,413	-	2,413	
	Prudential Financial Global Resources Fund	-	Financial assets at FVTPL - current	121,065	812	-	812	
	Prudential Financial Return Fund	-	Financial assets at FVTPL - current	1,291,623	20,110	-	20,110	
	Cathay China Domestic Demand Growth Fund-USD	-	Financial assets at FVTPL - current	159,796	2,753	-	2,753	
	Cathay China Emerging Industries Fund	-	Financial assets at FVTPL - current	100,897	1,607	-	1,607	
	Cathay Senior Secured High Yield Bond Fund-USD	-	Financial assets at FVTPL - current	892,326	8,983	-	8,983	
	Cathay Asia-Pacific Income Balanced Fund-CNY	-	Financial assets at FVTPL - current	440,723	4,599	-	4,599	
	Cathay Asian Growth Fund-USD	-	Financial assets at FVTPL - current	234,444	2,636	-	2,636	
	Cathay FTSE China A50 Daily Leveraged 2X ETF	-	Financial assets at FVTPL - current	50,000	1,023	-	1,023	
	Cathay FTSE China A50 ETF	-	Financial assets at FVTPL - current	120,000	1,986	-	1,986	
	FSITC China Century Fund-CNY	-	Financial assets at FVTPL - current	75,019	3,676	-	3,676	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	FSITC Global Utilities and Infrastructure Fund	-	Financial assets at FVTPL - current	300,000	\$ 2,757	-	\$ 2,757	
	Nomura China Opportunities Fund	-	Financial assets at FVTPL - current	132,460	1,484	-	1,484	
	Nomura Four Years Ladder Maturity Emerging Bond Fund Accumulate CNY	-	Financial assets at FVTPL - current	100,000	4,395	-	4,395	
	KGI Emerging Markets Equity Small & Mid Cap Fund	-	Financial assets at FVTPL - current	111,919	1,764	-	1,764	
	KGI Hospital & Dependency Related Industries Fund	-	Financial assets at FVTPL - current	161,943	1,810	-	1,810	
	Fubon SSE180 ETF.	-	Financial assets at FVTPL - current	70,000	1,766	-	1,766	
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	2,934,628	30,288	-	30,288	
	Fuh Hwa China New Economy A Shares Equity Fund	-	Financial assets at FVTPL - current	526,821	3,630	-	3,630	
	Fuh Hwa Taiwan Intelligence Fund	-	Financial assets at FVTPL - current	300,000	3,285	-	3,285	
	Fuh Hwa Global IoT and Tech Fund	-	Financial assets at FVTPL - current	78,616	1,005	-	1,005	
	Fuh Hwa Asia Pacific Tech Equity Fund	-	Financial assets at FVTPL - current	200,000	1,612	-	1,612	
	Fuh Hwa Greater China Fund	-	Financial assets at FVTPL - current	98,068	1,387	-	1,387	
	Hua Nan China A Share Equity Fund A	-	Financial assets at FVTPL - current	164,378	1,553	-	1,553	
	Hua Nan Global Multi-Asset Fund	-	Financial assets at FVTPL - current	100,100	982	-	982	
	Hua Nan Global New Retail Fund	-	Financial assets at FVTPL - current	100,000	867	-	867	
	Paradigm China Multi-opportunities Fund	-	Financial assets at FVTPL - current	218,735	2,328	-	2,328	
	Shin Kong China Growth Fund	-	Financial assets at FVTPL - current	253,182	2,056	-	2,056	
	Shin Kong Global Total Return Balanced Fund	-	Financial assets at FVTPL - current	200,000	1,782	-	1,782	
	Capital Grand India CNH	-	Financial assets at FVTPL - current	35,293	2,032	-	2,032	
	CAPITAL ASEAN FUND	-	Financial assets at FVTPL - current	76,511	823	-	823	
	Capital SZSE SME Price Index Exchange Traded Fund	-	Financial assets at FVTPL - current	150,000	1,444	-	1,444	
	Capital Emerging Markets Fund	-	Financial assets at FVTPL - current	108,696	883	-	883	
	Reliance Chinese Selected Growth Equity Fund	-	Financial assets at FVTPL - current	186,192	1,834	-	1,834	
	Allianz Global Investors Global Resources Trends Fund	-	Financial assets at FVTPL - current	111,857	805	-	805	
	JPMorgan (Taiwan) China A Share Equity Fund	-	Financial assets at FVTPL - current	93,696	1,054	-	1,054	
	JPMorgan (Taiwan) China Income Fund - Accumulation Share Class(RMB)	-	Financial assets at FVTPL - current	54,040	3,225	-	3,225	
	JPMorgan (Taiwan) New Silk Road Emerging Markets Fund	-	Financial assets at FVTPL - current	93,633	804	-	804	
	JPMorgan (Taiwan) Global Emerging Markets Fund	-	Financial assets at FVTPL - current	148,148	1,776	-	1,776	
	M&G Optimal Income Fund USD C-H Acc	-	Financial assets at FVTPL - current	18,792	9,089	-	9,089	
	Eastspring Investments India Fund-CNY	-	Financial assets at FVTPL - current	35,286	2,209	-	2,209	
Yes Logistics Corp.	<u>Domestic unquoted shares</u>							
	United Raw Material Solutions Inc./URMS	-	Financial assets at FVTOCI - non-current	319,751	1,647	2.76	1,647	

(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, 2018
(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>														
	Jih Sun Money Market Fund	Financial assets at FVTPL - current	-	-	-	\$ -	20,333,882	\$ 300,000	20,333,882	\$ 300,104	\$ 300,000	\$ 104	\$ -	-	\$ -
	Yuanta Wan Tai Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	19,885,723	300,000	19,885,723	300,097	300,000	97	-	-	-
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	33,398,315	450,000	33,398,315	450,042	450,000	42	-	-	-
	UPAMC JAMES BOND MONEY MARKET Fund	Financial assets at FVTPL - current	-	-	-	-	18,025,704	300,000	18,025,704	300,099	300,000	99	-	-	-
	Nomura Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	18,461,538	300,000	18,461,538	300,102	300,000	102	-	-	-
	Capital Money Market Fund	Financial assets at FVTPL - current	-	-	-	-	18,670,882	300,000	18,670,882	300,101	300,000	101	-	-	-

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, 2018

(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	\$ 22,731,797 (Note D)	-	\$ -	-	\$ -	\$ -
	Young-Carrier Company Limited	A	1,058,285	-	-	-	1,058,285	-
	Yang Ming (Italy) S.P.A.	A	153,818	-	-	-	153,818	-
	Yang Ming (UK) Ltd.	A	156,590	-	-	-	156,590	-
Yang Ming (Liberia) Corp.	All Oceans Transportation, Inc.	B	625,766 (Note G)	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	Yang Ming Marine Transport Corporation	C	116,296	-	-	-	49,934	-
Yang Ming Line (Singapore) Pte. Ltd.	All Oceans Transportation, Inc.	B	307,200 (Note F)	-	-	-	-	-
	Kuang Ming (Liberia) Corp.	B	157,505 (Note F)	-	-	-	157,505	-
Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	B	318,278	-	-	-	318,278	-
Yang Ming Line (Hong Kong) Ltd.	Yang Ming Marine Transport Corporation	C	126,166	-	-	-	126,166	-
Young-Carrier Company Limited	Yang Ming Marine Transport Corporation	C	874,510	-	-	-	678,055	-
Yang Ming Shipping (Vietnam) Co., Ltd.	Yang Ming Marine Transport Corporation	C	105,378	-	-	-	105,378	-
Yang Ming Line (Thailand) Co., Ltd.	Yang Ming Marine Transport Corporation	C	101,236	-	-	-	-	-
Yang Ming Line Holding Co.	Yang Ming (America) Corp.	A	331,662 (Note F)	-	-	-	-	-
	Kuang Ming (Liberia) Shipping Corp.	B	153,600 (Note F)	-	-	-	-	-

(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	\$ 231,396	-	\$ -	-	\$ 231,396	\$ -
	Yang Ming (UK) Ltd.	B	216,956	-	-	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming (UK) Ltd.	A	4,129,772 (Note E)	-	-	-	-	-
	Kuang Ming (Liberia) Shipping Corp.	B	125,933 (Note F)	-	-	-	-	-
Yang Ming (UK) Ltd.	Yang Ming Marine Transport Corporation	C	813,384	-	-	-	-	-
	Young-Carrier Company Limited	B	114,274	-	-	-	8,421	-
Yes Logistics Corp.	Yes Logistics (Shanghai) Corp.	A	161,313 (Note F)	-	-	-	-	-

Notes:

- A. Subsidiary of the Corporation.
- B. The same parent company.
- C. Parent company.
- D. Interest receivable, financing provided and proceeds from sale of ships.
- E. Financing provided.
- F. Accounts receivable.
- G. Interest receivable and financing provided.
- H. 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, 2018

(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	\$ 58,105	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	22,731,797	Conducted as agreed terms	0.16
				Operating revenue	9,683	Conducted as agreed terms	-
				Operating cost	3,325,937	Conducted as agreed terms	0.02
		Yang Ming (Liberia) Corp.	1	Interest revenue	378,309	Conducted as agreed terms	-
				Other payables	4,993	Conducted as agreed terms	-
				Operating cost	1,374,335	Conducted as agreed terms	0.01
		Honming Terminal & Stevedoring Co., Ltd.	1	Interest revenue	2,846	Conducted as agreed terms	-
				Trade receivables	36	Conducted as agreed terms	-
				Other receivables	77,716	Conducted as agreed terms	-
				Other payables	94,072	Conducted as agreed terms	-
				Operating revenue	89,701	Conducted as agreed terms	-
				Operating cost	350,767	Conducted as agreed terms	-
		Jing Ming Transportation Co.	1	Rent income	771	Conducted as agreed terms	-
				Other receivables	83	Conducted as agreed terms	-
				Other payables	116,296	Conducted as agreed terms	-
				Operating revenue	676	Conducted as agreed terms	-
		Ching Ming Investment Corp.	1	Operating cost	535,893	Conducted as agreed terms	-
				Rent income	743	Conducted as agreed terms	-
				Guarantee deposits received	185	Conducted as agreed terms	-
		Yang Ming Shipping (B.V.I.) Inc.	1	Rent income	1,073	Conducted as agreed terms	-
				Interest expense	2	Conducted as agreed terms	-
		Yang Ming Line (Hong Kong) Ltd.	1	Payables to shipping agent	26,691	Conducted as agreed terms	-
				Operating cost	177,864	Conducted as agreed terms	-
		Yang Ming Line (India) Pvt. Ltd.	1	Payables to shipping agent	126,166	Conducted as agreed terms	-
				Operating cost	105,330	Conducted as agreed terms	-
		Yang Ming (Korea) Co., Ltd.	1	Trade receivables	91,413	Conducted as agreed terms	-
				Advances to shipping agents	61,983	Conducted as agreed terms	-
				Operating cost	21,538	Conducted as agreed terms	-
				Contract assets	944	Conducted as agreed terms	-
Contract assets	12,962			Conducted as agreed terms	-		
Young-Carrier Company Ltd.	1	Payables to shipping agent	30,529	Conducted as agreed terms	-		
		Operating cost	197,372	Conducted as agreed terms	-		
		Contract assets	747,124	Conducted as agreed terms	0.01		
		Trade receivables	1,058,285	Conducted as agreed terms	0.01		
		Payables to shipping agent	874,510	Conducted as agreed terms	0.01		
		Operating revenue	4,856	Conducted as agreed terms	-		
		Operating cost	618,147	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	Contract assets	\$ 99,196	Conducted as agreed terms	-
				Trade receivables	87,930	Conducted as agreed terms	-
				Payables to shipping agent	19,628	Conducted as agreed terms	-
				Operating cost	290,130	Conducted as agreed terms	-
		Manwa & Co., Ltd.	1	Trade receivables	2,766	Conducted as agreed terms	-
		Yang Ming (Singapore) Pte. Ltd.	1	Contract assets	38,095	Conducted as agreed terms	-
				Trade receivables	63,633	Conducted as agreed terms	-
				Payables to shipping agent	27,051	Conducted as agreed terms	-
				Operating cost	141,677	Conducted as agreed terms	-
		Yang Ming Line (M) Sdn. Bhd.	1	Payables to shipping agent	63,570	Conducted as agreed terms	-
				Operating cost	46,540	Conducted as agreed terms	-
		Sunbright Insurance Pte. Ltd.	1	Operating cost	21,136	Conducted as agreed terms	-
				Prepayments	7,095	Conducted as agreed terms	-
		Yang Ming Shipping (Vietnam) Co., Ltd.	1	Contract assets	64,232	Conducted as agreed terms	-
				Trade receivables	90,367	Conducted as agreed terms	-
				Payables to shipping agent	105,378	Conducted as agreed terms	-
				Operating cost	88,753	Conducted as agreed terms	-
		Yang Ming Anatolia Shipping Agency S.A.	1	Operating cost	62,046	Conducted as agreed terms	-
		Yang Ming Shipping Philippines, Inc.	1	Contract assets	2,500	Conducted as agreed terms	-
				Payables to shipping agent	18,298	Conducted as agreed terms	-
				Operating cost	41,994	Conducted as agreed terms	-
		Yang Ming (Latin America) Corp.	1	Payables to shipping agent	2,577	Conducted as agreed terms	-
				Advances to shipping agents	25	Conducted as agreed terms	-
				Operating cost	26,985	Conducted as agreed terms	-
		Yang Ming (America) Corp.	1	Payables to shipping agent	231,396	Conducted as agreed terms	-
				Operating cost	1,037,073	Conducted as agreed terms	0.01
		Yang Ming Line (Thailand) Co., Ltd.	1	Contract assets	41,033	Conducted as agreed terms	-
				Trade receivables	34,729	Conducted as agreed terms	-
				Payables to shipping agent	101,236	Conducted as agreed terms	-
				Operating cost	96,628	Conducted as agreed terms	-
		Triumph Logistics, Inc.	1	Trade payables	2,867	Conducted as agreed terms	-
				Operating cost	150,005	Conducted as agreed terms	-
		Topline Transportation, Inc.	1	Trade payables	1,259	Conducted as agreed terms	-
				Operating cost	73,743	Conducted as agreed terms	-
		Transcont Intermodal Logistics, Inc.	1	Operating cost	10,508	Conducted as agreed terms	-
		Yang Ming Shipping (Canada) Ltd.	1	Payables to shipping agent	17,282	Conducted as agreed terms	-
				Operating cost	38,544	Conducted as agreed terms	-
		Yang Ming (Belgium) N.V.	1	Contract assets	36,266	Conducted as agreed terms	-
				Trade receivables	60,569	Conducted as agreed terms	-
				Payables to shipping agent	33,256	Conducted as agreed terms	-
				Operating cost	53,433	Conducted as agreed terms	-
		Yang Ming (Netherlands) B.V.	1	Contract assets	80,030	Conducted as agreed terms	-
				Trade receivables	79,416	Conducted as agreed terms	-
				Payables to shipping agent	25,754	Conducted as agreed terms	-
				Operating revenue	9,968	Conducted as agreed terms	-
				Operating cost	74,041	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 (Italy) S.p.A	1	Contract assets	\$ 101,257	Conducted as agreed terms	-
				Trade receivables	153,818	Conducted as agreed terms	-
				Payables to shipping agent	44,612	Conducted as agreed terms	-
				Operating cost	94,115	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	1	Trade payables	813,384	Conducted as agreed terms	0.01
				Operating revenue	961,601	Conducted as agreed terms	0.01
				Operating cost	766,729	Conducted as agreed terms	-
		Yang Ming Shipping Europe GmbH	1	Contract assets	79,422	Conducted as agreed terms	-
				Trade receivables	80,799	Conducted as agreed terms	-
				Payables to shipping agent	64,219	Conducted as agreed terms	-
				Operating revenue	5,615	Conducted as agreed terms	-
				Operating cost	317,832	Conducted as agreed terms	-
		Yang Ming (Russia) LLC.	1	Trade receivables	4,466	Conducted as agreed terms	-
				Payables to shipping agent	246	Conducted as agreed terms	-
				Operating cost	9,710	Conducted as agreed terms	-
		Yang Ming (Spain), S.L	1	Contract assets	37,226	Conducted as agreed terms	-
				Trade receivables	57,794	Conducted as agreed terms	-
				Payables to shipping agent	13,304	Conducted as agreed terms	-
				Operating cost	38,082	Conducted as agreed terms	-
		Yang Ming (Mediterranean)Marine Services Single-Member Limited Liability Company	1	Payables to shipping agent	7,503	Conducted as agreed terms	-
				Operating cost	31,871	Conducted as agreed terms	-
		Kuang Ming Shipping Corp.	1	Financial assets at amortized cost	500,000	Conducted as agreed terms	-
				Other receivables	1,166	Conducted as agreed terms	-
				Refundable deposits	126	Conducted as agreed terms	-
				Operating revenue	944	Conducted as agreed terms	-
				Marketing expense	721	Conducted as agreed terms	-
				Interest revenue	17,651	Conducted as agreed terms	-
				Rent income	4,444	Conducted as agreed terms	-
		YES Logistics Corp.	1	Trade receivables	750	Conducted as agreed terms	-
				Other receivables	5,614	Conducted as agreed terms	-
				Other payables	2,044	Conducted as agreed terms	-
				Operating revenue	562,093	Conducted as agreed terms	-
				Operating cost	12,008	Conducted as agreed terms	-
				Rent income	6,130	Conducted as agreed terms	-
				Marketing expense	396	Conducted as agreed terms	-
		YES Logistics Corp. (USA)	1	Other receivables	4,952	Conducted as agreed terms	-
				Trade payables	36	Conducted as agreed terms	-
				Operating revenue	94,069	Conducted as agreed terms	-
				Operating cost	132	Conducted as agreed terms	-
		Golden Logistics USA Corporation	1	Trade payables	5,572	Conducted as agreed terms	-
				Operating cost	58,183	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
1	All Oceans Transportation, Inc.	Yang Ming (Liberia) Corp.	2	Long-term notes payable and trade payables	\$ 625,766	Conducted as agreed terms	-
		Sunbright Insurance Pte. Ltd.	2	Interest revenue	102,850	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	2	Prepayments	14,874	Conducted as agreed terms	-
		Yang Ming (Singapore) Pte. Ltd.	2	Operating cost	36,998	Conducted as agreed terms	-
			2	Operating revenue	1,089,947	Conducted as agreed terms	0.01
			2	Short-term debt payable	307,200	Conducted as agreed terms	-
			2	Interest expense	8,395	Conducted as agreed terms	-
2	Yang Ming (Liberia) Corp.	Sunbright Insurance Pte. Ltd.	2	Operating cost	13,104	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	2	Operating revenue	184,941	Conducted as agreed terms	-
3	Honming Terminal & Stevedoring Co., Ltd.	Jing Ming Transportation Co., Ltd.	2	Other payables	17,973	Conducted as agreed terms	-
			2	Guarantee deposits received	1	Conducted as agreed terms	-
		Yes Logistics Corp.	2	Operating cost	80,723	Conducted as agreed terms	-
			2	Other payables	4,965	Conducted as agreed terms	-
			2	Other receivables	1,184	Conducted as agreed terms	-
			2	Operating revenue	25,324	Conducted as agreed terms	-
			2	Operating cost	30,613	Conducted as agreed terms	-
4	Jing Ming Transportation Co., Ltd.	Yes Logistics Corp.	2	Notes receivables	799	Conducted as agreed terms	-
			2	Trade receivables	1,661	Conducted as agreed terms	-
			2	Operating revenue	8,093	Conducted as agreed terms	-
5	Ching Ming Investment Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd.	2	Interest revenue	61	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Interest revenue	136	Conducted as agreed terms	-
6	Yang Ming Shipping (Singapore) Pte. Ltd.	Young-Carrier Company Ltd.	2	Other payables	1,059	Conducted as agreed terms	-
			2	Guarantee deposits received	7,753	Conducted as agreed terms	-
		YES Logistics (Shanghai) Corp.	2	Rent income	30,445	Conducted as agreed terms	-
			2	Guarantee deposits received	157	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Rent income	567	Conducted as agreed terms	-
			2	Other receivables	157,505	Conducted as agreed terms	-
		Yang Ming Shipping (B.V.I.) Inc.	2	Interest revenue	4,176	Conducted as agreed terms	-
			2	Other receivables	95,232	Conducted as agreed terms	-
		Yang Ming Shipping Philippines, Inc.	2	Interest revenue	2,549	Conducted as agreed terms	-
		Yang Ming Line (Thailand) Co., Ltd.	2	Interest revenue	133	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	21,420	Conducted as agreed terms	-
			2	Interest revenue	330	Conducted as agreed terms	-
8	Karlman Properties Limited	Yang Ming Line (Hong Kong) Ltd.	2	Trade receivables	318,278	Conducted as agreed terms	-
			2	Marketing expense	36,941	Conducted as agreed terms	-
9	Yang Ming Line (Hong Kong) Ltd.	Young-Carrier Company Limited	2	Guarantee deposits received	785	Conducted as agreed terms	-
		Yes Logistics Company Ltd.	2	Rent income	9,235	Conducted as agreed terms	-
9	Yang Ming Line (Hong Kong) Ltd.	Young-Carrier Company Limited	2	Rent income	660	Conducted as agreed terms	-
		Yes Logistics Company Ltd.	2	Rent income	231	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
10	Yang Ming (Japan) Co., Ltd.	Manwa & Co., Ltd.	2	Other receivables	\$ 29	Conducted as agreed terms	-
				Operating revenue	443	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Rent income	164	Conducted as agreed terms	-
				Operating revenue	44	Conducted as agreed terms	-
11	Manwa & Co., Ltd.	Yes Logistics Company Ltd.	2	Operating revenue	132	Conducted as agreed terms	-
				Other current assets	38	Conducted as agreed terms	-
				Trade payables	1,970	Conducted as agreed terms	-
12	Sunbright Insurance Pte. Ltd.	Kuang Ming Shipping Corp.	2	Advances from customers	1,289	Conducted as agreed terms	-
				Operating revenue	3,334	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Operating revenue	34,516	Conducted as agreed terms	-
				Advances from customers	13,384	Conducted as agreed terms	-
13	Yang Ming Line Holding Corp	Yang Ming (America) Corp.	2	Other receivables	24,462	Conducted as agreed terms	-
				Other payables	25,860	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	307,200	Conducted as agreed terms	-
				Interest revenue	5,037	Conducted as agreed terms	-
		Triumph Logistics, Inc.	2	Other receivables	26,096	Conducted as agreed terms	-
				Interest revenue	713	Conducted as agreed terms	-
		Yang Ming Shipping (B.V.I.) Inc.	2	Other receivables	61,440	Conducted as agreed terms	-
				Interest revenue	1,945	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Other receivables	153,600	Conducted as agreed terms	-
				Interest revenue	4,167	Conducted as agreed terms	-
14	Yang Ming (America) Corp.	Topline Transportation, Inc.	2	Other receivables	3,652	Conducted as agreed terms	-
		Transcont Intermodal Logistics, Inc.	2	Operating revenue	633	Conducted as agreed terms	-
		Triumph Logistics, Inc.	2	Other receivables	339	Conducted as agreed terms	-
15	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	2	Other receivables	3,637	Conducted as agreed terms	-
		Yang Ming (U.K.) Ltd.	2	Trade receivables	4,129,772	Conducted as agreed terms	0.03
				Operating revenue	181,639	Conducted as agreed terms	-
		Kuang Ming (Liberia) Shipping Corp.	2	Other receivables	125,933	Conducted as agreed terms	-
				Interest revenue	3,854	Conducted as agreed terms	-
		Yes Logistics Corp.	2	Interest expense	128	Conducted as agreed terms	-
16	Yang Ming Line N.V.	Yang Ming Line B.V.	2	Other receivables	4,217	Conducted as agreed terms	-
17	Yang Ming (Belgium) N.V.	Yang Ming (Netherlands) B.V.	2	Marketing expense	470	Conducted as agreed terms	-
18	Yang Ming (Netherlands) B.V.	Yes Logistics Benelux B.V.	2	Trade receivables	1,384	Conducted as agreed terms	-
19	Yang Ming (Italy) S.p.A.	Yang Ming (Naples) S.r.l.	2	Trade receivables	96	Conducted as agreed terms	-
				Trade payables	348	Conducted as agreed terms	-
				Other payables	246	Conducted as agreed terms	-
				Operating cost	1,873	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
20	Yang Ming (U.K.) Ltd.	Yes Logistics Corp.	2	Trade receivables	\$ 3,321	Conducted as agreed terms	-
				Trade payables	337	Conducted as agreed terms	-
		Yang Ming Line (Hone Kong) Ltd.	2	Contract assets	4,917	Conducted as agreed terms	-
				Trade receivables	15,932	Conducted as agreed terms	-
				Payables to shipping agent	13,748	Conducted as agreed terms	-
				Operating cost	27,227	Conducted as agreed terms	-
		Young-Carrier Company Ltd.	2	Contract assets	43,795	Conducted as agreed terms	-
				Trade receivables	114,274	Conducted as agreed terms	-
				Payables to shipping agent	48,356	Conducted as agreed terms	-
				Operating cost	26,402	Conducted as agreed terms	-
		Yang Ming (America) Corp.	2	Payables to shipping agent	216,956	Conducted as agreed terms	-
				Operating cost	164,898	Conducted as agreed terms	-
		Yang Ming (Korea) Co., Ltd.	2	Trade receivables	886	Conducted as agreed terms	-
				Payables to shipping agent	242	Conducted as agreed terms	-
				Operating cost	879	Conducted as agreed terms	-
		Yang Ming (Japan) Co., Ltd.	2	Trade receivables	2,653	Conducted as agreed terms	-
				Payables to shipping agent	339	Conducted as agreed terms	-
				Operating cost	2,257	Conducted as agreed terms	-
		Yang Ming Shipping (Singapore) Pte. Ltd.	2	Contract assets	955	Conducted as agreed terms	-
				Trade receivables	7,730	Conducted as agreed terms	-
				Payables to shipping agent	1,757	Conducted as agreed terms	-
				Operating cost	18,761	Conducted as agreed terms	-
		Yang Ming Line (M) Sdn Bhd.	2	Payables to shipping agent	4,537	Conducted as agreed terms	-
				Operating cost	7,739	Conducted as agreed terms	-
		Yang Ming Shipping (Canada) Ltd.	2	Payables to shipping agent	14	Conducted as agreed terms	-
		Yang Ming Line (India) Pvt. Ltd.	2	Contract assets	6,689	Conducted as agreed terms	-
		Trade receivables	62,545	Conducted as agreed terms	-		
		Payables to shipping agent	65,832	Conducted as agreed terms	-		
Sunbright Insurance Pte. Ltd.	2	Prepayments	2,794	Conducted as agreed terms	-		
		Operating cost	10,096	Conducted as agreed terms	-		
Yang Ming Shipping (Vietnam) Co., Ltd.	2	Contract assets	2,663	Conducted as agreed terms	-		
		Trade receivables	7,392	Conducted as agreed terms	-		
		Payables to shipping agent	7,410	Conducted as agreed terms	-		
		Operating cost	6,020	Conducted as agreed terms	-		
Yang Ming Shipping Philippines, Inc.	2	Contract assets	683	Conducted as agreed terms	-		
		Trade receivables	2,182	Conducted as agreed terms	-		
		Payables to shipping agent	591	Conducted as agreed terms	-		
Yang Ming Line (Thailand) Co., Ltd.	2	Contract assets	657	Conducted as agreed terms	-		
		Trade receivables	2,752	Conducted as agreed terms	-		
		Payables to shipping agent	1,062	Conducted as agreed terms	-		
21	Yang Ming Shipping Europe GmbH	Yes Logistics Europe GmbH	2	Trade receivables	16,901	Conducted as agreed terms	-
22	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Shipping Corp.	2	Other receivables	19,429	Conducted as agreed terms	-
				Other income	12,571	Conducted as agreed terms	-
				Operating revenue	129,456	Conducted as agreed terms	-
		Yes Logistics Corp.	2	Interest revenue	19	Conducted as agreed terms	-
		Administrative expense	34	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
23	Kuang Ming (Liberia) Shipping Corp.	Yes Logistics Corp.	2	Interest expense	\$ 134	Conducted as agreed terms	-
24	Yes Logistics Corp.	Yes Logistics Benelux B.V	2	Trade receivables	2,137	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	3,695	Conducted as agreed terms	-
				Trade payables	16,592	Conducted as agreed terms	-
				Operating revenue	8,283	Conducted as agreed terms	-
				Operating cost	57,271	Conducted as agreed terms	-
				Interest revenue	41	Conducted as agreed terms	-
		Yes Logistics Company Ltd.	2	Trade receivables	876	Conducted as agreed terms	-
				Trade payables	6,128	Conducted as agreed terms	-
				Operating revenue	458	Conducted as agreed terms	-
				Operating cost	12,111	Conducted as agreed terms	-
				Trade receivables	11,986	Conducted as agreed terms	-
				Prepayments	24,111	Conducted as agreed terms	-
		Yes Logistics Corp. (USA)	2	Operating revenue	32,841	Conducted as agreed terms	-
				Operating cost	148,237	Conducted as agreed terms	-
				Trade receivables	5,043	Conducted as agreed terms	-
				Prepayments	86,554	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	39,282	Conducted as agreed terms	-
				Operating revenue	6,153	Conducted as agreed terms	-
		Yes Logistics Europe GmbH	2	Operating cost	80,573	Conducted as agreed terms	-
				Interest revenue	758	Conducted as agreed terms	-
				Other income	854	Conducted as agreed terms	-
				Trade receivables	30,220	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	131,093	Conducted as agreed terms	-
				Trade payables	53,970	Conducted as agreed terms	-
YES Logistics (Shanghai) Corp.	2	Operating revenue	60,010	Conducted as agreed terms	-		
		Operating cost	206,451	Conducted as agreed terms	-		
		Interest revenue	2,710	Conducted as agreed terms	-		
		Trade receivables	3	Conducted as agreed terms	-		
		Operating revenue	3	Conducted as agreed terms	-		
		Operating cost	5,106	Conducted as agreed terms	-		
Yes MLC GmbH	2	Trade receivables	1	Conducted as agreed terms	-		
		Trade payables	12	Conducted as agreed terms	-		
		Operating revenue	1	Conducted as agreed terms	-		
		Operating cost	25	Conducted as agreed terms	-		
		Trade receivables	1	Conducted as agreed terms	-		
		Trade payables	14	Conducted as agreed terms	-		
PT. YES Logistics Indonesia	2	Trade payables	14	Conducted as agreed terms	-		
		Operating revenue	1	Conducted as agreed terms	-		
		Operating cost	25	Conducted as agreed terms	-		
		Trade receivables	1	Conducted as agreed terms	-		
		Trade payables	12	Conducted as agreed terms	-		
		Operating revenue	1	Conducted as agreed terms	-		
Yes Logistics Bulgaria Ltd.	2	Operating cost	25	Conducted as agreed terms	-		
		Trade payables	14	Conducted as agreed terms	-		
		Trade receivables	1	Conducted as agreed terms	-		
		Trade payables	12	Conducted as agreed terms	-		
		Operating revenue	1	Conducted as agreed terms	-		
		Operating cost	25	Conducted as agreed terms	-		
25	Yes Logistics Benelux B.V.	Yes Logistics Europe GmbH	2	Trade receivables	933	Conducted as agreed terms	-
				Trade payables	45	Conducted as agreed terms	-
				Operating revenue	11,126	Conducted as agreed terms	-
				Operating cost	194	Conducted as agreed terms	-
		YES Logistics (Shanghai) Corp.	2	Trade receivables	1	Conducted as agreed terms	-
				Trade payables	810	Conducted as agreed terms	-
				Operating revenue	1	Conducted as agreed terms	-
				Operating cost	902	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
26	Yes Logistics Company Ltd.	YES Logistics (Shanghai) Corp.	2	Trade receivables	\$ 6,161	Conducted as agreed terms	-
				Trade payables	8	Conducted as agreed terms	-
				Operating revenue	118	Conducted as agreed terms	-
		Yes Logistics Europe GmbH	2	Operating cost	8	Conducted as agreed terms	-
				Operating cost	75	Conducted as agreed terms	-
27	Yes Logistics Corp. (USA)	YES Logistics (Shanghai) Corp.	2	Trade receivables	4,662	Conducted as agreed terms	-
				Trade payables	7,813	Conducted as agreed terms	-
				Operating revenue	10,694	Conducted as agreed terms	-
				Operating cost	12,195	Conducted as agreed terms	-
		Golden Logistics USA Corporation	2	Trade receivables	1,144	Conducted as agreed terms	-
				Trade payables	30	Conducted as agreed terms	-
				Operating revenue	9	Conducted as agreed terms	-
				Operating cost	515	Conducted as agreed terms	-
		Yes Logistics Europe GmbH	2	Trade receivables	120	Conducted as agreed terms	-
				PT. YES Logistics Indonesia	2	Trade payables	1
			Operating revenue	2		Conducted as agreed terms	-
			Operating cost	4		Conducted as agreed terms	-
28	YES Logistics (Shanghai) Corp.	Yes Logistics Europe GmbH	2	Trade receivables	1,359	Conducted as agreed terms	-
				Trade payables	1,637	Conducted as agreed terms	-
				Operating revenue	4,345	Conducted as agreed terms	-
		Yes MLC GmbH	2	Operating cost	2,699	Conducted as agreed terms	-
				Trade receivables	5	Conducted as agreed terms	-
29	Yes Logistics Europe GmbH	Yes MLC GmbH	2	Trade receivables	56,962	Conducted as agreed terms	-
				Operating revenue	8,505	Conducted as agreed terms	-
30	YES MLC GmbH	Merlin Logistics GmbH	2	Trade payables	1,933	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, 2018
(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, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	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	\$ 5,987,984	\$ 15,800 (Note B)	\$ 7,505 (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	3,138,527	(474,622)	(474,622)	Subsidiary
	Kuang Ming Shipping Corp.	Taiwan	Shipping service, shipping agency and forwarding agency	7,928,163 (Note C)	7,928,163 (Note C)	295,557,949	98.52	1,701,808	(612,313)	(604,820)	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	2,272,087	519,611	519,611	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	1,997,780	143,600	143,600	Subsidiary
	Ching Ming Investment Corp.	Taiwan	Investment	1,098,388	1,098,388	120,487,500	100.00	1,057,131	(28,868)	(28,868)	Subsidiary
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,399	3,399	1	100.00	642,263	(83,473)	(83,473)	Subsidiary
	All Oceans Transportation, Inc.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	202,016	(487,240)	(487,240)	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	494,887	64,111	29,955	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Taiwan	Terminal operation and stevedoring	79,273	79,273	7,916,908	79.17	119,420	26,994	21,371	Subsidiary
	Jing Ming Transportation Co., Ltd.	Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	126,107	11,797	6,014	Subsidiary
	Yunn Wang Investment Co., Ltd.	Taiwan	Investment	179,810	179,810	5,211,474	49.75	115,002	7,364	3,663	Investments in associates
	Taiwan Foundation International Pte. Ltd.	Singapore	Investment and subsidiaries management	103,802	-	3,400,000	34.00	103,975	(1,367)	(464)	Investments in associates
Transyang Shipping Pte. Ltd.	Singapore	Shipping services, chartering, sale and purchase of ships; forwarding agency and shipping agency	-	57,802	-	-	-	-	(728)	(357)	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	31,419	26,994	-	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	548,286	548,286	55,630,977	46.36	550,016	64,111	-	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	219,049	4,646	-	Subsidiary
	Triumph Logistics, Inc.	U.S.A.	Container transportation	1,699	1,699	200	100.00	2,027	12,025	-	Subsidiary
	Topline Transportation Inc.	U.S.A.	Container transportation	4,860	4,860	100	100.00	11,258	2,531	-	Subsidiary
	Transcont Intermodal Logistics, Inc.	U.S.A.	Inland forwarding agency	2,444	2,444	200	100.00	7,740	18	-	Subsidiary
	Yang Ming Shipping (Canada) Ltd.	Canada	Shipping agency, forwarding agency and shipping managers	2,981	2,981	1,000	100.00	23,060	167	-	Subsidiary
	West Basin Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	132,050	132,050	(Note E)	40.00	721,107	235,484	-	Investments in associates
United Terminal Leasing LLC	U.S.A.	Terminal operation and machine lease	34,750	34,750	(Note F)	40.00	277,182	20,027	-	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	(2,751,015) (Note D)	(467,229)	-	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	(2,751,596) (Note D)	(466,882)	-	Subsidiary
Yang Ming Line B.V.	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	8,614	8,614	553	89.92	25,240	6,244	-	Subsidiary
	Yang Ming (Netherlands) B.V.	Netherlands	Shipping agency	15,285	15,285	400,000	100.00	113,037	86,505	-	Subsidiary
	Yang Ming (Italy) S.p.A.	Italy	Shipping agency	4,319	4,319	125,000	50.00	48,662	55,316	-	Subsidiary
	Yang Ming (UK) Ltd.	U.K.	Shipping agency, forwarding agency and shipping managers	70,709	70,709	1,500,000	100.00	(3,647,338) (Note D)	(660,533)	-	Subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	29,697	29,697	(Note G)	100.00	166,978	3,164	-	Subsidiary
	YangMing (Russia) LLC.	Russia	Shipping agency	3,017	3,017	(Note H)	60.00	11,708	16,412	-	Subsidiary
	Yang Ming (Spain), S.L.	Spain	Shipping agency	2,213	2,213	60,000	60.00	59,695	67,615	-	Subsidiary
	Yang Ming (Mediterranean) Marine Services Single-Member Limited Liability Company	Greece	Shipping agency, forwarding agency and shipping managers	18,150	-	5,000	100.00	17,968	379	-	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	35,864	55,725	-	Investments in associates
	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	1,900	1,900	62	10.08	2,829	6,244	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note A)		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount			
Yang Ming (UK) Ltd.	Corstor Ltd.	U.K.	Storage management and trailer transportation	\$ 25	\$ 25	500	50.00	\$ 4,798	\$ 3,787	\$ -	Investments in associates
Yang Ming (Italy) S.p.A.	Yang Ming (Naples) S.r.l.	Italy	Forwarding agency	238	238	(Note I)	60.00	930	(1,638)	-	Subsidiary
Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Shipping (B.V.I.) Inc.	British Virgin Islands	Forwarding agency and shipping agency	247,772	247,772	1,000	100.00	376,360	39,674	-	Subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	1,000,000	100.00	(266,140) (Note D)	(27,104)	-	Subsidiary
Yang Ming Line (India) Pvt. Ltd.		India	Shipping agency, forwarding agency and shipping managers	2,228	2,228	300,000	60.00	49,390	83,001	-	Subsidiary
Yang Ming (Korea) Co., Ltd.		Korea	Shipping agency, forwarding agency and shipping managers	10,107	10,107	60,000	60.00	39,230	14,536	-	Subsidiary
Young-Carrier Company Ltd.		Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	14,926	3,229	1,000,000	100.00	237,530	72,425	-	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	2,849	31,221	-	Subsidiary
Yangming Shipping (Singapore) Pte. Ltd.		Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	107,769	35,366	-	Subsidiary
Yang Ming Line (M) Sdn. Bhd.		Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	10,727	1,000,000	100.00	46,370	5,067	-	Subsidiary
Sunbright Insurance Pte. Ltd.		Singapore	Insurance	32,440	32,440	5,000,000	100.00	244,454	35,301	-	Subsidiary
Yang Ming Anatolia Shipping Agency		Turkey	Shipping agency, forwarding agency and shipping managers	1,077	1,077	50,000	50.00	110,167	369,845	-	Subsidiary
Formosa International Development Corporation Yang Ming (U.A.E.) LLC.		Vietnam	Invest industry district and real estate	251,329	251,329	(Note J)	30.00	135,829	12,856	-	Investments in associates
		U.A.E.	Shipping agency, forwarding agency and shipping managers	2,140	2,140	(Note K)	49.00	52,340	58,950	-	Investments in associates
Yang Ming (Vietnam) Company Limited		Vietnam	Forwarding agency and shipping managers	3,197	3,197	(Note L)	49.00	4,522	-	-	Investments in associates
Yang Ming Shipping (Vietnam) Co., Ltd.		Vietnam	Forwarding agency and shipping managers	9,881	9,881	(Note M)	100.00	40,596	23,429	-	Subsidiary
Yang Ming (Australia) Pty. Ltd.		Australia	Shipping agency, forwarding agency and shipping managers	4,597	4,597	150,000	50.00	33,060	39,232	-	Investments in associates
LogiTrans Technology Private Limited		India	Information system service	10,211	10,211	2,040,000	51.00	16,634	4,551	-	Investments in joint ventures
Yang Ming Shipping Philippines, Inc.		Philippines	Forwarding agency and shipping managers	6,435	6,435	99,995	100.00	(9,763) (Note D)	211	-	Subsidiary
Yang Ming (Latin America) Corp.		Panama	Shipping agency, forwarding agency and shipping managers	6,020	6,020	200	100.00	7,048	587	-	Subsidiary
Yang Ming Line (Thailand) Co., Ltd.		Thailand	Shipping agency, forwarding agency and shipping managers	3,589	3,589	3,920	49.00	6,965	7,586	-	Subsidiary
Yang Ming Line shipping (Thailand) Co., Ltd. PT. Formosa Seijati Logistics		Thailand	Shipping agency	2,282	-	2,450	49.00	4,059	3,747	-	Subsidiary
		Indonesia	Storage and stevedoring	5,701	-	1,875	15.00	5,504	(1,028)	-	Subsidiary
Yang Ming Line (Thailand) Co., Ltd.	Yang Ming Line shipping (Thailand) Co., Ltd.	Thailand	Shipping agency	2,328	-	2,500	50.00	4,142	3,747	-	Subsidiary
Yang Ming Line shipping (Thailand) Co., Ltd.	Yang Ming Line (Thailand) Co., Ltd.	Thailand	Shipping agency, forwarding agency and shipping managers	3,678	-	3,920	49.00	6,965	7,586	-	Subsidiary
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,737	51	-	Subsidiary
Yang Ming Shipping (B.V.I.) Inc.	Karlman Properties Limited	Hong Kong	Property agency	4	4	24,000,000	100.00	88,338	824	-	Subsidiary
Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Shipping Corp.	Republic of Liberia	Forwarding agency	5,450,544 (Note N)	4,232,144 (Note N)	4	100.00	2,430,207	(279,742)	-	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	(27,147) (Note D)	(14,497)	-	Subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment and subsidiaries management	37,263	34,214	1,607,984	100.00	24,206	(779)	-	Subsidiary
	PT. YES Logistics Indonesia	Indonesia	Forwarding agency	15,315	-	510,000	51.00	12,614	(3,330)	-	Subsidiary
Yes LIBERAL Logistics Corp.		Taiwan	Storage	75,000	75,000	7,500,000	50.00	68,505	711	-	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	(6,967) (Note D)	2,959	-	Subsidiary
	Yes Logistics Company Ltd. YES and HQL Logistics Company	Hong Kong Vietnam	Forwarding agency Forwarding agency	32,351 3,128	32,351 -	7,882,278 (Note R)	100.00 51.00	27,038 2,833	(2,327) (611)	-	Subsidiary Investments in joint ventures
Yes Logistics Corp. (USA)	Golden Logistics USA Corporation YES Logistics Europe GmbH	U.S.A.	Container transportation	328	328	100	100.00	10,960	1,853	-	Subsidiary
		Germany	Forwarding agency	40,090	40,090	(Note O)	100.00	(100,715) (Note D)	(21,876)	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note A)		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount			
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	\$ (57,257) (Note D)	\$ (4,353)	\$ -	Subsidiary
YES MLC GmbH	Merlin Logistics GmbH	Austria	Storage and logistics	1,380	1,380	(Note Q)	100.00	2,123	(1,035)	-	Subsidiary
Merlin Logistics GmbH	YES Logistics Bulgaria	Bulgaria	Cargo consolidation service and forwarding agency	740	740	500	100.00	(543) (Note D)	(1,083)	-	Subsidiary

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 of \$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. This equivalent to US\$102 thousand and no shares were issued.
- S. The information on investments in mainland China is provided in Table H.

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YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018 (Note F)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note F)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount as of December 31, 2018 (Note E)	Accumulated Repatriation of Investment Income as of December 31, 2018
						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.	\$ 245,760 (US\$ 8,000 thousand)	\$ -	\$ -	\$ 245,760 (US\$ 8,000 thousand)	\$ 17,543	96.36	\$ 16,904	\$ 132,250	\$ -
	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.	285,727 (US\$ 9,301 thousand)	-	-	285,727 (US\$ 9,301 thousand)	2,378	47.22	1,123	295,793	-
	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	189,358 (US\$ 6,164 thousand)	-	-	189,358 (US\$ 6,164 thousand)	(37,837)	12.85	(4,862)	79,285	-
	Shanghai United Cold Chain Logistics Co., Ltd. (Note G)	Stevedoring equipment, management and correlation service	RMB 50,000 thousand	Investee's direct investment in Mainland China	44,751 (RMB 10,000 thousand)	-	-	44,751 (RMB 10,000 thousand)	(4,001)	19.27	(771)	51,967	-
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	94,740 (US\$ 3,084 thousand)	-	-	94,740 (US\$ 3,084 thousand)	(37,837)	6.67	(2,524)	39,538	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (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	\$ -	\$ 200,510 (US\$ 6,527 thousand)	\$ 12,176,846
Yes Logistics Corp. (Note C)	755,242 (US\$ 17,301 thousand) (RMB 50,000 thousand)	755,242 (US\$ 17,301 thousand) (RMB 50,000 thousand)	- (Note F)
Ching Ming Investment Corp. (Note D)	89,502 (RMB 20,000 thousand)	89,502 (RMB 20,000 thousand)	634,279

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 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.
- G. 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.
- H. United States dollars and Ren min bi Yuan translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.72 and RMB1=NT\$4.4751 as of December 31, 2018.