

Stock Code : 2609

 **YANG MING**

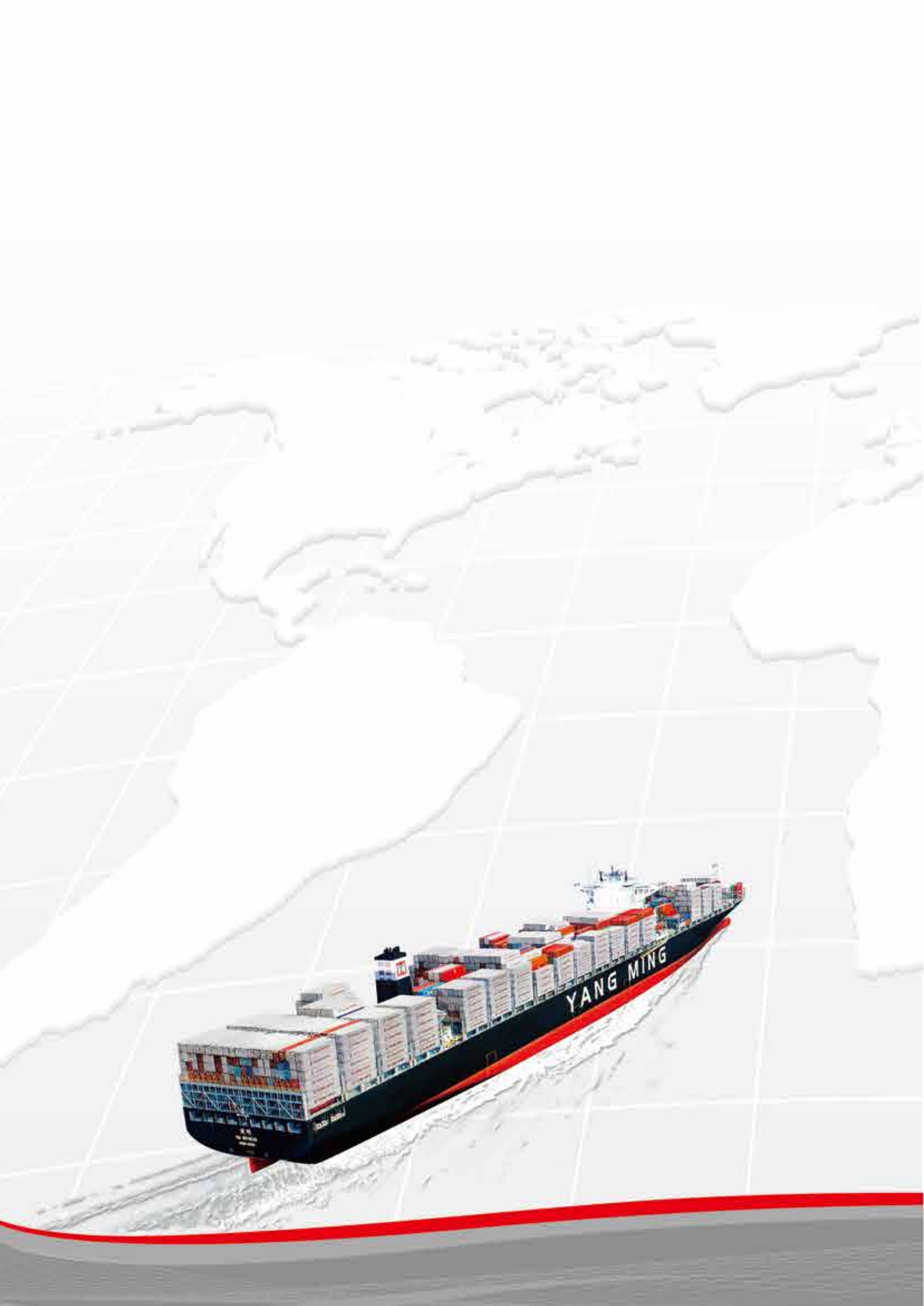
YANG MING MARINE TRANSPORT CORP.
陽明海運股份有限公司

2018



2018 ANNUAL REPORT

<http://mops.twse.com.tw> <http://www.yangming.com> Printed on March 31, 2019



2018

Spokesperson

Name: Wen-Bor Lin
Title: President & COO
Tel: (886) 2 2455-9988
E-mail: pr@yangming.com

Deputy Spokesperson

Name: Shih-Chou Lee
Title: Chief Financial Officer & Executive V. P.
Tel: (886) 2 2455-9988
E-mail: pr@yangming.com

Name: Mei-Chi Shih
Title: Chief Administrative Officer & Senior V.P.
Tel: (886) 2 2455-9988
E-mail: pr@yangming.com

Contact Information of the Headquarters and Branch offices

Headquarters:
No. 271, Ming De 1st Rd., Chidu Dist., Keelung City
20646, Taiwan (R.O.C.)
Tel: (886) 2 2455-9988

Taichung Branch:
Rm. 1, 20F., No. 241, Sec. 3, Wenxin Rd., Xitun
Dist., Taichung City 40753, Taiwan (R.O.C.)
Tel: (886) 4 2295-9188

Keelung Branch:
8F, No. 150, Sin 1st Road, Sinyi Dist., Keelung
20145, Taiwan (R.O.C.)
Tel: (886) 2 2423-0149

Kaohsiung Branch:
No. 999, Sinsheng Rd., Siaogang Dist., Kaohsiung
City 81245, Taiwan (R.O.C.)
Tel: (886) 7 812-9200

The Stock Transfer Agency

Company Title: KGI Securities Co., Ltd.
Address: 5F., No. 2, Sec. 1, Chongqing S. Rd., Jhongheng Dist., Taipei City 100, Taiwan (R.O.C.)
Tel: (886) 2 2389-2999
Website: http://www.kgieworld.com.tw/agency/agency_home.aspx

Certified Public Accountants (CPA) for the latest financial report

Name of CPA: Chin-Tsung Cheng, Yu-Mei Hung
Firm Title: Deloitte Touche Tohmatsu Limited (DTTL)
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)
Tel: (886) 2 2725-9988
Website: <http://www.deloitte.com.tw>

Exchange Houses where Overseas Securities are Listed

Company Title: London Stock Exchange plc.
Website: <http://www.londonstockexchange.com>

Company Website:

<http://www.yangming.com>

2018

Contents

I. Letter to Shareholders	01
II. Company Profile	06
III. Corporate Governance Report	11
3.1 Organizational System	11
3.2 Information on the Company's Directors, Supervisors, President, Vice President, Assistant Vice President, and all the Supervisors of the Company's divisions and department heads	14
3.3 Remuneration Paid during the most recent fiscal year to Directors, Supervisors, President and Vice President	24
3.4 Corporate Governance Status	29
3.5 Information on CPA Professional Fees	58
3.6 Alternation of CPA	59
3.7 The Director, President, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent years	59
3.8 The evaluation on the independence of the CPA	60
3.9 Information on the change or transfer of equity interests and/or pledge of or change in equity interests by the Directors, Supervisors, managers or shareholders with a share of more than 10% during the most recent or the current fiscal year up to the date of publication of the annual report	60
3.10 The relationship of the top ten shareholders	62
3.11 The total number of shares and total equity stake held in any single enterprise by the Company, the Company's Directors, Supervisors, Managers, and any companies controlled by the Company either directly or indirectly	63
IV. Capital and Shares Overview	64
4.1 Capital and Shares	64
4.2 Corporate Bonds (including Overseas Corporate Bonds)	69
4.3 Preferred Shares	73
4.4 Global Depository Receipts (GDRs) Issuance	74
4.5 Employees Shares option certificates and Limit on Employee New Bonus Share	74
4.6 Merger and acquisitions or stock shares transferred with new stock share Issued	74
4.7 Capital implementation plan and allocation status	74

V. Overview of Business Operation	75
5.1 Business Activities	75
5.2 Market analysis and the line/route condition	81
5.3 Employee status from the two most recent fiscal years up to the date of publication of this annual report	89
5.4 Expenditure on Environmental Protection	89
5.5 Employee and Employer Relations	91
5.6 Important Agreements	93
VI. Overview of the Company's Financial Status	98
6.1 The Condensed Balance Sheets And Statements Of Comprehensive Income For The Recent 5 Fiscal Years	98
6.2 Financial Analysis for the recent five fiscal years	102
6.3 Audit Committee's Review Report	105
6.4 Consolidated Financial Statements 2018	106
6.5 Individual Financial Statements 2018	229
6.6 If the Company and its Affiliates encountered any financial difficulties in the past year and as of the date of publication of the Annual Report, the Impact on the Company's financial status should be listed	324
VII. Review of Financial Position, Financial Performance and Risk Management	325
7.1 Analysis of the Financial Statements	325
7.2 Analysis of the Company's Financial Performance	326
7.3 Analysis of Cash Flows	327
7.4 Impact of major capital expenditure on finance and business	328
7.5 Policies, reasons for gain or loss and action plan in regard to Investment plans in the current year and the following year	328
7.6 Risk Management	328
7.7 Other Important Matters	333
VIII. Special Disclosures	334
8.1 Information related to the Company's Affiliates	334
8.2 Private Securities in the past year and as of the Date of Publication of the Annual Report	349
8.3 Holding or Disposal of the Company's Shares by Affiliates in the past year and as of the Date of Publication of the Annual Report	349
8.4 Other necessary supplementary notes	349
8.5 Matters in the past year and as of the Date of Publication of the Annual Report which have a substantial impact on Owners' Equity as stipulated in Item 2, Paragraph 3 of Article 36 of the Securities and Exchange Act	349

WITH THANKS

FOR YOUR TRUST AND SUPPORT
YANG MING HAS OPENED A NEW CHAPTER

陽明海運開啓新的篇章 感謝您的支持與信賴

 **YANG MING**

陽明海運股份有限公司
www.yangming.com

陽明海運，承載您每一天的美好
Yang Ming delivers GOOD for life

I Letter to Shareholders

The container shipping market maintained a stable development situation in 2018. However, due to the international oil price turmoil, and the new orderbook of some shipping companies continuously being put into market, the overall industry is still in an oversupply situation, and the operation of shipping companies is still extremely challenging. Yang Ming takes cautious, non-pessimistic attitude toward future industrial development, meanwhile continue to provide the best service as the highest principle, implement the business philosophy of "teamwork, innovation, integrity, and pragmatism" implement the business, improve Yang Ming 's operating efficiency, do our best to maintain Yang Ming 's sustainable management and social responsibility, so as to meet the support and expectations of all shareholders and the community.

1.1 The 2018 Annual Operating Report

1.1.1 Operational Profile

External environment change

1. Overall Economic Prosperity

According to the World Bank and the International Monetary Fund (IMF), the global GDP growth rates in 2018 were 3.0% and 3.6%, respectively. According to IMF, the Global Insight, and the World Bank, the growth rate of trade volume in 2018 is between 3.8% and 4.0%, all of which original forecast are downgraded, which shows the friction of global trade relations in 2018, especially the development of trade war between the two major economies: The United States and China, as well as the Brexit and emerging market turmoil, which raises the risk of global economic prospects and further hinders trade growth. In terms of international crude oil prices, compared with the average price per barrel in 2017, which average price was about 50-55 US dollars, the average price per barrel of 2018 was about 65-70 US dollars. The average price per barrel in the third quarter was about 70-75 US dollars, and climbed to 85 US dollars per barrel in October, but began to fall to 50-60 US dollars per barrel at the end of the fourth quarter. Based on US sanctions against Iran and other geopolitical disturbances, frequent OPEC+ production reduction actions and global demand slowdown, the international oil price fluctuated sharply throughout the year.

2. Industry Supply and Demand

According to Alphaliner, a professional shipping consultancy, the growth rate of container shipping demand in 2018 was 4.8%, which was 1.9 percentage points lower than the 6.7% in 2017. In terms of capacity supply, the 2018 year growth rate was 5.8%, an increase of 2.1 percentage points compared with 3.7% in 2017, which indicates that the overall market for container shipping is still in a situation of imbalance between supply and demand. In the dry bulk market, the average BDI in 2018 was 1,353 points, an increase of about 20% compared with 1,133 points in 2017. According to Clarksons' latest report, the demand growth rate of bulk shipping in 2018 was 2.7%, and the supply growth rate was 2.9%, indicating that the supply and demand in the market still showed a slight oversupply situation.

1.1.2 Implementation Results of Business Plans

In 2018, due to the global economic slowdown and the imbalance between -supply and demand in the market, the overall average freight rate fell from 2017. The volume of operations has reached 5.23 million TEUs driven by the active efforts to strengthen the business strategy, which is about 11% higher than the 4.72 million TEUs in 2017. Through continuous efforts to adjust network, optimize business strategies, increase revenue and reduce expenditures, the impact of falling freight rates and rising oil prices will be reduced. The net loss after tax was NT\$6.591 billion and the loss per share was NT\$2.53.

1.1.3 Implementation Status of Operating Income and Expenses

1. Operating Revenue

Although the overall freight rate fell due to the oversupply in the market, the operating volume grew by 11%, resulting in continued growth in overall operating income. The consolidated operating income for 2018 was NT\$141.833 billion, an increase of NT\$10.755 billion or 8.21% from NT\$131.078 billion in 2017.

2. Operating Expenses

The rise in international oil prices and the growth of operating volume have led to an increase in operating costs. The consolidated operating expenses for 2018 was NT\$147.927 billion, an increase of NT\$17.325 billion or 13.27% from NT\$130.602 billion in 2017.

1.1.4 Profitability Analysis

The operating conditions in the year of 2018 were affected by the oversupply in market and the slowdown of the international economic prosperity. The average freight rate decreased compared with 2017; however, due to the continuous strengthening of the business strategy and various revenue and expenditure reduction measures, the operating performance in the second half of the year has been significantly improved. The operating result was a net loss of NT\$6.591 billion after tax.

1.1.5 Research and Development Status

1. Digital Development Strategy

In order to respond to the recent development trend of digital technology and carry out the digital transformation of Yang Ming, the blockchain pilot project was introduced in the shipping related documents, and the verification of the blockchain bill of lading concept with single bank and customers was completed in 2018. At the end of 2018, the evaluation and participation in the operation of the international blockchain organization (alliance) has begun, to provide customers with multiple digital bill of lading options. Meanwhile, also through the third-party platform Bolero for paperless issuance, transfer, international trade financing, payback and cargo release. In terms of ship optimization, a broadband satellite network is currently being built, combined with weather routing service for voyage plan simulation and big data analysis of energy efficiency for each ship type operation. Special goods such as dangerous goods are currently being introduced into machine learning, semantic analysis to enhance the intelligent identification of customer failure to comply with the IMDG Code requirements. The RPA (Robot Process Automation) section began importing research projects at the end of 2018, aiming to reduce staff repetitive work and improve document production efficiency and staff work value. The IOT (Internet of Things) section began concept validation at the end of 2018, applying this technology to refrigerated container tracking, researching and improving customer service while looking for a company niche. Meanwhile, Yang Ming has begun to provide localization service of the customer dialogue robot (Chatbot) in Taiwan since 2017. In 2018, Yang Ming has continued to strengthen and expand the scope of this service, so that customers can easily grasp related information of import and export cargo, shipping schedule and through mobile application, as well as real-time progress tracking and delay calculation. In the future, the research and development of cloud-related business systems are to be continuously actively invested in.

2. Environment-friendly Fleet

- (1) Systematic Phase: Yang Ming is determined to strengthen the ship safety and environmental management system. It's our mission to achieve safety for ships, crews, cargoes and environment.
- (2) Operational Phase: Yang Ming adopted the "best trim" green operation measure through inter-department cooperation by using the optimal sailing attitude, adjusting water ballast and draft of the ships in order to achieve energy-saving navigation. Meantime, monitoring on ship energy efficiency is continuously carried out for the large vessels. This is to observe the energy saving effect for timely operation improvement. On the other hand, OPTEMAR expert cooperation program has been applied to improve fleet fuel efficiency, reduce greenhouse gas emissions and waste.

3. Awards & Performance

Yang Ming adheres to the "customer-oriented" philosophy, continuously developing customers' relationship and improving quality service. To fulfill the responsibility of the earth citizen, we abide by and strictly enforce the international environmental laws and regulations, hoping to contribute to the marine environmental protection. The team's efforts have been recognized by customers, and the outstanding results have also been affirmed by the international port authorities.

(1) Awarded the Best Carrier of the Year in Asia

Asia Cargo News, a well-known shipping media, once again presented "Best Shipping Line-Intra-Asia" award to Yang Ming at the "2018 Asian Freight, Logistics & Supply Chain Awards" (AFLAS), which affirmed that Yang Ming has continuously improved its achievements in the Asian regional service.

(2) Awarded the annual Blue Circle Awards

Yang Ming was awarded the 2017 Blue Circle Awards by the Vancouver Fraser Port Authority. This award is the third time that Yang Ming has been honored by the Vancouver Port Authority since 2015, which appreciated Yang Ming's long-term compliance and improve the outstanding performance of environmental protection policies, and do our best for marine environmental protection.

(3) Awarded the Provider of the Year by Target Corp.

Awarded the Provider of the Year by Target Corporation, the second largest trade importer and retail department store in the United States, confirming that Yang Ming provides premium services such as space supply, cargo delivery, -customer service and information sharing and ensure the perfection and accuracy of customer product delivery.

(4) Awarded "Environmental Ship Index Award 2017" by Marseille Fos Port Authority, France

The "Environmental Ship Index Award 2017" awarded by the French Marseille Port Authority is for the air pollutant discharge survey of container ships and cruise ships at berth. Yang Ming was selected as an operator with excellent performance in environmental protection policy. All measures are in compliance with international environmental protection conventions and are responsible for maintaining the marine environment.

(5) Awarded the Logistics Management 2018 Quality Excellence Award

Yang Ming was awarded the 2018 Quest Quality Award by the US Logistics Management Logistics Magazine for performing well in the five indicators: "On-Time Performance", "Value", "Information Technology", "Customer" "Customer Service" and "Equipment & Operation", especially the best performing shipping company of the year in the customer service indicator project.

1.2 2019 Annual Business Plan

1. Overall economic environment

Looking forward to 2019, global economic growth is still facing downward pressure due to uncertainties such as the US-China trade war and the Brexit. According to the latest forecasts of the International Monetary Fund (IMF) and Global Insight, the two institutions believe that the global economic growth rate will slow down to 3.3% and 3.0%, and the global trade growth rate is 3.4% and 4.8%. The geopolitical risks such as the rise of trade protectionism, interest rate policy, the impact of Brexit, and oil price turmoil are expected to become uncertain factors affecting global economic growth, and will put more variables in the future global economic and trade development.

2. Industry environment

According to Alphaliner's latest forecast, the container shipping demand growth rate was 3.6% in 2019, and the supply growth rate was 3.1%, indicating that the supply and demand of the overall container market is becoming more balanced, and the imbalance between industrial supply and demand is expected to improve in the short term. In the dry bulk market segment, according to Clarksons' latest report, demand growth rate of 2.1% in 2019, supply growth rate of 2.9%, the market is still showing supply is greater than demand. On the other hand, in response to the implementation of IMO 2020 regulations, the operating costs have increased, and the EU and US regulators have become more conservative about alliances. The overall container shipping market is still full of challenges in the future.

Considering the external development environment, in order to cope with the more competitive industrial environment and enhance the overall strength of Yang Ming to match the future growth of supply and demand in the market, the main development plans are summarized as follows:

(1) Service network upgrade and competitiveness enhancement

- a. Continue fleet renewal plans and gradually complete the short-, medium- and long-term fleet deployment plan in response to changes in the future liner cooperation;
- b. Strengthen the competitiveness of east-west routes through close cooperation with the alliance;
- c. Accelerate the Intra-Asia regional network and seek for opportunities to expand the niche market.

(2) Operational process improvement

- a. Optimize operational management and improve planning, improve profitability and decision-making efficiency;
- b. Continuously promote pricing and booking operation optimization, improve customer satisfaction and save manpower;

- c. Initiate cargo delivery and cost management process optimization plan to improve cargo handling and cost control.
- (3) Information system integration and upgrade: to meet the global single operating system upgrade and function enhancement, and implement centralized management objectives.
- (4) Centralized management of the group: The headquarters manages the management strategy of the agents in a unified manner, enhances the agency's own ratio, centralizes the authority and responsibility of the selection and evaluation of the agents, and strengthens and optimizes the functions of the agents.
- (5) Investment strategy and application
 - a. Focus on the maritime industry, and develop investment based on the supply chain of container shipping industry, with a view to achieving the purpose of profiting Yang Ming, reducing operating costs and diversifying the risk of the maritime industry boom;
 - b. Comprehensively review and track the performance of the investment business, integrate resources in a timely manner, eliminate weakness and stay strong.

In the past year, with the changes in international political and economic situations, the shipping market has also faced many variables that have made operational challenges. All colleagues of Yang Ming will continue to actively implement various operational optimization policies, and adopt a flexible and innovative strategy to respond to the rapid changes in the external environment and steadily move forward in the predicament to achieve the trusteeship of shareholders.

Yours truly,

Bronson Hsieh

Chairman



II Company Profile

2.1 Date of Incorporation: December 29, 1972

2.2 Major Events

1972 ~ 1981

- Established on Dec. 29, 1972, with a capital of NT\$100,000,000.
- Completes and puts in service four multiple-purpose ships, namely Ming Spring, Ming Summer, Ming Autumn, and Ming Winter, and deploys seven 2,054 TEU full-container vessels, Ming Sun, Ming Moon, Ming Star, Ming Galaxy, Ming Glory, Ming Ocean, and Ming Universe.
- Leases Dock No.70 at Kaohsiung Harbor for exclusive use.

1982 ~ 1991

- Completes and puts in service four 2,054 TEU full-container vessels, Ming Comfort, Ming Energy, Ming Fortune, Ming Longevity, and eight 3,266 TEU full-container vessels, including Ming Propitious and Ming Peace.
- Completes and puts in service three 66,000 D.W.T. Panamax-class bulk carriers, Ming Wisdom, Ming Mercy and Ming Courage.
- Named as one of the world's "most satisfactory marine transporters in service and reliability" and cited by the American press as one of the Top Ten liner services in the world.
- Cited by the London-based British Shipper Consultation (part of the Freight Transport Association Ltd.) as the world's "Second Most Acclaimed Shipping Company" in customer service.

1992 ~ 2001

- Listed on the Taiwan Stock Exchange (1992).
- Completes and puts in service three 3,604 TEU full-container vessels (Ming Asia, Ming America, Ming Europe), and five 3,725 TEU full-container vessels (Ming East, Ming West, Ming South, Ming North, Ming Zenith), as well as seven 5,500 TEU full-container vessels (Ming Plum, Ming Orchid, Ming Bamboo, and so on).
- Merges the China Merchants Steam Navigation Co., Ltd. (1995).
- Obtains ISO 9002/ISM CODE accreditation and wins the ROC National Outstanding Quality Case Award (1996). Completes privatization on Feb. 15, 1996.
- Enters into agreement with COSCO Container Lines Ltd., Kawasaki Kisen Kaisha, Ltd., and Hanjin Shipping Co., Ltd. to establish CKYH consortium in order to provide best services to customers.

2002 ~ 2011

- Establishes Yang Ming Cultural Foundation, YM Oceanic Culture & Art Museum (OCAM) in Keelung and YM Museum of Marine Exploration in Kaohsiung (MOME) to promote oceanic culture on Nov. 19th, 2003.
- Transfers bulk business to subsidiary Kuang Ming Shipping Corp. in 2008 and begins over-the-counter stock transaction (2010).

- After Straits Exchange Foundation and Association for Relations Across the Taiwan Straits signed an agreement on cross-strait direct shipping link, assigns a 1,500 TEU full-container vessel, YM Heights, to sail from Keelung in Taiwan to Shanghai on the mainland on December 15, 2008, opening a new epoch of bi-coastal shipping.
- Inaugurates Kao Ming Container Terminal (KMCT), a subsidiary of Yang Ming on Jan. 1st, 2011.
- Completes and puts in service two 6,500 TEU full-container vessels, three 6,600 TEU full-container vessels, four 1,500 TEU full-container vessels, five 4,250 TEU full-container vessels, nine 8,200 TEU full-container vessels and thirteen 1,805 TEU full-container vessels.
- Certified by U.S. Customs as a member of the Customs-Trade Partnership Against Terrorism (C-TPAT).
- Acquires the Certification of the OHSAS 18001 (Occupational Health and Safety Assessment Serial), ISO 14001:2004 Environmental Management System and ISO 9001:2008 and obtains ISPS Code Certificate for all selfowned vessels, putting Yang Ming at the forefront among domestic and world competitors.
- Obtains ISO27001 Certificate for Information Security Management System.
- Wins the 7th–10th Art & Business Award granted by the Council for Cultural Affairs.
- Wins governance model in the emerging market, cited by the EURO Money magazine, obtains the 2007 Quest for Quality Award offered by Logistics Management magazine and rated 2nd place in World Trade Magazine’s Liner Service evaluation and as one of the 50 Outstanding Businesses by Global View magazine (2008).
- Credited as one of the most reputable enterprises in the marine industry and one of the best corporate citizens, making Yang Ming the only one to receive such honor among domestic shipping-related industries (2006), also wins 15th place in the Corporate Social Responsibility Evaluation conducted in 2007 and 15th place in the Corporate Citizen in 2009, the only domestic shipping company winning this honor given by the Commonwealth magazine.

2012

- Acquires the AEO certificate given by Directorate General of Customs, Ministry of Finance, making Yang Ming the first shipping company to receive this honor.
- Kao Ming Container Terminal (KMCT) acquires the investment from Cheer Dragon Investment Limited.
- Completes and puts in service a 6,600 TEU full-container vessel, YM Masculinity.
- Completes and puts in service four 8,626 TEU full-container vessels, YM Uniformity, YM Ubiquity, YM Unanimity and YM Upsurgence.
- Decides to charter ten 14,000 TEU full-container vessels in 2015 from Seaspan Corp.
- YM Unanimity, an 8,626 TEU full-container vessel, wins the Green Passport (GP) issued by ABS.
- Launches the Mobile E-service on its iOS and Android operating systems.
- Wins “CO2 Reduction Label” from the Environmental Protection Administration (EPA).
- Wins the Best Shipping Line Intra-Asia Award of Asian Freight and Supply Chain Awards (AFSCAs).
- Wins the LOG-NET Outstanding E-commerce Award from 2008 ~ 2012.

2013

- Establishes Yang Ming (Australia) Pty Ltd.
- Charters five full-container vessels from Seaspan Corp., following their delivery by China Shipbuilding Corp., Taiwan. (CSBC).
- Completes and puts in service an 8,626 TEU full-container vessel, YM Unicorn.
- Kao Ming Container Terminal (KMCT) acquires the investment from NYK Line and Nippon Container Terminal Co.Ltd., a subsidiary of NYK Line. The company's shareholders also include Ports America, Cheer Dragon Investment Limited, which is a joint venture of Cosco Pacific, CS Terminal and CMHI.
- Wins the leading pack title in North American Shipper Sentiment Survey made by Containerisation International magazine (CI) from 2012 ~ 2013.
- Wins the 11th Arts & Business Award granted by the Ministry of Culture.

2014

- CKYH and Evergreen establish CKYHE alliance to provide the best service between Asia and Europe, including the Mediterranean region.
- Opens with Orient Express Lines the Southeast Asia Service II (SEA2).
- Upgrades Intra-Asia Service (PA2 / JTS / TMI).
- Opens feeder service to Myanmar (SE3).
- Completes and puts in service two 4,662 TEU full-container vessels, YM Evolution and YM Essence.
- Wins 2013 Carrier of the Year from Target Store.
- Wins 2014 Work-Life Balance Award.
- Wins the Best Shipping Line Asia-Europe Award of Asian Freight and Supply Chain Awards (AFSCAs).
- Wins A+ in the 11th Information Transparency and Disclosure Ranking System Award.
- Wins Logistics Management 2014 Quest for Quality Award.
- YES Logistics Corporation, a subsidiary of Yang Ming group, obtains AEO certificate.

2015

- Opens Japan-Taiwan-Thailand, Far East-Latin America, China Gulf Express II, Asia-ECSA, feeder service to Belawan, East Mediterranean and North Europe service.
- CKYHE Alliance reorganizes European service network.
- Completes and puts in service three 4,662 TEU full-container vessels, YM Enlightenment, YM Excellence and YM Express.

- Holds maiden voyage ceremony for YM WISH, a 14,000-TEU full container vessel, at Kao Ming container terminal, Kaohsiung.
- Signs memorandum of understanding with China Airlines Company and Chunghwa Post Co., Ltd.
- Wins the top 20% of the best TWSE/TPEX listed companies in the 1st Corporate Governance Evaluation.
- Wins the 11th China Transport award.
- Wins A++ in the 12th Information Transparency and Disclosure Ranking System Award.
- Wins 2014 Blue Circle Awards, GP Carrier of the Year and Carrier of Year from Target Corporation.
- YES Logistics Corporation, a subsidiary of Yang Ming group, acquires ECU-Line Bulgaria EOOD.

2016

- Opens South East Asia feeder network loop 7.
- Establishes Yang Ming (Russia) LLC and Yang Ming (Spain), S.L.
- Signs letter of intent with Regional Container Lines.
- Hapag-Lloyd, Hanjin, “K”Line, Mitsui O.S.K. Lines, Nippon Yusen Kaisha and Yang Ming create a new partnership “THE Alliance”.
- Signs letter of cooperation with National Tung Kang Maritime & Fishery Vocational high school to cultivate profession maritime personnel.
- Wins the Best Shipping Line Intra-Asia Award of Asian Freight, Logistics & Supply Chain Awards (AFLAS).
- Starts financial recovery plan.

2017

- Implements organization transformation plan including organizational restructuring and personnel adjustment, to minimize operating cost and maximize group efficiency.
- Strengthens global network with the upgrades of Philippine service, Transpacific northwest service, Far East-Red Sea service, Taiwan-Hong Kong-Indonesia Service. Launches new services including China–East India service, Southeast Asia-Australia service, North Europe-East Med Express, China-Singapore/Malaysia service, Singapore/Malaysia-Haiphong service, Fuzhou (Jiangying)-Kaohsiung service, Korea-Taiwan/Hong Kong service, China-Vietnam Express, and Asia Subcontinent Express service.
- THE Alliance announces completed product and unveils unique contingency plan.
- Sets up Central and South America Regional Center in Panama to expand business in the area.
- Establishes subsidiaries in Philippines and Thailand to provide a more comprehensive Southeast Asian network.
- Receives the 2016 Blue Circle Awards from Port of Vancouver, Australia-North East Asia Liner Trade Award, selected Best Shipping Line-Intra-Asia by Asia Cargo News readers at the 2017 Asian Freight, Logistics and Supply Chain Awards (AFLAS).

- Receives Automated Mutual Assistance Vessel Rescue System (AMVER) certificate and Blue Pennant by The U.S.Coast Guard for YM MILESTONE.
- Signs a Memorandum of Understanding (MOU) with National Taiwan Ocean University.
- Completes private and public offerings and raises NTD 10.3 billion.

2018

- THE Alliance announces further 2018 network enhancements.
- Launches Korea-Vietnam/Thailand and Japan-Malaysia-Vietnam services to provide more convenient and reliable services in Intra-Asia.
- 2017 returns to profitability.
- Sets up regional center in the Mediterranean.
- PT Formosa Sejati Logistics, a joint venture between Yang Ming and Taiwan International Ports Corporation, Ltd. (TIPC) and Indonesian investors, officially opens in Indonesia.
- Receives the following recognition: Best Shipping Line-Intra-Asia Award, 2017 Blue Circle Award, Provider of the Year, 2017 Environmental Ship Index Award, and 2018 Quest for Quality Award presented by Logistics Management Magazine.
- Cooperation with CTBC Bank Co., Ltd. optimizes its blockchain technology and process for international trade.
- Signs an agreement with Shoei Kisen Kaisha, Ltd. and Costamare Inc. to charter ten 11,000 TEU full-container vessels.
- Signs a contract with CSBC Corporation, Taiwan, for the construction of a total of ten 2,800 TEU class full container vessels.
- Completes and puts in service three 14,000 TEU full-container vessels, YM Wellbeing, YM Wonderland and YM Wisdom.
- Signs declaration on the establishment of blockchain collaboration.
- THE Alliance unveils enhanced service network for 2019.

2019

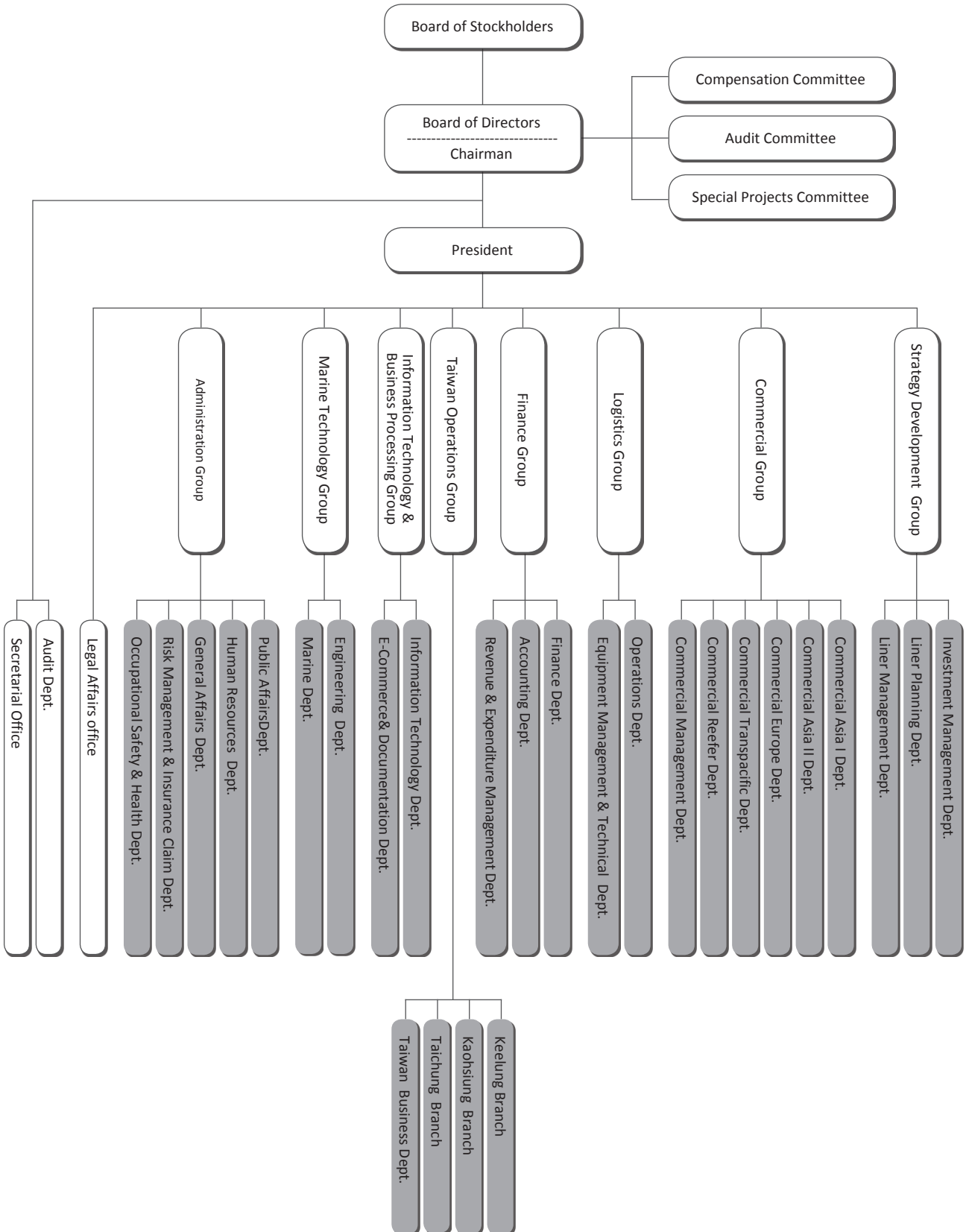
- Launches new services, i.e., China-Malaysia service, Korea-Vietnam and Malaysia service.
- Completes and puts in service two 14,000 TEU full-container vessels, YM Warranty and YM Wellspring.



Corporate Governance Report

3.1 Organization Chart

3.1.1 Organization Chart



3.1.2 Department Functions

Department		Functions
Secretarial Office		<ul style="list-style-type: none"> · Preparing the agenda of the Board of Directors' and shareholders' meeting · Proceedings · Disclosure of resolutions etc.
Audit Dept.		<ul style="list-style-type: none"> · Internal audits of departments' implementation performances · Quality audits · Subsidiaries and agencies audits
Legal Affairs Office		<ul style="list-style-type: none"> · Group's legal affairs · Competition law.
Strategy Development Group	Investment Management Dept.	<ul style="list-style-type: none"> · Group development planning · Re-investment promotion · Operation performance management · Building, management, assessment of agencies.
	Liner Planning Dept.	<ul style="list-style-type: none"> · Negotiations with strategic alliances · Lines designing and planning · Vessels' lease and replacement
	Liner Management Dept.	<ul style="list-style-type: none"> · Establishment and impetus of operation's rules and procedure.
Commercial Group	Commercial Transpacific Dept.	For North America <ul style="list-style-type: none"> · Formulation and execution of marketing plan · Market development · Customer service
	Commercial Europe Dept.	For Europe and Atlantic <ul style="list-style-type: none"> · Formulation and execution of marketing plan · Market development · Customer service
	Commercial Asia I Dept.	For North-East Asia, South-East Asia, China, Hong Kong, and Taiwan <ul style="list-style-type: none"> · Formulation and execution of marketing plan · Market development · Customer service
	Commercial Asia II Dept.	For Indian Ocean, Oceania, Central and South America, Middle East, and Red Sea Market <ul style="list-style-type: none"> · Formulation and execution of marketing plan · Market development · Customer service
	Commercial Reefers Dept.	For Reefer Sales <ul style="list-style-type: none"> · Formulation and execution of marketing plan · Market development · Customer service
	Commercial Management Dept.	<ul style="list-style-type: none"> · Management of space control · Cargo contribution margin · Others commercial affairs
Logistics Group	Operations Dept.	<ul style="list-style-type: none"> · Arrangement and management of shipment, cargo stowage, dock terminal, and domestic distribution
	Equipment Management & Technical Dept.	<ul style="list-style-type: none"> · Dispatch, maintaining, construction of container and chassis · Management of dynamic data
Finance Group	Finance Dept.	<ul style="list-style-type: none"> · Fund dispatch · Financial investment and management
	Accounting Dept.	<ul style="list-style-type: none"> · Accounting handling · Creating the budget, settlement, and financial statement
	Revenue & Expenditure Management Dept.	<ul style="list-style-type: none"> · Lines freight · Invoices audits · Assurance and demand the receivable freight and fees payable

Information Technology & Business Processing Group	E-Commerce & Documentation Dept.	<ul style="list-style-type: none"> · Operation and promotion of e-commerce · Shipping files documentation and transmitting.
	Information Technology Dept.	<ul style="list-style-type: none"> · Arrangement, organizing, and propagation of computer soft and hardware, and Network
Marine Technology Group	Engineering Dept.	<ul style="list-style-type: none"> · Construction and repair of vessels
	Marine Dept.	<ul style="list-style-type: none"> · Vessels manipulation guidance · Management of marine stores and seafarers
Administration Group	Public Affairs Dept.	<ul style="list-style-type: none"> · Corporate social responsibility · CIS · QMS · EMS · Holding and following the investment meeting and management meeting · PR management · As communication between internal and external
	Human Resources Dept.	<ul style="list-style-type: none"> · Development of organization · Management of recruitment, employment, training, compensation, and welfares
	General Affairs Dept.	<ul style="list-style-type: none"> · Management of paper works, purchase, administrative affairs, and offices affairs
	Risk Management & Insurance Claim Dept.	<ul style="list-style-type: none"> · Risk management · Insurance and claim for vessels, containers, chassis, and terminal station's affairs etc.
	Occupational Safety & Health Dept.	<ul style="list-style-type: none"> · Establishment and maintaining of occupational safety & health system.
Taiwan Operations Group	Taiwan Business Dept.	<ul style="list-style-type: none"> · Customer development and cargo canvassing in Taiwan area.
	Keelung Branch	<ul style="list-style-type: none"> · Ship's arrivals and departures affairs · Shipment clearance for import and export · Transshipment
	Taichung Branch	<ul style="list-style-type: none"> · Ship's arrivals and departures affairs · Shipment clearance for import and export · Transshipment
	Kaohsiung Branch	<ul style="list-style-type: none"> · Ship's arrivals and departures affairs · Shipment clearance for import and export · Transshipment

3.2 Information on the Company's Directors, Supervisors, President, Vice President, Assistant Vice President, and all the Supervisors of the Company's divisions and department heads

3.2.1 Directors (Including Independent Directors.)

Title	Birthplace or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholdings When Elected		Current Shareholdings (Note1)	
							Shares	%	Shares	%
Chairman (Corporate Representative of Ministry of Transportation and Communications, R.O.C.(MOTC))	ROC	Chih-Chien Hsieh	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	As the chairman of this company since 2016.06.23				
Director (Corporate Representative of MOTC)	ROC	Kun-Ching Liao	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22	Directors herein as the corporate representatives of MOTC, holding a total of 467,682,372 shares	Which represent 20.13% of the company's shares	Directors herein as the corporate representatives of MOTC, holding a total of 467,682,372 shares	Which represent 20.13% of the company's shares
Director (Corporate Representative of MOTC)	ROC	Ping-Jen Tseng	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2016.06.22				
Director (Corporate Representative of National Development Fund, Executive Yuan (NDF))	ROC	Cheng-Mount Cheng	Male	2018.08.17	May be eligible for re-election and consecutive appointment within 3 years	2018.08.17				
Director (Corporate Representative of the NDF)	ROC	Chuan-Te Ho	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22	Directors herein as the corporate representatives of the NDF, holding a total of 460,000,000	Which represent 19.80% of the company's shares	Directors herein as the corporate representatives of the NDF, holding a total of 460,000,000	Which represent 19.80% of the company's shares
Director (Corporate Representative of the NDF)	ROC	Chien-Yi Chang	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22				

III. Corporate Governance Report

Mar.31.2019

Spouse & Miner Current Shareholdings		Current Shareholdings in the Name of Others		Experience (Education)	Current Position at the Company and Other Companies	Executives, Directors or Supervisors who are Spouses or within two degrees of kinship		
Shares	%	Shares	%			Title	Name	Relation
0	0	0	0	<ul style="list-style-type: none"> Deputy President, Evergreen Group Chairman, Evergreen International Corp. Chairman, Evergreen Marine Corp. Director, National Associate of Chinese Shipowners Business management Dept., Tamsui Institute of Business Administration 	<ul style="list-style-type: none"> Chairman, Kao Ming Container Terminal Corp. Director, Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line (Singapore) Pte. Ltd, Young-Carrier Company Ltd., Yang Ming Line Holding Co. 	-	-	-
0	0	0	0	<ul style="list-style-type: none"> Retired Professor, National Taiwan Ocean University(NTOU) Department Chairman and Full-Time Professor, Dept. of Transportation Science, NTOU Associate Professor, National Kaohsiung Marine University Deck Officer, Chinese Maritime Transport Ltd. Master of Science, Dept. of Transportation Engineering, Tokyo University of Mercantile Marine Bachelor of Science, Dept. of Navigation, NTOU 	-	-	-	-
1,028	0	0	0	<ul style="list-style-type: none"> Vice President, Yang Ming Marine Transport Corp. Bachelor of Business Administration, Dept. of International Trade, Shih Chien University 	<ul style="list-style-type: none"> Director, Yang Ming Culture Foundation, Karlman Properties Limited, Formosa International Development Corporation 	-	-	-
0	0	0	0	<ul style="list-style-type: none"> Deputy Minister, National Development Council(NDC) Vice Chairman, Financial Supervisory Commission R.O.C. President, Agricultural Bank of Taiwan President, Taiwan Academy of Banking and Finance Adjunct Associate Professor, Dept. of Finance, National Chengchi University Chief Economist, Citibank Taiwan Assistant Researcher Fellow, Taiwan Institute of Economy Research Master of Arts, Dept. of Economics, University of Wisconsin-Madison Bachelor of Arts, Dept. of Economics, National Taiwan University 	<ul style="list-style-type: none"> Director of Mega Financial Holding Company Ltd. 	-	-	-
0	0	0	0	<ul style="list-style-type: none"> Secretary General, NDC Director, NDC Counselor, NDC Director, Research, Development and Evaluation Commission, Executive Yuan Master of Arts, Dept. of Public Administration, National Chengchi University 	-	-	-	-
0	0	0	0	<ul style="list-style-type: none"> President, Taiwan Institute of Economic Research(TIER) Director, Research Division II, TIER Deputy Executive Secretary, Industrial Development Advisory Council, Ministry of Economic Affairs, R.O.C. Vice Chairman, Policy Research Commission of the Economic and Trade, The General Chamber of Commerce, R.O.C. Adjunct Associate Professor, Dept. of National Business, Soochow University Doctor of Economics, National Taipei University 	<ul style="list-style-type: none"> Director, Chang Hwa Bank, Asia Global Venture Capital II Co. Member of Wholesaler & Retailer Committee, Taiwan Coalition of Service Industry(TWCSI) 	-	-	-

Title	Birthplace or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholdings When Elected		Current Shareholdings (Note1)	
							Shares	%	Shares	%
Director (Corporate Representative of Taiwan International Ports Corporation, Ltd.(TIPC))	ROC	Shao-liang Chen	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22	Director herein as the corporate representative of TIPC, holding a total of 119,514,708	Which represent 5.14% of the company's shares	Director herein as the corporate representative of TIPC, holding a total of 119,514,708	Which represent 5.14% of the company's shares
Director (Corporate Representative of Taiwan Navigation Co., Ltd.(TNC))	ROC	Wen-Ching Liu	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22	Director herein as the corporate representative of TNC, holding a total of 32,292,930	Which represent 1.39% of the company's shares	Director herein as the corporate representative of TNC, holding a total of 32,292,930	Which represent 1.39% of the company's shares
Independent Director	ROC	Ming-Sheu Tsai	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22	154,777	0	154,777	0
Independent Director	ROC	Tar-Shing Tang	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22	0	0	0	0
Independent Director	ROC	Tze-Chun Wang	Male	2018.06.22	May be eligible for re-election and consecutive appointment within 3 years	2018.06.22	0	0	0	0

Note1 : The Corporate Representatives of MOTC: Lien-Chuan Lee, Cherng-Chwan Hwang, Youn-Ger Wu, Yi-Chih Yang, juristic-person director Leader Container Transportation Co., Ltd. and the Independent Directors: Jin-Ru Yen, Heng-Chih Chou left office after the re-election of board of directors at annual shareholders' meeting on 2018.06.22. The Corporate Representative of MOTC: Kun-Ching Liao, the Corporate Representatives of NDF: Jiunn-Rong Chiou, Chuan-Te Ho, Chien-Yi Chang, the Corporate Representative of TIPC: Shao-Liang Chen, the Corporate Representative of TNC: Wen-Ching Liu, the Independent Directors: Tar-Shing Tang, Tze-Chun Wang took office after the re-election of board of directors at annual shareholders' meeting on 2018.06.22. In addition, the seat of Jiunn-Rong Chiou in Corporate Representative of NDF is changed into Cheng-Mount Cheng on 2018.08.17 to serve as.

III. Corporate Governance Report

	Spouse & Miner Current Shareholdings		Current Shareholdings in the Name of Others		Experience (Education)	Current Position at the Company and Other Companies	Executives, Directors or Supervisors who are Spouses or within two degrees of kinship		
	Shares	%	Shares	%			Title	Name	Relation
	0	0	0	0	<ul style="list-style-type: none"> · Excusive Vice President, TIPC · Vice President, TIPC and President, Port of Taichung · Vice President of Business, TIPC · EMBA, National Dong Hwa University 	<ul style="list-style-type: none"> · Chairman of Taiwan Foundation International Pte. Ltd. 	-	-	-
	0	0	0	0	<ul style="list-style-type: none"> · Chairman, TNC-Chairman, Kaohsiung Ammonium Sulfate Co., Ltd. · Chairman, CPC Shell Lubricants Company Ltd. · Senior Consultant, CPC Corporation, Taiwan · Master of Science, Dept. of Applied Biology and Chemical Technology, The Hong Kong Polytechnic University · Bachelor of Science, Dept. of Chemistry, National Chung Hsing University 	<ul style="list-style-type: none"> · Director of Tai Shing Maritime Co., S.A, Shin Wang Maritime Inc. · Independent Director, Transart Graphics Co., Ltd. 	-	-	-
	0	0	0	0	<ul style="list-style-type: none"> · Independent Director, T3EX Global Holdings Corp. · Chairman, Kuang Ming Shipping Corp. · President, China Area, Yang Ming Marine Transport Corp.(YM) · Senior Executive Vice President and Chief Secretary, YM · Master of Arts, Dept. of Public Administration, National Chengchi University · Bachelor of Arts, Dept. of Public Administration, National Chung Hsing University 	<ul style="list-style-type: none"> · Independent Director, T3EX Global Holdings Corp. 	-	-	-
	0	0	0	0	<ul style="list-style-type: none"> · Attorney-in-Charge, Tar-Shing Tang Law Office · Qualification in Bar Examination · Completion in The Training Institute, Ministry of Finance · Qualification in Senior Examination of Finance · Bachelor of Arts, Dept. of Economics, Minor in Law, National Taiwan University 	<ul style="list-style-type: none"> · Independent Director, EverFocus Co., Ltd. 	-	-	-
	0	0	0	0	<ul style="list-style-type: none"> · Chairman, SIRTEC International Co., Ltd. · Representative, Navigator Investment Co., Ltd. · CPA, Deloitte & Touche Taiwan · Teaching Assistant, National Taiwan University · Bachelor of Science, Dept. of Agriculture Economics, National Taiwan University 	<ul style="list-style-type: none"> · Independent Director, Huaku Development Co., Ltd. · Chairman, Taoyuan Asia Silicon Valley Innovation Co., Ltd., SIRTEC (Dong Guan) Plastics & Electronics Co., Ltd, Shey Sun (Dong Guan) Plastics & Electronics Co., Ltd., Dongguan SIRTEC Image Co., Ltd., SIRTEC (Zhuhai) plastics & electronics Co., Ltd. · Supervisor, Duen-Mou Foundation of Taiwan, Mercy Social Welfare Committee, Christian Faith/Hope/Love Trust Fund, Love of God Social Welfare Committee, Boyo Social Welfare Foundation · Director, SIRTEC International (BVI) Co., Ltd., SIRFA (B.V.I.) Co., Ltd., Sirlight Trading Co., Ltd., SIRTEC International(Suzhou) Co.,Ltd, Forland Auto Inc., Forland Trading Co., Ltd., Nanjing F.L. Trading Co., Ltd., Navigator Financial Leasing Co., Ltd., The NFLC, Forland Auto(China) Trade Holding Co., Ltd., Forland Auto(Nanking) Trade Co., Ltd., Forland Auto(Nanking) Trade Service Co., Ltd., Heyun International Logistics Corp 	-	-	-

1. Major shareholders of corporate shareholders Mar. 31. 2019

Name of corporate shareholders	Major shareholders of corporate shareholders
MOTC	Government of the R.O.C.(100%)
NDF	Government of the R.O.C.(100%)
TIPC	MOTC(100%)
TNC	MOTC (26.46%), Yang Ming (16.96%), The CMT (7.46%) Fuwang Investment(2.95%), Yunwang Investment(2.42%), Yongyuxing Enterprise(2.01%),China Trust Bank TNC employees' shareholding trust account(1.32%),Jack Xia Investment(1.32%), Di- Chen Fu(0.79%), Public Service Retirement Pension Fund Management Committee(0.78%)

2. Major shareholders of the juridical person's major shareholder Mar. 31. 2019

Name of the juridical person	Major shareholders of the juridical person*1
Government of the R.O.C	Inapplicable
The MOTC	Government of the R.O.C(100%)
Yang Ming	The MOTC (20.13%), The NDF (19.80%), TIPC (5.14%), Mercuries Life (3.49%), The TNC (1.39%), Chinachem Company in Taiwan (1.28%), Chao-Shun Hong (1.17%), United Logistics International Co., (1.08%), Mega International Commercial Bank Estate Account-ESOT of Yang Ming (0.88%), T3EX Global Holdings(0.74%)
The CMT	Associated International Inc. (34.10%), Giant International Holdings Pte. Ltd. (19.00%), Fubon Financial. (4.22%), Di-Chen Fu (1.73%), Jun-Jie Liu (0.72%), Capital Securities margin transfer account(0.69%), Di-Yun Fu (0.52%), Dimension Emerging Markets Evaluation Fund Investment Account (0.49%), Citibank DFA
Fuwang Investment	The CMT
Yunwang Investment	Yang Ming (49.75%), TNC(49.75%), Fu Lirong Investment (0.50%)
Yongyuxing Enterprise	Yu-Qin Lin (100%)
China Trust Bank TNC employees' shareholding trust account	Inapplicable
Jack Xia Investment	Shi-Yong Tsai (40%)
Public Service Retirement Pension Fund Management Committee	Inapplicable

Note: Name of major shareholders of the juridical person (Top 10 shareholders)

3. Information of Director (Including Independent Director)

Mar. 31. 2019

Criteria	Have at least 5-year experience together with the following professional qualification requirement			Independence Attribute (Note1)										Number of serving as other Independent Director of the Public Issued Company	
	As the instructor or above of in Dept. of commerce, law, finance, accounting or other academy related to company business in public or private college	Possession of the professional and technical personnel examination's certificate of qualification such as judge, procurator, attorney, accountant, or other professional or technical specialists	Experience in the areas of commerce, law, finance, accounting, or other needs for the company	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
Name															
Chih-Chien Hsieh			✓			✓	✓		✓	✓	✓	✓			0
Kun-Ching Liao	✓		✓	✓	✓	✓	✓	✓		✓	✓	✓			0
Ping-Jen Tseng			✓			✓	✓	✓	✓	✓		✓			0
Chien-Yi Chang	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓			0
Cheng-Mount Cheng	✓		✓		✓	✓	✓		✓	✓	✓	✓			0
Chuan-Te Ho			✓	✓	✓	✓	✓	✓			✓	✓			0
Shao-Liang Chen			✓	✓	✓	✓				✓	✓	✓			0
Wen-Ching Liu			✓	✓	✓	✓			✓	✓	✓	✓			1
Ming-Sheu Tsai			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		1
Tar-Shing Tang		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		1
Tze-Chun Wang		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		1

Note 1: Please mark “✓” in the appropriate boxes, if the director is accordance with the following conditions from 2 years before being elected and appointed, and during his term of office.

- (1) Not an employee of this company and its affiliate.
- (2) Not a director of this company's affiliate, except for the independent director of this company, its parent company, or subsidiary established according to this Act or local country ordinance.
- (3) Not a nature person shareholder, or whose spouse, minor children, or a person under other's name holding shares in an aggregate amount of one percent or more of the total number of this company's issue shares or the top ten nature person shareholders.
- (4) Not a spouse, or a direct blood relative within the second or third degree of kinship in the above listed three items.
- (5) Not a director of corporate shareholder or an employee directly holding more than five percent of total amount of this company's issue shares, or the top five shareholders of directors of corporate shareholder or employees.
- (6) Not a director, a manager, or a shareholder holding more than five percent shares who act at a company or institute having baseness or financial relationship with this company.
- (7) Not a specialist, an owner, a director, a manager, or its spouse of proprietorship, partnership, company, or institute providing the service of commerce, law, finance, accounting. Except for the compensation committee's member set up under the public company or traded on the over-the-counter market and performs the official power under Article 7.
- (8) Not a person has the relationship of spouse or relative within second degree of kinship with the others director.
- (9) Not been a person of any conditions defined in Article 30 in the Company Law.
- (10) Not a governmental, juridical person, or a representative as defined in Article 27 in the Company Law.

Note 2: This company sets up the audit committee, according to the law, doesn't need to set up and elect supervisors.

3.2.2 Information of President, Executive Vice Presidents, Vice President, Officers of Departments and branches

Title	Nationality	Name	Gender	Inauguration Date	Shareholdings (Note)		Spouse & Minor Shareholding (Note)		Current Shareholding in the name of others	
					Shares	%	Shares	%	Shares	%
President & Chief Operations Officer	ROC	Wen-Bor Lin	Male	2016.10.06	171,255	0.01	0	0	0	0
Chief Taiwan Operations Officer & Senior Executive Vice President	ROC	Tsai-Ding Chou	Male	2017.04.01	29	0	0	0	0	0
Chief Commercial Officer & Senior Executive Vice President	ROC	Kun-Rong Pai	Male	2019.01.01	91,404	0	0	0	0	0
Chief Information Officer & Executive Vice President	ROC	Der-Shi Tsao	Male	2014.11.12	7,876	0	0	0	0	0
Chief Auditor & Executive Vice President	ROC	Fu-Tien Lin	Male	2017.03.01	23,734	0	0	0	0	0
Chief Financial Officer & Executive Vice President	ROC	Shih-Chou Lee	Male	2019.01.01	100,592	0	7,154	0	0	0
Chief Administrative Officer & Senior Vice President	ROC	Mei-Chi Shih	Male	2017.12.01	20,565	0	0	0	0	0
Chief Technology Officer & Senior Vice President	ROC	Yeoung-Shuenn Ho	Male	2018.06.01	35,137	0	0	0	0	0
Chief Commercial Officer & Senior Vice President	ROC	Shu-Qin Du	Male	2019.01.01	0	0	0	0	0	0
Chief Logistics Officer & Senior Vice President	ROC	Zheng-Xiong Zheng	Male	2019.02.01	65,335	0	0	0	0	0
Senior Vice President	ROC	Jia-Lin Wu	Male	2006.04.01	0	0	0	0	0	0
Senior Vice President	ROC	Jie-Li Zhu	Male	2011.12.16	83,592	0	713	0	0	0
Senior Vice President	ROC	Wen-Zao Huang	Male	2019.01.01	0	0	0	0	0	0
Senior Vice President	ROC	Shi-Nan Huang	Male	2019.01.01	10,000	0	0	0	0	0

Mar 31, 2019

	Experience(Education)	Current position at other companies	Managers who are spouse or within two degree of kinship		
			Title	Name	Relationship
	·Senior Executive Vice President of this company ·Master of National Chiao Tung University	·Director of Yang Ming Line Holding Co., Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line (Singapore) Pte. Ltd., Kao Ming Container Terminal Corp., Young-Carrier Company Ltd., Yang Ming (America) Corp., Taiwan Navigation Co., Ltd.	-	-	-
	·Executive Vice President of this company ·President of Yang Ming (UK) Ltd. ·Senior Executive Vice President of YES Logistics Corp. ·Master of National Chiao Tung University	·Director of YES Logistics Corp., Hong Ming Terminal & Stevedoring Corp., Jing Ming Transportation Co., Ltd.	-	-	-
	·Executive Vice President of this company ·Chairman of YES Logistics Corp. ·Master of National Chiao Tung University	·Director of YANG MING (U.A.E) LLC, West Basin Container Terminal LLC, United Terminal Leasing LLC, Kuang Ming Shipping Corp., Kao Ming Container Terminal Corp., Yang Ming Line (India) Pvt. Ltd, Yang Ming Shipping Europe GmbH, YES Logistics Corp., Taiwan Foundation International Pte. Ltd., Young-Carrier Company Ltd., B2B. COM Holdings Ltd. , Yes Logistics Benelux B.V.	-	-	-
	·Senior Vice President of this company ·Tamsui Institute of Industrial & Business Administration	·Director of LogiTrans Technology Private Limited	-	-	-
	·Senior Vice President of this company ·Master of National Chiao Tung University	-	-	-	-
	·Senior Vice President of this company ·Master of Chang Gung University	·Director of Yang Ming Line Holding Co., Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line N.V., Yang Ming Line B.V, Yang Ming Line (Singapore) Pte. Ltd., Ching Ming Investment Corp., Taiwan Foundation International Pte. Ltd. ·Supervisor of Kuang Ming Shipping Corp., Jing Ming Transportation Co., Ltd., Kao Ming Container Terminal Corp. ·Chairman&President of Yunwang Investment Co., Ltd.	-	-	-
	·Vice President of this company ·President of Yang Ming (Singapore) Pte. Ltd. ·Master of Tamkang University	·Director of Yang Ming Culture Foundation, Kuang Ming Shipping Corp., YES Logistics Corp., Jing Ming Transportation Co., Ltd., Sunbright Insurance Pte. Ltd.	-	-	-
	·Vice President of this company ·Master of National Taiwan Ocean University	·Director of Kuang Ming Shipping Corp., Yang Ming (Liberia) Corp. ·Chairman&President of All Oceans Transportation Inc.	-	-	-
	·Vice President of this company ·President of Yang Ming Line (Hong Kong) Ltd. ·Master of National Taiwan University	·Director of Yang Ming (Australia) Pty. Ltd, YES Logistics Corp, Yang Ming Line (India) Pvt. Ltd., Yang Ming (Korea) Co. Ltd., Yang Ming (Latin America) Corp. ·Chairman of Yangming (Japan) Co., Ltd.	-	-	-
	·Vice President of this company ·Master of National Taiwan Ocean University	·Director of West Basin Container Terminal LLC, United Terminal Leasing LLC, Taipei Port Container Terminal Corp., United Stevedoring Corporation, Kao Ming Container Terminal Corp.	-	-	-
	·Vice President of this company ·President of Yang Ming (UK) Ltd ·Master of National Cheng Kung University	-	-	-	-
	·Vice President of this company ·Executive Vice President of Yang Ming Shipping Europe GmbH ·President of Yang Ming (Netherlands) B.V. and Yang Ming (Italy) S.p.A ·Master of National ChengChi University	·Director of Yang Ming Culture Foundation	-	-	-
	·Vice President of this company ·Executive Vice President of YES Logistics Corp ·Master of Soochow University	·Director of Yang Ming Line B.V., All Oceans Transportation Inc., Yang Ming (Liberia) Corp., Sunbright Insurance Pte. Ltd. ·Supervisor of Yunn Wang Investment Co., Ltd., PT. Formosa Sejati Logistics	-	-	-
	·Vice President of this company ·Master of Feng Chia University	·Director of Yang Ming Shipping (Vietnam) Co, Ltd., Yang Ming Shipping (B.V.I.) Inc., Yang Ming Line (Hong Kong) Ltd., Yang Ming (Korea) Co. Ltd., Yangming (Japan) Co., Ltd., Yang Ming Shipping Philippines, Inc., Yang Ming Line Shipping (Thailand) Co., Ltd., Yang Ming Line (Thailand) Co., Ltd.	-	-	-

Title	Nationality	Name	Gender	Inauguration Date	Shareholdings (Note)		Spouse & Minor Shareholding (Note)		Current Shareholding in the name of others	
					Shares	%	Shares	%	Shares	%
Senior Vice President	ROC	Chao-Feng Zhang	Male	2019.01.01	65,486	0	0	0	0	0
Vice President	ROC	Sen-Shan Lai	Male	2007.09.01	1,004	0	0	0	0	0
Vice President	ROC	Dong-Hai Chen	Male	2012.12.01	84,078	0	0	0	0	0
Vice President	ROC	Li-Ping Xiong	Male	2013.12.01	50,000	0	0	0	0	0
Vice President	ROC	Xi-Chang Zhang	Male	2014.04.01	10,241	0	0	0	0	0
Vice President	ROC	Ping-Jen Tseng	Male	2014.06.01	61,290	0	1,028	0	0	0
Vice President	ROC	Xiu-Qi He	Female	2015.12.16	76,162	0	2,569	0	0	0
Vice President	ROC	Yi-Da Wu	Male	2015.11.12	0	0	9,345	0	0	0
Vice President	ROC	Jian-Zhang Zeng	Male	2015.12.01	0	0	0	0	0	0
Vice President	ROC	Zeng-Yu Qiu	Female	2016.10.01	18,596	0	0	0	0	0
Vice President	ROC	Yong-Kai Wang	Male	2017.02.13	73,968	0	0	0	0	0
Vice President	ROC	Chun-Jie Lu	Male	2018.05.01	0	0	0	0	0	0
Vice President	ROC	Leng-Hui Wang	Male	2018.02.01	0	0	0	0	0	0
Vice President	ROC	Yu-Wen Su	Male	2018.02.01	0	0	0	0	0	0
Vice President	ROC	Jia-Ting Dong	Male	2018.03.01	82,587	0	2,336	0	0	0
Vice President	ROC	Long-Xing Zhu	Male	2018.03.01	324	0	0	0	0	0
Vice President	ROC	Shun-Jin Yang	Male	2018.04.01	30,183	0	0	0	0	0
Vice President	ROC	Bao-Lin Li	Female	2018.04.01	9,345	0	0	0	0	0
Vice President	ROC	Wen-Zhong Ye	Male	2018.07.01	0	0	0	0	0	0
Vice President	ROC	Tai-Qi Tsai	Male	2018.12.16	195	0	55	0	0	0
Vice President	ROC	Zu-Wang Luan	Male	2019.02.01	0	0	233	0	0	0
Vice President	ROC	Guo-Liang Huang	Male	2019.02.01	0	0	0	0	0	0
Corporate Governance Supervisor	ROC	Ting-Yu Lu	Female	2019.01.25	20,000	0	0	0	0	0

	Experience(Education)	Current position at other companies	Managers who are spouse or within two degree of kinship		
			Title	Name	Relationship
	·Vice President of this company ·Bachelor of National Taiwan Ocean University	·Director of Yang Ming (Belgium) N.V, Yang Ming (Netherlands) B.V, Yang Ming (Italy) S.p.A, Yang Ming (Russia) LLC, Yang Ming (Spain), S.L., Yang Ming (UK) Ltd., Yang Ming Shipping Europe GmbH, /Yang Ming Anatolia Shipping Agency S.A.	-	-	-
	·Deputy Vice President of this company ·Executive Vice President of Yang Ming Shipping Europe GmbH ·President of Yang Ming (Netherlands) B.V ·Master of Chinese Culture University	·Director of Sunbright Insurance Pte. Ltd, Yang Ming Culture Foundation	-	-	-
	·Deputy Vice President of this company ·Master of National ChengChi University	·Director of Yang Ming Culture Foundation	-	-	-
	·Deputy Vice President of this company ·Executive Vice President of Young-Carrier(Shanghai) ·Master of Tamkang University	·Director of Yang Ming (Singapore) Pte. Ltd., Yang Ming Line (M) Sdn. Bhd., Yang Ming (Latin America) Corp.	-	-	-
	·Deputy Vice President of this company ·Master of National Chiao Tung University	·Director of LogiTrans Technology Private Limited	-	-	-
	·Deputy Vice President of this company ·Bachelor of Shih Chien University	·Director of Yang Ming Marine Transport Corp., Yang Ming Culture Foundation, Karlman Properties Limited, Formosa International Development Corporation	-	-	-
	·Deputy Vice President of this company ·Master of Tamkang University	-	-	-	-
	·Deputy Vice President of this company ·President of Yang Ming (Australia) Pty. Ltd ·Master of Royal Melbourne Institute of Technology	·Director of Yang Ming (UK) Ltd., All Oceans Transportation Inc., Yang Ming (Liberia) Corp.	Vice President	Bao-lin Li	Spouse
	·Deputy Vice President of this company ·Bachelor of Fu Jen Catholic University	-	-	-	-
	·Deputy Vice President of this company ·Master of Chinese Culture University	-	-	-	-
	·Deputy Vice President of this company ·President of Yang Ming (Netherlands) B.V and Yang Ming Anatolia Shipping Agency S.A. ·Bachelor of Chinese Culture University	·Director of Yang Ming Shipping (Vietnam) Co. Ltd., Yang Ming Shipping Philippines, Inc. ·Chairman & President of Taiwan Foundation Internatioanl Pte. Ltd	-	-	-
	·Deputy Vice President of this company ·Bachelor of National Cheng Kung University	-	-	-	-
	·Deputy Vice President of this company ·President of Yangming (Japan) Co., Ltd. ·Bachelor of National Chiao Tung University	·Director of Manwa Co., Ltd.	-	-	-
	·Deputy Vice President of this company ·Master of National Taiwan University	·Director of Formosa International Development Corporation, Yang Ming Culture Foundation ·Supervisor of YES Logistics Corp., Hong Ming Terminal & Stevedoring Co., Ltd., Ching Ming Investment Corp., Yang Ming (Korea) Co. Ltd., Yangming (Japan) Co., Ltd.	-	-	-
	·Deputy Vice President of this company ·Bachelor of Chinese Culture University	-	-	-	-
	·Deputy Vice President of this company ·Bachelor of National ChengChi University	-	-	-	-
	·Deputy Vice President of this company ·Bachelor of National Taiwan University	-	-	-	-
	·Deputy Vice President of this company ·Bachelor of Soochow University	·Director of Triumph Logistics, Inc., Topline Transportation, Inc., Transcont Intermodal Logistics, Inc., PT. Formosa Sejati Logistics	Vice President	Yi -Ta Wu	Spouse
	·Deputy Vice President of this company ·Bachelor of National Chung Hsing University	·Director of Yang Ming (America) Corp., Transcont Intermodal Logistics, Inc., Yang Ming Shipping (Canada) Ltd.	-	-	-
	·Deputy Vice President of this company ·Bachelor of National Chung Hsing University	-	-	-	-
	·Deputy Vice President of this company ·China Junior College of Maritime and Commerce	-	-	-	-
	·Deputy Vice President of this company ·Bachelor of National Taiwan Ocean University	·Director of Hong Ming Terminal & Stevedoring Co., Ltd., Jing Ming Transportation Co., Ltd.	-	-	-
	·Assistant Vice president of this company ·Bachelor of National Taiwan Ocean University	-	-	-	-

3.3 Remuneration Paid during the most recent fiscal year to Directors, Supervisors, President and Vice President

3.3.1 Remuneration of Directors (Including Independent Directors.)

Title	Name	Remuneration of Directors							
		Base Compensation(A) (Note 2)		Separation pay(B)		Director Compensation(C) (Note 3)		Allowance(D)(Note 4)	
		The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)
Chairman	Chih-Chien Hsieh, Corporate Representative of the MOTC	0	0	0	0	0	0	0	0
Director	Ping-Jen Tseng, Corporate Representative of the MOTC	0	0	0	0	0	0	0	0
Director	Kun-Ching Liao, Corporate Representative of the MOTC	52	52	0	0	0	0	0	0
Director	Lien-Chuan Lee, Corporate Representative of the MOTC	46	46	0	0	0	0	0	0
Director	Cherng-Chwan Hwang, Corporate Representative of the MOTC	46	46	0	0	0	0	0	0
Director	Youn-Ger Wu, Corporate Representative of the MOTC	46	46	0	0	0	0	0	0
Director	Yi-Chih Yang, Corporate Representative of the MOTC	46	46	0	0	0	0	0	0
Director	Jiunn-Rong Chiou, Corporate Representative of The NDF	15	15	0	0	0	0	0	0
Director	Cheng-Mount Cheng, Corporate Representative of The NDF	38	38	0	0	0	0	0	0
Director	Chuan-Te Ho, Corporate Representative of The NDF	52	52	0	0	0	0	0	0
Director	Chien-Yi Chang, Corporate Representative of The NDF	52	52	0	0	0	0	0	0
Director	Shao-Liang Chen, Corporate Representative of The TIPC	52	52	0	0	0	0	0	0
Director	Wen-Ching Liu, Corporate Representative of The TNC	189	189	0	0	0	0	0	0
Independent Director	Ming-Sheu Tsai	720	720	0	0	0	0	0	0
Independent Director	Tar-Shing Tang	378	378	0	0	0	0	0	0
Independent Director	Tze-Chun Wang	378	378	0	0	0	0	0	0
Independent Director	Jin-Ru Yen	342	342	0	0	0	0	0	0
Independent Director	Heng-Chih Chou	342	342	0	0	0	0	0	0

Note1: The Corporate Representatives of MOTC: Lien-Chuan Lee, Cherng-Chwan Hwang, Youn-Ger Wu, Yi-Chih Yang, juristic-person director Leader Container Transportation Co., Ltd. and the Independent Directors: Jin-Ru Yen, Heng-Chih Chou left office after the re-election of board of directors at annual shareholders' meeting on 2018.06.22. The Corporate Representative of MOTC: Kun-Ching Liao, the Corporate Representatives of NDF: Jiunn-Rong Chiou, Chuan-Te Ho, Chien-Yi Chang, the Corporate Representative of TIPC: Shao-Liang Chen, the Corporate Representative of TNC: Wen-Ching Liu, the Independent Directors: Tar-Shing Tang, Tze-Chun Wang took office after the re-election of board of directors at annual shareholders' meeting on 2018.06.22. In addition, the seat of Jiunn-Rong Chiou in Corporate Representative of NDF is changed into Cheng-Mount Cheng on 2018.08.17 to serve as.

Note2: Compensations in 2018. The chairman and CEO, Chih-Chien Hsieh, and the Labor Director and Vice President, Ping-Jen Tseng also being the employee of this company, only obtained the compensation as their employee's salary, and didn't receive director's remuneration.

Note3: No allocation of director compensation in 2018 in this company.

Note4: No director of this company receiving the relevant allowance in 2018.

Note5: Compensations including salaries, allowance, separation pay, bonus, incentives, special disbursements, perquisites, accommodation, company cars, and other provided objects, received by directors who are employees of this company, (including serving as president, Executive Vice presidents, other managerial officers, and employees.), but relevant compensations NT\$654 thousand paid to drivers are excluded. In addition, the salary expenses recognized in the IFRS2(Share-based Payment), including obtainments of employee stock option certificates, restricted stock rewards, and participation of subscribing stock by cash injection, also counted in the compensations.

Note6: No employee compensation in 2018 in this company.

III. Corporate Governance Report

Unit: NT\$Thousand

Ratio of total remuneration(A+B+C+D) to net loss%(Note 10)		Relevant remuneration from being the company's employee										Ratio of total remuneration (A+B+C+D+E+F+G) to net loss%(Note 10)		Compensation from an invested company other than the company's subsidiary (Note 11)
		Salary, bonus, and allowance (E) (Note 5)		Separation pay (F)		Employee Compensation(G) (Note 6)								
The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company	All companies in the consolidated financial statement (Note 7)	The Company		All companies in the consolidated financial statement (Note 7)		The Company	All companies in the consolidated financial statement (Note 7)			
						Cash	share	Cash	share					
0.00%	0.00%	5,695	5,695	0	0	0	0	0	0	0	0	-0.09%	-0.09%	-
0.00%	0.00%	2,572	2,572	0	0	0	0	0	0	0	0	-0.04%	-0.04%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
0.00%	0.00%	0	0	0	0	0	0	0	0	0	0	0.00%	0.00%	-
-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	-
-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	-
-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	-
-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	-
-0.01%	-0.01%	0	0	0	0	0	0	0	0	0	0	-0.01%	-0.01%	-

Note7: It's must to disclose total amounts of director's compensations paid by all companies (including this company) listed in this consolidation.

Note8: The directors who receiving compensations paid by this company, their name is disclosed in the attributed bracket: been omitted.

Note9: It's must to disclose total amounts of director's compensations paid by all companies (including this company) listed in this consolidation. Directors' name disclosed in the attributed bracket: been omitted.

Note10: The net loss after tax of financial statement in 2018.

Note11: This company's directors didn't receive the relevant compensations of others reinvested business which isn't under the subsidiaries.

Note12: Apart from the disclosure of the above table, director's compensations receiving by providing services (such as acting as non-employee advisers) for all listed companies in this financial statement: Non.

* The income concept of remuneration disclosed this table is dissimilar to the Income Tax Act, therefore, this table is for information disclosure, not for taxation.

3.3.2 Remuneration of President and Executive Vice Presidents

Title	Name	Salary(A) (Note5)	
		The Company	All companies in the consolidated financial statement(Note8)
President&Chief Operation Officer	Wen-Bor Lin	23,502	23,522
Chief Strategy Officer &Senior Executive Vice President(Note1)	Ching-Chang Wu		
Chief Taiwan Operations Officer & Senior Executive Vice President	Tsai-Ding Chou		
Chief Auditor & Executive Vice President	Fu-Tien Lin		
Chief Commercial Officer& Executive Vice President(Note2)	Chih-Chien Tsao		
Chief Marine Technology Officer &Executive Vice President (Note3)	Chia Chen		
Chief Commercial Officer & Executive Vice President (Note 4)	Kun-Rong Pai		
Chief Information Officer & Executive Vice President	Der-Shi Tsao		

Note1: Ching-Chang Wu, Former CSO&Senior EVP retired on 2018.12.31

Note2: Chih-Chien Tsao, Former Chief Commercial Officer& EVP transferred to Yang Ming (America) Corp. on 2018.05.01

Note3: Chia Chen, Former CTO&EVP retired on 2018.05.31, the remuneration is inclusive of separation pay.

Note4: Kun-Rong Pai transferred from YES Logistics Corp. to this company as the Chief Commercial Officer & EVP on 2018.05.01.

Note5: Salaries and allowances to this company's President, and EVPs in 2018.

Note6: Compensations including salaries, allowance, separation pay, bonus, incentives, special disbursements, perquisites, accommodation, company cars, and other provided objects, received by President, EVPs, but relevant compensations NT\$906 thousand paid to drivers are excluded. In addition, the salary expenses recognized in the IFRS2(Share-based Payment), including obtainments of employee stock option certificates, restricted stock rewards, and participation of subscribing stock by cash injection, also counted in the compensations.

Note7: No employee compensation in 2018 in this company.

Note8: The disclosure of total amounts of President's and EVPs' compensations paid by all companies (including this company) listed in this consolidation.

Note9: The President and EVPs who receiving compensations paid by this company, their name is disclosed in the attributed bracket.

Note10: The disclosure of total amounts of President's and EVPs' compensations paid by all companies (including this company) listed in this consolidation. The President and EVPs who receiving compensations paid by this company, their name is disclosed in the attributed bracket.

Note11: The net loss after tax of financial statement in 2018.

Note12: This company's President and EVPS didn't receive the relevant compensations of others reinvested business which isn't under the subsidiaries.

* The income concept of remunerations disclosed this table is dissimilar to the Income Tax Act, therefore, this table is for information disclosure, not for taxation.

Unit: NT\$Thousand

Separation Pay(B)		Bonus and Allowances etc. (C) (Note6)		Employee Compensation(D) (Note7)				Ratio of total remuneration(A+B+C+D) to net loss (%) (Note11)		Compensation from an invested company other than the company's subsidiary (Note12)
The Company	All companies in the consolidated financial statement(Note8)	The Company	All companies in the consolidated financial statement(Note8)	The Company		All companies in the consolidated financial statement(Note8)		The Company	All companies in the consolidated financial statement(Note8)	
				Cash	Stock	Cash	Stock			
4,050	4,050	2,930	2,930	0	0	0	0	-0.462%	-0.463%	-

Range of Remuneration

Range of remuneration paid to President and Executive Vice Presidents	Names of President and Executive Vice Presidents	
	The company(Note9)	All companies in the consolidated financial statement (Note10)
Under NT\$2,000,000	Chih-Chien Tsao, Kun-Rong Pai	Chih-Chien Tsao, Kun-Rong Pai
NT\$2,000,000(included)~NT\$5,000,000(excluded)	Ching-Chang Wu, Tsai-Ding Chou, Fu-Tien Lin, Der-Shi Tsao	Ching-Chang Wu, Tsai-Ding Chou, Fu-Tien Lin, Der-Shi Tsao
NT\$5,000,000(included)~NT\$10,000,000(excluded)	Wen-Bor Lin, Chia Chen	Wen-Bor Lin, Chia Chen
NT\$10,000,000(included)~NT\$15,000,000(excluded)	-	-
NT\$15,000,000(included)~NT\$30,000,000(excluded)	-	-
NT\$30,000,000(included)~NT\$50,000,000(excluded)	-	-
NT\$50,000,000(included)~NT\$100,000,000(excluded)	-	-
Over NT\$100,000,000	-	-
Total	8	8

Note1: Ching-Chang Wu, Former CSO&Senior EVP retired on 2018.12.31

Note2: Chih-Chien Tsao, Former Chief Commercial Officer& EVP transferred to Yang Ming (America) Corp. on 2018.05.01

Note3: Chia Chen, Former CTO&EVP retired on 2018.05.31, the remuneration is inclusive of separation pay.

Note4: Kun-Rong Pai transferred from YES Logistics Corp. to this company as the Chief Commercial Officer& EVP on 2018.05.01.

Note5: Salaries and allowances to this company's President, and EVPs in 2018.

Note6: Compensations including salaries, allowance, separation pay, bonus, incentives, special disbursements, perquisites, accommodation, company cars, and other provided objects, received by President, EVPs, but relevant compensations NT\$906 thousand paid to drivers are excluded. In addition, the salary expenses recognized in the IFRS2(Share-based Payment), including obtainments of employee stock option certificates, restricted stock rewards, and participation of subscribing stock by cash injection, also counted in the compensations.

Note7: No employee compensation in 2018 in this company.

Note8: The disclosure of total amounts of President's and EVPs' compensations paid by all companies (including this company) listed in this consolidation.

Note9: The President and EVPs who receiving compensations paid by this company, their name is disclosed in the attributed bracket.

Note10: The disclosure of total amounts of President's and EVPs' compensations paid by all companies (including this company) listed in this consolidation. The President and EVPs who receiving compensations paid by this company, their name is disclosed in the attributed bracket.

Note11: The net loss after tax of financial statement in 2018.

Note12: This company's President and EVPs didn't receive the relevant compensations of others reinvested business which isn't under the subsidiaries.

* The income concept of remunerations disclosed this table is dissimilar to the Income Tax Act, therefore, this table is for information disclosure, not for taxation.

3.3.3 Employees profit granted to managerial team: None.

3.3.4 Analysis of the proportion of the total remuneration of directors, supervisors, president, and EVPs of the company paid by the company and all companies in the consolidated financial statement to net profit after tax in individual financial statement of the recent two years. Explanation of remuneration policies, standards and packages, the procedure of determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of the proportion of the total remuneration of directors, supervisors, president, and EVPs of the company paid by the company and all companies in the consolidated financial statement to net profit after tax in individual financial statement of the recent two years.

Title	The company		All companies in the consolidated financial statement	
	Year 2017	Year 2018	Year 2017	Year 2018
Director	2.7%	-0.2%	2.7%	-0.2%
President and EVP	8.9%	-0.5%	8.9%	-0.5%

Note: This company sets up the audit committee, according to the law, doesn't need to set up and elect supervisors.

2. Explanation of remuneration policies, standards and packages, the procedure of determining remuneration, and its linkage to operating performance and future risk exposure:

The board of directors is authorized to determine the remuneration of chairman and directors being in compliance with their participation of company's operation and their contribution, also referring to standards of the industry, which means the annual remuneration for the equals in the marine industry. The salary of chairman, directors, and managerial officers is according to the law determined by the compensation committee. The salary paid to the other members is in accordance with their assigned duty's degree of responsibility, and the standards in the same industry. If the salary needs to be adjusted caused by the variation of pay level in market, it must pass the total quota of salary adjustment through board of director's determination, then refers to employee's performance review. In addition to the Chinese new year bonus for one-month worth of pay, if the company has the earnings in the year, it could contribute the performance bonus by calculating formula, and employee's compensations according to the rule of Company Articles. This company's remuneration assessment for each position is through strict evaluation of performance appraisal system, and overall considers the participation of company's operation and individual responsibilities, so that can reduce the future risk.

3.3.5 Enhanced disclosure: This company's compensation committee sets and review regularly directors' and managerial officers' performance evaluation and the remuneration's policy, system, standard, and structure.

3.4 Corporate Governance Status

3.4.1 The status of operation of the board of directors

Board Meetings were convened Eight times in 2018, the attendance is as below.

Title	Name	In-person Attendance	By Proxy	In-person Attendance Rate (%)	Remarks
Chairman	Chih-Chien Hsieh, Corporate Representative of MOTC	8	0	100	Took office on 2016.06.23
Director	Lien-Chuan Lee, Corporate Representative of MOTC	2	2	40	Took office on 2017.04.05, left office on 2018.06.22, five times should be attendance in the job tenure in 2018.
Director	Cherng-Chwan Hwang, Corporate Representative of MOTC	5	0	100	Took office on 2016.07.20, left office on 2018.06.22, five times should be attendance in the job tenure in 2018.
Director	Youn-Ger Wu, Corporate Representative of MOTC	3	2	60	Continued in office on 2016.06.22 after the re-election of board of directors at annual shareholders' meeting, left office on 2018.06.22, five times should be attendance in the job tenure in 2018.
Director	Yi-Chih Yang, Corporate Representative of MOTC	4	1	80	Took office on 2016.07.20, left office on 2018.06.22, five times should be attendance in the job tenure in 2018.
Director	Kun-Ching Liao, Corporate Representative of MOTC	3	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, three times should be attendance in the job tenure in 2018.
Director	Ping-Jen Tseng, Corporate Representative of MOTC	8	0	100	Took office on 2016.06.22, after the re-election of board of director at annual shareholders' meeting.
Director	Jiunn-Rong Chiou, Corporate Representative of NDF	1	1	50	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, left office on 2018.08.17, twice should be attendance in the job tenure in 2018.
Director	Cheng-Mount Cheng, Corporate Representative of NDF	1	0	100	Took office on 2016.06.22, 2018.08.17, once should be attendance in the job tenure in 2018.
Director	Chuan-Te Ho, Corporate Representative of NDF	3	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, three times should be attendance in the job tenure in 2018.
Director	Chien-Yi Chang, Corporate Representative of NDF	3	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, three times should be attendance in the job tenure in 2018.
Director	Shao-Liang Chen, Corporate Representative of TIPC	3	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, three times should be attendance in the job tenure in 2018.
Director	Wen-Ching Liu, Corporate Representative of the TNC	3	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, three times should be attendance in the job tenure in 2018.
Independent Director	Ming-Sheu Tsai	7	1	88	Took office on 2017.06.22, after the by-election of board of directors at annual shareholders' meeting.

Title	Name	In-person Attendance	By Proxy	In-person Attendance Rate (%)	Remarks
Independent Director	Jin-Ru Yen	4	1	80	Continued in office on 2016.06.22 after the re-election of board of directors at annual shareholders' meeting, left office on 2018.06.22, five times should be attendance in the job tenure in 2018.
Independent Director	Heng-Chih Chou	3	1	60	Continued in office on 2016.06.22 after the re-election of board of director at annual shareholders' meeting, left office on 2018.06.22, five times should be attendance in the job tenure in 2018.
Independent Director	Tar-Shing Tang	3	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, three times should be attendance in the job tenure in 2018.
Independent Director	Tze-Chun Wang	3	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, three times should be attendance in the job tenure in 2018.

Other matters to be recorded:

1. If there are any situation as stated below during operation of the board of director, the meeting date, period, content, independent director's opinion, resolution made by independent directors should be recited.
 - (1) Matters specified in Article 14.3 of the Securities and Exchange Act: The motion to votes results is approval from all members of compensation committee, and is submitted to the board of directors for approval by resolution, no independent directors were against or qualified opinion.
 - (2) Unless Otherwise stated, other independent directors who expressed opposition or qualified opinions that were recorded or declared in writing as: None.
2. To avoid conflict of interest among directors, the director's name, meeting content, the reason for avoiding conflict of interest and participation in the voting process must be recorded: None.
3. Strengthening the function of the board in current and recent fiscal years (e.g. establishing the audit committee, promoting information transparency, etc.) and conducting performance assessment:
 - (1) Promoting information transparency: The company is operational transparency and concerns the shareholder's rights, the crucial resolution announced instantly after the meetings of board of director. This company also formulated the "Procedures for Handling Material Inside Information" to establish sound mechanisms for the handling and disclosure of material inside information, promoting and enhancement the information transparency.
 - (2) Continuing education for Directors: This company's directors participate the trainings that is according to the policies on "Continuing education for Directors and Supervisors of TWSE-Listed and TPEX-Listed Companies", the continuing education courses and hours were uploaded on Market Observation Post System. Directors' and Independent Directors' CPE hours in 2018 were 96 hours standing on the policy, the actual total CPE hours reached 132 hours.
4. Enhanced disclosure: The expected attendance for all independent directors was 24 times, there were 3 times by proxy, once authorized absence, the attendance rate is 83%. It's in accordance with Article 7 of the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", at least one independent director shall attend each meeting in person.

3.4.2 Composition and operation of the Audit Committee and Supervisions

1. The major functions of Audit Committee are:

- (1) Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (2) The validity assessment of the Internal Control System.
- (3) Adoption or amendment the work procedure for major financial or operational actions such as acquisition or disposal of assets, engaging in derivatives trading, extension of monetary loans to others, endorsements or guarantees for others.

- (4) A matter bearing on the personal interest of a director.
- (5) A material asset or derivatives transaction.
- (6) A material monetary loan, endorsement, or provision of guarantee.
- (7) The offering, issuance, or private placement of any equity-type securities.
- (8) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- (9) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (10) Annual and semi-annual financial reports.
- (11) Any other material matter so required by the company or the Competent Authority.

2. Operation of the Audit Committee:

The Audit Committee has held five meetings in 2018, the attendance of Independent Directors is as below:

Title	Name	In-Person Attendance	By Proxy	In-person Attendance Rate (%)	Remarks
Independent Director	Jin-Ru Yen	3	0	100	Continued in office on 2016.06.22 after the re-election of board of directors at annual shareholders' meeting, left office on 2018.06.22, three times should be attendance in the job tenure in 2018.
Independent Director	Heng-Chih Chou	3	0	100	Continued in office on 2016.06.22 after the re-election of board of directors at annual shareholders' meeting, left office on 2018.06.22, three times should be attendance in the job tenure in 2018.
Independent Director	Ming-Sheu Tsai	5	0	100	Took office on 2017.06.22, after the by-election of board of directors at annual shareholders' meeting.
Independent Director	Tar-Shing Tang	2	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, twice should be attendance in the job tenure in 2018.
Independent Director	Tze-Chun Wang	2	0	100	Took office on 2018.06.22, after the re-election of board of directors at annual shareholders' meeting, twice should be attendance in the job tenure in 2018.

Other matters should be recorded:

1. While carrying out its operations, the Audit Committee should report the meeting date of the Board of Directors, period, content, and results of the Audit Committee's resolutions.

(1) Matters specified in Article 14.5 of the Securities and Exchange Act, that is subject to the consent of all members of the audit committee, and is submit to the board of directors for a resolution.

Board of Director's Meeting	Contents and Results of Resolutions	Matters specified in Article 14.5 of the Securities and Exchange Act	Resolutions rejected by Audit Committee; Two Third or more directors gave their approval
No. 327 2018.01.30	Endorsement and provision of guarantee for the company's subsidiary.	V	None
	Amendment of the company's internal control system.	V	None
	The resolution of the 34 th Audit Committee (2018.01.23): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions : All the attendant directors gave their approval.		

Board of Director's Meeting	Contents and Results of Resolutions	Matters specified in Article 14.5 of the Securities and Exchange Act	Resolutions rejected by Audit Committee; Two Third or more directors gave their approval
No. 328 2018.02.12	New construction and renting by time charter of container vessels.	V	None
	Purchase dry and reefer containers.	V	None
	The resolution of the 34 th Audit Committee (2018.01.23): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions: All the attendant directors gave their approval.		
No. 329 2018.03.26	2017 Business report and financial statement.	V	None
	Self-assessment audit report of internal control system and internal control system statements in 2017 fiscal year.	V	None
	The reconfirmation of securities capital increasing by the private placement in 2017 .	V	None
	Issue of the company's 5th domestic secured convertible bonds.	V	None
	Endorsement and provision of guarantee for the company's subsidiary.	V	None
	The resolution of the 35 th Audit Committee (2018.03.09): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions: All the attendant directors gave their approval.		
No. 331 2018.05.11	2017 Business report and financial statement.	V	None
	The resolution of the 36 th Audit Committee (2018.04.23): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions: All the attendant directors gave their approval.		
No. 333 2018.08.10	The capital increase of the company's subsidiary to its reinvestment company.	V	None
	Endorsement and provision of guarantee for the company's subsidiary.	V	None
	The resolution of the 37 th Audit Committee (2018.07.26): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions: All the attendant directors gave their approval.		
No. 334 2018.11.12	Planning to sell all vessels of the company's subsidiary to another subsidiary.	V	None
	Enhancement the company's quota of monetary loan to the subsidiaries.	V	None
	Endorsement and provision of guarantee for the company's subsidiary.	V	None
	The resolution of the 38 th Audit Committee (2018.10.23): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions: All the attendant directors gave their approval.		
No. 335 2019.01.25	Announcement to ship-owners to exercise the option of long-term charter.	V	None
	Renting vessels by short-term.	V	None
	The company's participation the subsidiary's subscription of cash injection.	V	None
	Endorsement and provision of guarantee for the company's subsidiary.	V	None
	The resolution of the 39 th Audit Committee (2019.01.11): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions: All the attendant directors gave their approval.		
No. 336 2019.03.25	The financial statement in 2018 fiscal year.	V	None
	Self-assessment audit report of internal control system and internal control system statements in 2018 fiscal year.	V	None
	Endorsement and provision of guarantee for the company's subsidiary.	V	None
	Amendment the company's handling procedures for acquisition and disposal of assets.	V	None
	The resolution of the 40 th Audit Committee (2019.03.14): All members of the Audit Committee gave the approval. The results of the Audit Committee's resolutions: All the attendant directors gave their approval.		

(2) Except for the matters stated above, there were no resolutions rejected by Audit Committee; Two Third or more directors gave their approval.

2. To avoid conflict of interest among independent directors, the independent director's name, meeting content, the reason for avoiding conflict of interest and participation in the voting process must be recorded: None.

3. Communication between independent directors and internal audit officials and accountants (which should be including material matters, methods, results pertaining to company finance and business etc.):

(1) The company's internal audit officials should be present in the quarterly Audit Committee's and board of director's meeting, periodically communicate and explain auditing reports and other relevant matters to independent directors, and has informal discussion in the end of the year. The major communication matters in 2018 fiscal year is the following extracts:

Date	Methods	Matters	Results
2018.01.23	The 16 th of the 2 nd Term of Audit Committee's Meeting	Amendment of the company's internal control system and internal audit implementation rules.	Independent directors were no objection.
2018.01.30	The 16 th of the 18 th Term of Board of Director's Meeting		
2018.03.09	The 17 th of the 2 nd Term of Audit Committee's Meeting	Self-assessment audit report of internal control system and internal control system statements in 2017 fiscal year.	Independent directors were no objection.
2018.03.26	The 18 th of the 18 th Term of Board of Director's Meeting		
2018.05.11	The 20 th of the 18 th Term of Board of Director's Meeting	Internal audit working report for the forth quarter of 2017.	Independent directors were no objection.
2018.08.10	The 2 nd of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report for the first quarter of 2018.	Independent directors were no objection.
2018.10.23	The 2 nd of the 3 rd Term of Audit Committee's Meeting	Formulation of internal audit plan of 2019.	Independent directors were no objection.
2018.11.12	The 3 rd of the 19 th Term of Board of Director's Meeting		
2018.11.12	The 3 rd of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report Q2, 2018.	Independent directors were no objection.
2018.12.16	The informal discussion between internal audit officials and independent directors(direct communication)	Audit report of 2018	Independent directors were no objection.
2019.01.25	The 4 th of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report for the third quarter of 2018.	Independent directors were no objection.
2019.03.14	The 4 th of the 3 rd Term of Audit Committee's Meeting	Self-assessment audit report of internal control system and internal control system statements in 2018 fiscal year.	Independent directors were no objection.
2019.03.25	The 5 th of the 19 th Term of Board of Director's Meeting		

(2) The company's CPAs should be present in the quarterly Audit Committee's and board of director's meeting, periodically reports financial statement audits, auditing results, and matters related to the relevant laws to independent directors, and have a direct communication informal discussion with independent directors quarterly. The major communication matters in 2018 are the following extracts:

Date	Methods	Matters	Results
2018.03.09	The 17 th of the 2 nd Term of Audit Committee's Meeting	2017 financial statements, material accounting events, key audit matters in 2017, Affection of new applicable IFRS, laws updating	Independent directors were no objection.
2018.03.26	The 18 th of the 18 th Term of Board of Director's Meeting		
2018.07.26	The 1st of the 3 rd Term of Audit Committee's Meeting	Financial statement auditing reports for the first half year of 2018, significant accounting events, 2018 audit work plans, communication of key audit matters in 2018(estimation), laws updating	Independent directors were no objection.
2018.08.10	The 2 nd of the 19 th Term of Board of Director's Meeting		
2018.12.06	The informal discussion between independent directors and CPAs(individual communication)	Communication with governing body: Audit plan	Independent directors were no objection.
2019.01.11	The informal discussion between independent directors and CPAs(individual communication)	Topic for IFRS16	Independent directors were no objection.
2019.01.25	The 4 th of the 19 th Term of Board of Director's Meeting	Topic for convertible bond	Independent directors were no objection.
2019.03.14	The 4 th of the 3 rd Term of Audit Committee's Meeting	2018 financial statement, material accounting policy and key audit matters, laws updating	Independent directors were no objection.
2019.03.25	The 5 th of the 19 th Term of Board of Director's Meeting		

3. The state of participation in board meetings by the supervisors: The company has set up the Audit Committee, so that there are no states of participation in board meetings by the supervisors.

3.4.3 The state of the company's implementation of corporate governance, any departure from such implementation in the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for such departure:

Items	Implementation Status		Deviations from "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	
<p>1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?</p>	V		<p>Yang Ming Marine Transport Corporation has established its "Best-Practice Principles for Corporate Governance", and disclosed on the company's official website.(Address: https://www.yangming.com/files/Investor_Relations/Govern_Rules.pdf) and Market Observation Post System.</p>
<p>2. Shareholding structure & shareholders' rights</p> <p>(1) Does the company establish an internal operating procedure to deal with shareholder's suggestions, doubts, disputes, and litigations, and implement these based on the procedure?</p> <p>(2) Does the company possess a list of its major shareholders as well as ultimate owners of those shares?</p> <p>(3) Does the company establish and execute a risk management and firewall system within its conglomerate structure?</p> <p>(4) Does the company establish internal rules against insider trading using undisclosed information?</p>	V		<p>(1) The company has established an Internal Control System that specifies and handles shareholders' rights, share issue, dividends distribution procedure based on relevant rules. Shareholders' meetings are held and managed in accordance with "Shareholders' Meeting Regulations", laws and company code. This company has assigned a special unit to handle shareholders' suggestions, doubts, and disputes.</p> <p>(2) The company has established a list of its major shareholders and has in its possession a list of ultimate owners holding high percentage of shares and major shareholders. It has also disclosed and declared this information in accordance with the law.</p> <p>(3) a. The company has established rules to keep track of its funds along with its affiliates, and has set up relevant mechanisms in the Internal Control System. b. Procedures such as acquisition or disposal of assets, endorsement, guarantee, monetary loan etc., between this company and affiliate enterprises are all handled in accordance with regulations.</p> <p>(4) The company has established "Procedures for Handling Material Inside Information" to prevent company members from buying and selling securities using undisclosed information.</p>

Items	Implementation Status		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
<p>3. Composition and responsibility of the board of directors</p> <p>(1) Does the board develop and implement a diversified policy for the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Compensation Committee and Audit Committee?</p> <p>(3) Does the company establish a standard for determining the performance of the Board and implement this annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V	<p>(1) The company’s board of directors has established a diversified policy on members’ composition, and disclosed this as well as its implementation on the company’s official website.</p> <p>(2) In addition to the Remuneration Committee and Audit Committee, the company has also voluntarily formed a Project Committee.</p> <p>(3) The company has approved the Procedures for Performance Evaluation of the Board during the Board meeting held on 2018.11.12, and passed the amendment during the 335th (the 4th session of 19th) Board meeting on 2019.01.25. The method of implementation through questionnaires was facilitated by the company’s Office of the Secretary to assess the performance of the board of directors, individual directors, and functional committee at the end of the fiscal year. This company has processed the performance assessment of the board of directors, individual directors, and functional committee (including the Audit Committee and Remuneration Committee) for the year 2018 in Feb., 2019 and has submitted the assessment results and the sustainably strengthen and improve targets in 2019 during the 336th Board meeting held on 2019.03.25 (the 5th session of 19th).</p> <p>- The assessment criteria achievement rates for the board of directors and functional committee are 95% and 100%, respectively. The assessment result has surpassed the standard; the assessment criteria achievement rate for directors is 83%, which is up to par.</p> <p>- To maintain consistency in terms of corporate governance and the Board’s performance, there is a need to sustainably strengthen and improve targets in 2019 by increasing participation of the Board of directors in company operations, encouraging directors to attend Board meetings regularly, and improving communication between directors and accountants (i.e., inviting accountants to attend Board meetings on a quarterly basis in order to discuss accounting events and communicate key audit matters in the financial statement).</p> <p>(4) The Audit Committee and the company’s Board of Directors evaluate the independence and competence of CPAs annually (refer to 8, independence assessment of CPAs).</p>	No Difference

Items	Implementation Status		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
4. As a TWSE/TPEX listed company, does the company assign a corporate governance (concurrent) unit or personnel responsible for handling matters (including but not limited to providing necessary materials for directors and supervisors pursuant to the board of directors’ resolutions, managing corporate registration, proceedings for the board of directors’ and shareholders’ meetings, etc.)	V	The director of the company’s Office of the Secretary is a special governing director who serves as management officer with over three years experience in handling Board meetings. The company’s Office of the Secretary is a unit responsible for providing necessary materials for directors and independent directors, facilitating events and matters related to Board meetings, shareholders’ meetings and functional committees, preparing meeting agendas, and handling company registration and changes in registration. The company’s Public Affairs Dept. is in charge of promoting activities related to corporate governance.	No Difference
5. Does the company establish communication channels and designate a section on its website for stakeholders (including but not limited to shareholders, employees, clients and suppliers) to address important issues and concerns regarding corporate social responsibility?	V	The company has set up E-Commerce & Documentation Dept. and Public Affairs Dept. with assigned personnel to handle complaints and suggestions from suppliers, as well as investor concerns. It also maintains open communication channels with correspondent banks and other creditors, as a way of respecting and upholding legal rights. In addition, it provides a grievance mechanism for employees as well as stakeholder’s section on the company’s official website to receive and respond to shareholder comments. Below are the company’s contact information (e-mail address) : - Customer service: cs@yangming.com or through the company’s official website (i.e., “Contact us”) - Employee: employeebox@yangming.com - Occupational safety: asdpservice@yangming.com - Whistleblowing: conduct@yangming.com	No Difference
6. Does the company appoint a professional shareholder service agency to deal with shareholder activities?	V	The company has appointed KGI securities as its shareholder services agency.	No Difference
7. Disclosure of information (1) Does the company have a corporate website to disclose its financial standing and corporate governance status? (2) Does the company have other information disclosure channels (e.g. website in English, designated people to handle information collection and disclosure, spokesman system, investor conference via webcast)?	V	(1) The company has disclosed its finance, business, corporate social responsibility, and corporate governance information on its Chinese and English websites (Address: http://www.yangming.com) for the reference of shareholders and stakeholders. (2) a. The company has assigned a department to collect industry and company information, as well as specialists to disclose related information on the Chinese and English websites. b. The company has designated the spokesperson and two deputy spokespersons, and established communication procedures and policies. c. The company has provided a “Corporate Social Responsibility Report” detailing its sustainable development initiatives.	No Difference

Items	Implementation Status		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
8. Is there any other important information to facilitate better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, supplier relations, stakeholder rights, board of directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer service policies, and insurance for directors and supervisors)?	V	<p>(1) Rights of employees: We strictly comply with the law and always try to provide better working environment than what the law requires and constantly listen to the views of the staff for improvement.</p> <p>(2) Care for employees: We always believe talented staff members are the company's best assets. Therefore, we always strive to provide a good learning and working environment for them to fulfill their potentials. Besides, we provide them with munificent salaries, fringe benefits and good cares.</p> <p>(3) Relation with investors: In order to protect investors' rights and interests, the Company discloses its significant operational and financial information in accordance with related regulations. All relevant business and financial information is posted on the Company's official website. Resolutions of shareholders' meeting are posted on both MOPS and the Company's official website.</p> <p>(4) Dealings with suppliers: The Company demands all suppliers to observe the law in dealings with Yang Ming. “The Code of Conduct” for the staff was established in 2008 (and revised in 2013) and “Code of Ethical Management of Yang Ming Marine Transport Corporation” was established in 2012. The suppliers must be selected fairly, the negotiation must be conducted objectively, and no confidential information shall be divulged to would-be suppliers. All staff members are obliged with the responsibility of keeping confidentiality. The company launched a whistleblowing system in 2018, these Procedures apply to all members (including managerial officers) working in Yang Ming Marine Transport Corporation, Yang Ming Group and its subsidiaries, suppliers and customers, shareholders and other interested parties.</p> <p>(5) Rights of interested parties: All transactions with banks/creditors are made in line with the agreements. The Company gives adequate information to make banks/creditors fully understand the Company's operation and financial status.</p> <p>(6) Risk management policy and risk assessment standards</p> <p>a. Risk Management Policy: We define the risks arising from human activities, natural disasters and worldwide or regional economic fluctuations in accordance with their negative impact on business operations, their frequency and their severity. Our risk management policy is to efficiently prevent and control the risks in order to ensure regular and permanent operation.</p> <p>b. Risk Assessment Standards: We assess individual risks according to frequency and severity, and then rank their risk degrees according to quantitative and non-quantitative indexes. Finally, all individual risks are classified by their risk scores which are based on risk frequency and severity.</p>	No Difference

Items	Implementation Status		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
		<p>c. Execution of Policy of risk management in 2018: The standard of risk assessment for the yearly risk assessment of Yang Ming was approved by our CEO in accordance with our standard procedure of risk management, and there are no extreme risks detected this year. All risks ranked “HIGH RISK” and the higher risks are well controlled by effective means. The result of the yearly risk assessment is delivered to all related departments including the Audit Department for their reference of risk management decision making.</p> <p>(7) Execution of Customer Service Policy: Making our transport group par excellence is our vision and mission. All of us at Yang Ming are committed to enhancing customer services, expanding our service scope and broadening our service networks through partnership with members in THE Alliance (Hapag-Lloyd, “K”Line, Mitsui O.S.K. Lines, Nippon Yusen Kaisha and Yang Ming) and other shipping companies. We will continue to improve our services and comply with the laws and regulations. We will actively visit our customers at all times to find out their needs in order to provide them with comprehensive services characterized by “correctness, promptness, reliability and economics.”</p> <p>(8) Liability Insurance for Directors and Supervisors: The company has purchased the “Directors & Officers Liability Insurance” for all directors and reports the major contents of the liability insurance to the Board annually.</p>	No Difference
9. According to the latest results of the Corporate Governance Evaluation System from the Corporate Governance Center of TWSE, amendments are discussed or priority measures to improve items (unnecessary for excluded companies) are proposed.	V	<p>- In 2017, the company established its Corporate Social Responsibility and Best Practice Principles. The Corporate Social Responsibility Report has been verified by a third-party since 2017.</p> <p>- In 2018, the company established a whistleblowing system, and a diversified Board policy stipulating the Best-Practice Principles for Corporate Governance. It also assigned one corporate governance director, formulated the procedures for Performance Evaluation of the Board, and adopted a Human Rights Policy. Aside from a statutory functional committee (the Remuneration Committee and Audit Committee), a Project Committee was formed and approved during the Board meeting on 2018.11.12, which is aimed at facilitating communication with regard to company operations and enhancing the Board’s supervisory and management functions.</p>	No Difference

10. Continuing education for Directors and Supervisors: The company regulates continuing education in terms of hours, scope, system, and arrangement. It discloses information according to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.

Continuing education of Directors in 2018						
Title	Name	Date	Organizer	Training/Speech Title	Hours	
Director	Chih-Chien Hsieh	2018.10.15	Financial Supervisory Commission R.O.C.	The 12 th Taipei Corporate Governance Forum	3	
		2018.12.25	Taiwan Corporate Governance Association	The affection of corporate governance by the recent amendment of the Company Act-From dispute cases	3	
Director	Kun-Ching Liao	2018.10.23	Taiwan Corporate Governance Association	Stock rights planning of TWSE Listed and TPEX Listed Companies and Re-election of Directors and Supervisors	3	
		2018.10.26	Taiwan Corporate Governance Association	The operation and responsibility of the Board of Director	3	
		2018.11.16	Taiwan Corporate Governance Association	The Brand Management and Strategy that Directors and Supervisors should know	3	
		2018.12.21	Taiwan Corporate Governance Association	The last ditch of corporate governance- Directors & Officers Liability Insurance	3	
Director	Ping-Jen Tseng	2018.04.20	Taiwan Stock Exchange Corporation	2018 prevention of insider trading propaganda meeting	3	
		2018.11.16	Taiwan Corporate Governance Association	The Brand Management and Strategy that Directors and Supervisors should know	3	
Director	Cheng-Mount Cheng	2018.10.05	Taiwan Corporate Governance Association	Fiduciary Scrutiny and Business Judgment Rules of Directors-Sharing in cases	3	
		2018.10.15	Financial Supervisory Commission R.O.C.	The 12 th Taipei Corporate Governance Forum	3	
		2018.10.19	Taiwan Corporate Governance Association	To see the Intellectual property management from the vision of Directors and Supervisors	3	
		2018.10.26	Taiwan Corporate Governance Association	The operation and responsibility of the Board of Director	3	
Director	Chuan-Te Ho	2018.10.05	Taiwan Corporate Governance Association	Fiduciary Scrutiny and Business Judgment Rules of Directors-Sharing in cases	3	
		2018.10.23	Taiwan Corporate Governance Association	Stock rights planning of TWSE Listed and TPEX Listed Companies and Re-election of Directors and Supervisors	3	
		2018.10.26	Taiwan Stock Exchange Corporation	2018 prevention of insider trading propaganda meeting	3	
		2018.10.30	Taiwan Corporate Governance Association	To see the Intellectual property management from the vision of Directors and Supervisors	3	
Director	Chien-Yi Chang	2018.06.14	National Development Fund, Executive Yuan	Directors and Supervisors Study-Corporate Governance Series(How a director to act duty of care?)	3	
		2018.07.13	Taiwan Corporate Governance Association	How a director carries out the Fiduciary duty(including judgement analysis and best practice)	3	
		2018.07.19	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-To strengthen the corporate governance by Self-Assessment System of the Board		6
				Directors and Supervisors (including independent) Advanced Study-The Corporate Sustainable Development, the latest trends of Corporate Governance		
		2018.07.20	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-Commercial considerations and legal risks of the corporate governance determination		6
Directors and Supervisors (including independent) Advanced Study-The legal liability and risks control of the financial statement fraud of directors and supervisors-Discussion the practice cases						

The information of Continuing education for Directors					
Title	Name	Date	Organizer	Course Name	Hours
Director	Shao-Liang Chen	2018.10.05	Taiwan Corporate Governance Association	Fiduciary Scrutiny and Business Judgment Rules of Directors-Sharing in cases	3
		2018.10.26	Taiwan Corporate Governance Association	The operation and responsibility of the Board of Director	3
		2018.10.30	Taiwan Corporate Governance Association	To see the Intellectual property management from the vision of Directors and Supervisors	3
		2018.12.14	Taiwan Corporate Governance Association	How to operate the director's function, practice the corporate governance.	3
Director	Wen-Ching Liu	2018.05.08	Taiwan Stock Exchange Corporation	Listed Company and Corporate Governance Roadmap forum	3
		2018.11.07	Taiwan Corporate Governance Association	Enhance the corporate maturity, step into Industry 4.0	3
		2018.11.07	Taiwan Corporate Governance Association	Digital Transformation drives the enhancement of Corporate Values	3
Independent Director	Ming-Sheu Tsai	2018.08.21	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-The operation practice of Independent Director and functional committee	3
		2018.08.22	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-The affection and strategy of the latest change of tax act for the corporate operations	3
Independent Director	Tar-Shing Tang	2018.05.08	Taiwan Stock Exchange Corporation	Listed Company and Corporate Governance Roadmap forum	3
		2018.09.10	Taiwan Stock Exchange Corporation, Taipei Bar Association	The Study for FSC Corporate Governance Roadmap-The duty and the right of Directors	3
		2018.10.26	Taiwan Stock Exchange Corporation	2018 prevention of insider trading propaganda meeting	3
Independent Director	Tze-Chun Wang	2018.11.13	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-Discussion for the fraudulent financial reporting cases	3
				Directors and Supervisors (including independent) Advanced Study-The duty execution of directors and supervisors and Business judgment rule	3
		2018.11.14	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-Discussion for the Corporate Governance Roadmap and strengthening the corporate governance system	3
				Directors and Supervisors (including independent) Advanced Study-The development of anti-avoidance in world and our country and the strategy the company should know	3
		2018.11.15	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-The analysis and application of the corporate financial information	3
		2018.11.21	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-The affection to our country's corporate from China-United States trade war	3
Directors and Supervisors (including independent) Advanced Study-The development trend of merger and acquisition and discussion for practice cases	3				

The information of Continuing education for Directors					
Title	Name	Date	Organizer	Course Name	Hours
Independent Director	Tze-Chun Wang	2018.11.22	Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-Discussion for the fraudulent financial reporting cases and the liability of financial statement fraud for directors and supervisors	3
			Securities and Futures Institute	Directors and Supervisors (including independent) Advanced Study-The analysis and application of the corporate financial information	3
		2018.12.04	Taiwan Corporate Governance Association	The latest development and practice of Anti-Money Laundering and Countering Terrorist Finance also on the supervision of overseas branches	3

11. Continuing education for Managerial officers and Audit Directors:

Title	Name	Date	Course Name	Hours
President	Wen-Bor Lin	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Senior Executive Vice President	Kun-Rong Pai	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Executive Vice President	Fu-Tien Lin	2018.05.21	The reading analysis and application of financial statement	6.0
		2018.09.05	The prevention of corporate fraud and the application of big data analysis	6.0
		2018.10.22	The legal liability of corporate managerial officers	2.0
Executive Vice President	Der-Shi Tsao	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Executive Vice President	Shih-Chou Lee	2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.12.10	Continuous education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12.0
Senior Vice President	Mei-Chi Shih	2018.10.22	The legal liability of corporate managerial officers	2.0
Senior Vice President	Yeoung-Shuenn Ho	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
Senior Vice President	Shu-Qin Du	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
Senior Vice President	Zheng-Xiong Zheng	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
Vice President	Ping-Jen Tseng	2018.05.25	Emergency Response Exercises	2.0
		2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.12.04	Emergency Response Exercises	2.0

Title	Name	Date	Course Name	Hours
Vice President	Zeng-Yu Qiu	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Xiu-Qi He	2018.10.22	The legal liability of corporate managerial officers	2.0
Vice President	Sen-Shan Lai	2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Shun-Jin Yang	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Senior Vice President	Shi-Nan Huang	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
Vice President	Li-Ping Xiong	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
Senior Vice President	Shao-Feng Zhang	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Tai-Qi Tsai	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Senior Vice President	Jia-Lin Wu	2018.10.22	The legal liability of corporate managerial officers	2.0
Vice President	Wen-Zhong Ye	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Zu-Wang Luan	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Jia-Ting Dong	2018.10.22	The legal liability of corporate managerial officers	2.0
Vice President	Yu-Wen Su	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.12.06	Continuing education for Accountant	12.0
Senior Vice President	Wen-Zao Huang	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
Vice President	Chun-Jie Lu	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Xi-Chang Zhang	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.29	The outreach of the prevention of insider trading	0.5
		2018.12.04	Emergency Response Exercises	2.0
Vice President	Guo-Liang Huang	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.29	The outreach of the prevention of insider trading	0.5

Title	Name	Date	Course Name	Hours
Vice President	Bao-Lin Li	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Yong-Kai Wang	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Jian-Zhang Zeng	2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Yi-Da Wu	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
Vice President	Long-Xing Zhu	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
		2018.11.15	Emergency Response Exercises	2.0
Senior Vice President	Jie-Li Zhu	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Dong-Hai Chen	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0
		2018.10.29	The outreach of the prevention of insider trading	0.5
Vice President	Leng-Hui Wang	2018.12.04	Emergency Response Exercises	2.0
Corporate Governance Supervisor	Ting-Yu Lu	2018.10.12	Guidelines for ethical management, ethical code of conduct, and unethical conduct prevention	0.5
		2018.10.22	The legal liability of corporate managerial officers	2.0

3.4.4 The Composition, Duties, and Operation of the Compensation Committee

This company passed the establishment of the Compensation Committee on 2011.07.06, the 278th Board of Director meeting, this year is the 4th Compensation Committee, the 332th Board meeting, passed the hiring project, the Commissioners are the Independent Directors, Ming-Sheu Tsai, Tar-Shing Tang, and Tze-Chun Wang.

The duties are as below:

1. Set up and review regularly the policies, system, standard, and structure of the performance assessment and remunerations of Directors and Managerial officers;
2. Assess regularly and determine the remunerations of Directors and Managerial officers, and submit the suggestion based on the above events to the Board meeting for discussion.

1. Information on members of the Compensation Committee

Identity (Note1)	Condition	Have at least 5-year experience together with the following professional qualification requirement			Independence Attribute(Note2)								Number of serving as other Independent Director of the Public Issued Company	
		As the instructor or above of in Dept. of commerce, law, finance, accounting or other academy related to company business in public or private college	Possession of the professional and technical personnel examination's certificate of qualification such as judge, procurator, attorney, accountant, or other professional or technical specialists	Experience in the areas of commerce, law, finance, accounting, or other needs for the company	1	2	3	4	5	6	7	8		
Independent Director	Ming-Sheu Tsai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director	Tar-Shing Tang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director	Tze-Chun Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note1: The identity is Director, Independent Director, or Other

Note2: Please mark“ü”in the appropriate boxes, if the director is accordance with the following conditions from 2 years before being elected and appointed, and during his term of office.

- (1) Not an employee of this company and its affiliate.
- (2) Not a director of this company's affiliate, except for the independent director of this company, its parent company, or subsidiary established according to this Act or local country ordinance.
- (3) Not a nature person shareholder, or whose spouse, minor children, or a person under other's name holding shares in an aggregate amount of one percent or more of the total number of this company's issue shares or the top ten nature person shareholders.
- (4) Not a spouse, or a direct blood relative within the second or third degree of kinship in the above listed three items.
- (5) Not a director of corporate shareholder or an employee directly holding more than five percent of total amount of this company's issue shares, or the top five shareholders of directors of corporate shareholder or employees.
- (6) Not a director, a manager, or a shareholder holding more than five percent shares who act at a company or institute having baseness or financial relationship with this company.
- (7) Not a specialist, an owner, a director, a manager, or its spouse of proprietorship, partnership, company, or institute providing the service of commerce, law, finance, accounting. Except for the compensation committee's member set up under the public company or traded on the over-the-counter market and performs the official power under Article 7.
- (8) Not been a person of any conditions defined in Article 30 in the Company Law.

2. Operation status of the Compensation Committee

- (1) The number of this company's Compensation Committee is three.
- (2) Current term for the 4th Compensation Committee: 2018.06.22~2021.06.21.

The 4th Compensation Committee's meetings held 2 times(A) in 2018, the following is the qualification and attendance of the Committee.

Title	Name	In-person Attendance(B)	By Proxy	In-person Attendance Rate(%) (B/A) (Note)	Remarks
Convener	Ming-Sheu Tsai	2	0	100	Took place on 2017.06.22 Continued in office on 2018.06.22
Independent Director	Tar-Shing Tang	2	0	100	Took place on 2018.06.22
Independent Director	Tze-Chun Wang	2	0	100	Took place on 2018.06.22

Other mentionable items:

1. If the Board of Directors declines to adopt or modifies suggestions from the Compensation Committee, it should specify the date, session, content of motion, resolution by the Board of Directors, and the company's response to the Compensation Committee's recommendations (e.g. The compensation passed by the Board exceeds the amount suggested by the Compensation Committee; the circumstances and causes should be specified.): None
2. If members oppose or express reservations about Compensation Committee resolutions which are recorded or declared in writing; the date, session, content of motion, opinions of all members, and response to these opinions should be specified: None

Note:

1. If there are members who resigned before the end of the year, the date of resignation should be specified in the remarks box; the in-person attendance rate (%) is determined by the number of Compensation Committee meetings and in-person attendance at the office.
2. If there are re-elected members before the end of the year, the newly/previously appointed members should be specified, as well as newly/previously appointed members or incumbent and the reelection date; the in-person attendance rate (%) is determined by the number of Compensation Committee meetings and in-person attendance at the office.

3.4.5 Corporate social responsibility performance status:

Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>1. Corporate governance implementation</p> <p>(1) Does the company implement a corporate social responsibility policy and assess the results of its implementation?</p> <p>(2) Does the company provide regular education and training on corporate social responsibility?</p> <p>(3) Does the company designate first-line managers authorized by the Board and exclusively in charge of proposing corporate social responsibility policies and reporting these to the Board?</p> <p>(4) Does the company implement a reasonable remuneration policy, and integrate an employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?</p>	V	<p>(1) Yang Ming has established a Corporate Social Responsibility Best Practice Principles based on the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, and integrating these into the workplace and business performance.</p> <p>(2) The company’s directors have completed relevant continuing education according to the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”. The company conducts employee training on “Corporate Governance” annually.</p> <p>(3) The company’s Public Affairs Dept. coordinates with related departments to promote corporate social responsibility initiatives as well as edits and posts related reports on the website after getting approval from the CEO.</p> <p>(4) The board of directors is responsible for determining the remuneration of the chairman and directors based on their participation and contribution to company operations, as well as marine industry remuneration standards. The salary of the chairman, directors, and managerial officers is determined by the Remuneration Committee in accordance with the law. The salary paid to other members depends on the level of responsibility and industry standards. The company has established the Employee Merit and Penalty Regulations, along with reward and disciplinary system, and has disclosed this information.</p>	No Difference
<p>2. Sustainable development and environmental sustainability</p> <p>(1) Does the company try to utilize resources more efficiently and use renewable materials that have low impact on the environment?</p> <p>(2) Does the company establish a proper environment management system based on industry characteristics?</p>	V	<p>(1) The company’s newly-constructed ships, container equipment, and container wharfs comply with international standards. The company utilizes advanced and modern environmental techniques, strengthens water and air pollution prevention measures, and improves energy conservation initiatives. Since it provides maritime transport services, there are no considerations for the use of recycled materials.</p> <p>(2) In June 2004, the company obtained the ISO 14001 Environment Management System (Version 1996). It is the first carrier among domestic companies to obtain certification. In 2018, it also obtained the ISO 14001 Environment Management System (Version 2015), and maintained continuous validity.</p>	No Difference

Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction.</p>		<p>(3) The company has disclosed the annual Environmental Performance Report since 2007, discussing the overall environment protection project and its effects. Since 2015, the report has been added to the corporate social responsibility reports, indicating a year by year deduction of CO₂, NO_x, SO_x discharged from fleets. Since 2017, the report has been verified by a third-party. The relevant certifications are disclosed in the corporate social responsibility reports.</p>	No Difference
<p>3. Preserving public welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the company set up an employee hotline or grievance mechanism to handle complaints appropriately?</p> <p>(3) Does the company provide a healthy and safe working environment and organize trainings on health and safety for its employees on a regular basis?</p> <p>(4) Does the company set up a communication channel for employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them.</p> <p>(5) Does the company provide its employees with career development and training sessions?</p>	V	<p>(1) The company observes rules specified in the Labor Standards Act. It adheres to international labor standards on working conditions and is committed to establish a fair and non-discriminatory employment policy. Activities related to employee rights are handled according to publicly released regulations and procedures. The company has also ratified a Human Rights Policy on 2018.11.12 during the 19th Board meeting (the 3rd session) and has disclosed this information on the company's official websites: https://www.yangming.com/investor_relations/TwCorporate_Governance/Constitution.aspx .</p> <p>(2) The company has set up an employee mail and appointed a specialist to handle it appropriately.</p> <p>(3) The company regularly inspects the lighting, air condition system, machinery and equipment to make the workplace safe, clean and comfortable. It has also established and implemented a Health Management Promotion Program. It provides regular health examination for all employees, and has set up an infirmary with qualified physician and nurse, for medical consultation and healthcare service. All worksites have AED (Automated External Defibrillator) for first aid. Staff members, including occupational safety and hygiene personnel, and on-site personnel are required to take safety and health trainings on a regular basis. The company also helps its contractors to take safety and health trainings. It also strives to meet MLC (MARITIME LABOR CONVENTION) standards to ensure the safety and health of maritime crew and to protect the environment. At present, all of its container ships have obtained MLC certification.</p> <p>(4) The company holds labor-management meetings regularly, receives feedback from employees, and provides employees with information on operational status through its internal publication.</p> <p>(5) The company gives importance to staff training at all levels, providing career growth and development.</p>	No Difference

Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>(6) Does the company establish any customer protection mechanisms and appealing procedures in relation to research development, purchasing, production, operations and service?</p> <p>(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?</p> <p>(8) Does the company evaluate and consider suppliers’ impact on the environment and society before undertaking a business partnership?</p> <p>(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable effect on the environment and society?</p>		<p>(6) By providing qualified service, the company has obtained ISO9001 certification since 1996. It has also established procedures for lines planning, procurement, service and handling customer complaints. It continuously enhances its operations and earns certification and validation through external audit.</p> <p>(7) The services provided by the company adhere to relevant regulations and international standards, or are adjusted accordingly to comply with regulations.</p> <p>(8) According to its internal procurement and selling process, the company conducts evaluations before entering into a contract with a new supplier. It also verifies if a supplier complies with laws and regulations, basic requirements on environmental protection, occupational safety and health, and relevant certification requirements. Moreover, suppliers’ fulfillment of contracts is evaluated periodically and compliance with environmental protection regulations is included in the evaluations.</p> <p>(9) The company always seeks to incorporate relevant terms into the contract to ensure that its major suppliers comply with all domestic and/or international laws and regulations on environmental protection and occupational health and safety. It also allows the company to terminate or rescind such contract at any time, when suppliers are found to have violated certain requirements.</p>	No Difference
<p>4. Enhancing information disclosure</p> <p>(1) Does the company disclose relevant and reliable information regarding its corporate social responsibility initiatives on its website and the Market Observation Post System (MOPS)?</p>	V	<p>(1) The company has been issuing corporate social responsibility reports every year since 2012, and discloses these on the company’s official website: http://www.yangming.com/traditional_chinese/ASP/investor_relations/investor/cst_report.asp</p> <p>(2) The company has disclosed corporate social responsibility reports on the MOPS: http://mops.twse.com.tw/mops/web/t100sb11</p>	No Difference
<p>5. If the company has established corporate social responsibility principles based on the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: Yang Ming has established its Corporate Social Responsibility Best Practice Principles and relevant working procedures have been carried out based on these principles with no difference.</p>			

Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices:</p> <p>(1) Activities for public welfare and community participation: We supported public transportation projects, capitalizing on our professional capacity to handle international transportation, such as a sponsor of transporting exhibits of the Taiwanfest for Asian-Canadian Special Events Association, and Mino washi Japanese Paper Lighting Art Exhibits for the Taiwan Lantern Festival. We also supported the “Ocean Summer Camp in 2018” organized by the TIPC, which gave vulnerable students the opportunity to learn about oceanography while going on a cruise and provided them experiential learning through public welfare activities. All these sponsorships are fulfilled our passion and vision to contribute to society. In addition, to promote oceanic culture and conservation education, we have set up the “Yang Ming Cultural Foundation”(YMCF) and two permanent exhibition facilities: the YM Oceanic Culture & Art Museum (OCAM) in Keelung and the YM Kaohsiung Museum of Marine Exploration. Both are intended to enhance greater awareness and consciousness of oceanic culture and marine ecosystems, which had 18,502 and 41,809 visitors in 2018 respectively. It is our goal to promote ocean culture education positively through diversity activities.</p> <p>(2) To maintain a secure supply chain and provide safe delivery for customers, we adopt the ISPS and C-TPAT to ensure special security measures for anti-terrorism. All our ships have obtained ISPS and ISSC certificates, along with membership to C-TPAT in March, 2013. We also obtained ISO27001:2013 Information Security Management System certification, integrated IT into the risk management system to maintain the group’s governance competitiveness and global information service operations. We applied for the AEO (Authorized Economic Operator) at the Keelung Customs Office (Customs Administration) on 2011.12.28, and was the first carrier in Taiwan to obtain an AEO certificate.</p>			
<p>7. A clear statement should be made below if the corporate social responsibility report was verified by external certification institutions:</p> <p>The corporate social responsibility report disclosed in 2018 was confirmed by the verification institution, DNVGL</p>			

3.4.6 Ethical Corporate Management

Items	Implementation Status		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in guidelines and external documents as well as the commitment of its Board to implement these policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct by issuing clear statements regarding relevant procedures, business conduct guidelines, punishment for violations, appeal rules, and commitment to implement policies?</p> <p>(3) Does the company establish appropriate precautions against potentially unethical conduct or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	V		No Difference
<p>2. Fulfillment of operation integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics clauses in business contracts?</p> <p>(2) Does the company designate a unit supervised by the Board and is exclusively in charge of corporate integrity and reports to the Board?</p> <p>(3) Does the company establish policies to prevent conflicts of interest, while providing and implementing appropriate communication channels?</p> <p>(4) Has the company established effective systems for both accounting and inter control to facilitate ethical corporate management, while being audited on a regular basis by either internal auditors or CPAs?</p>	V	<p>(1) The company has requested every department to specify ethics clauses in business contracts, or sign affidavits. Any violation found shall be recorded and the business partnership shall be terminated in case of serious violation.</p> <p>(2) The company’s Human Resources Dept. is responsible for establishing and promoting operation integrity policies and prevention guidelines. The Audit Dept. supervises the behavioural status of departments and reports this to the Board regularly.</p> <p>(3) The company upholds its Code of Ethical Management, Article 16: Preventing conflicts of interests among directors and managers.</p> <p>(4) The company audits the integrity operating status of management departments, prepares the audit report, and submits the report to independent directors for reference, as well as integrates this into the quarterly internal audit report, which is then sent to the Board.</p>	No Difference

Items	Implementation Status		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
(5) Does the company hold internal and external educational trainings on operational integrity regularly?			(5) From 2018.10.12 to 2018.12.31, the company conducted a 0.5-hour online outreach focused on the “Code of Ethical Management”, “Code of Conduct”, and “Guidelines on Unethical Conduct Prevention”, with 1162 coastal employees passing the test and a completion rate of 84%. The company has specified procedures for whistleblowing cases involving Yang Ming Group Members: (1) Set up an individual mail for whistleblowing cases (conduct@yangming.com), which only the audit director can receive and process. A person-in-charge is tasked with conducting an investigation of the case and preparing a report afterwards. (2) Specify the SOP for handling cases, including handling period, methods, cases tracking, reward/punishment system, confidential mechanism, etc. (3) All members involved in legal cases should completely keep all mails, investigation reports, and other documents confidential. The company shall protect the whistleblower, the defendant, and staff involved in such cases to prevent the unfair treatment and retaliation.
3. Integrity channel operations (1) Does the company establish a reward/punishment system and integrity hotline? Can the defendant be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting of cases subject to investigation? (3) Does the company provide proper protection for whistleblowers?	V		No Difference
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and regulations as well as their implementation on its website and the Market Observation Post System(MOPS)?	V		(1) The Code of Ethical Management Chinese version is disclosed on the official website: http://www.yangming.com/investor_relations/TwCorporate_Governance/Constitution.aspx (2) The Code of Ethical Management English version is disclosed on the official website: http://www.yangming.com/investor_relations/Corporate_Governance/CorporateSocialResponsibility.aspx
5. If the company has established its corporate social responsibility principles based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation: There is no difference between the internal conduct and regulations stipulated in the Code of Ethical Management of Yang Ming Marine Transport Corporation.			No Difference
6. Other important information to facilitate better understanding of the company’s ethical corporate management policies (such as review and revision of regulations): The company strictly requires all departments to add conditions pertaining to operation integrity in business contracts (including new or extended contracts). Original contracts containing conditions in accordance with the law should be updated to include conditions relating to operation integrity. Other business contracts that have been signed or renewed, yet the supplier failed or refused to add the said legal conditions or conditions pertaining to operation integrity, concerned units should coordinate with the supplier to have the Yang Ming-Supplier Affidavit of Ethical Principles signed.			

3.4.7 If the company has adopted corporate best-practice principles or relevant laws, disclose how these regulations can be searched:



Yang Ming Marine Transport Corporation has established its “Corporate Governance Best Practice Principles”, “Corporate Social Responsibility Best Practice Principles”, “Rules and Procedures for Board of Directors’ Meetings”, “Rules and Procedures for Shareholders’ Meetings”, “Codes of Ethical Conduct for Directors and Managerial Officers”, “Procedures for Election of Directors” etc. in accordance with the regulations specified in the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, and these were disclosed on the MOPS. Its “Code of Conduct”, “Code of Ethical Management”, “Guidelines on Unethical Conduct Prevention”, and “The Procedures of whistleblowing cases for Yang Ming Group Members” were also disclosed on the company’s official website for the reference of stakeholders. In addition, the “Procedures for Handling Material Inside Information” which provides a system for handling material inside information and making disclosures were formulated to enforce corporate governance. Investors can find regulations related to corporate governance on the company’s official website: <http://www.yangming.com>.

3.4.8 Other significant information to facilitate better understanding of the status of the company’s implementation of corporate governance may also be disclosed:

1. Important financial information is announced on the company’s official website under the “Investor” section; relevant business information is likewise found on the website.
2. The company has set up an Internal Control System and Internal Audit System. It has also designated an annual audit plan based on risk items, and this is carried out according to regulations approved by the Board. The annual audit plan is submitted to the FSC in accordance with the law. In addition, the company issues summary reports on its internal control system self-assessment based on the self-assessment procedures of the Internal Control System, and provides an Internal Control System Statement to the Board for approval before submitting it to the FSC.
3. The company has established and revised important financial regulations; namely, “Regulations Governing the Acquisition and Disposal of Assets”, “Regulations Governing Lending of Funds and Making Endorsements/Guarantees”, and “Regulations Governing Lending of Funds”, which are submitted to the Board for approval.
4. The company has established the “Procedures for Handling Material Inside Information” for the information of all directors, managerial officers, and employees. To prevent insider trading activities, the company holds relevant trainings annually.

3.4.9 Internal Control System Execution Status

1. Statement of Internal Control System

Yang Ming Marine Transport Corp. Internal Control System Statement	
Date: 25, March, 2019	
The Company states the following with regard to its internal control system during fiscal year 2018, based on the findings of a self-assessment:	
<ol style="list-style-type: none"> 1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws. 2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified. 3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details. 4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria. 5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of 31, December, 2018 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives. 6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act. 7. This Statement has been passed by the Board of Directors Meeting of the Company held on 25, March, 2019, where none of the 11 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement. 	
Yang Ming Marine Transport Corp.	
Chairman: Hsieh Chih-Chien	 (signature)
President: Lin Wen-Bor	 (signature)

2. If CPAs were appointed to conduct a Special Audit of the Internal Control System and provide an Audit Report: None.

3.4.10 For the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, any sanction imposed upon the company or its internal personnel for violation of internal control system provisions and principle deficiencies, as well as efforts to make improvements are disclosed in accordance with the law: None

3.4.11 Material resolutions of a shareholders' meeting or board of directors' meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. Shareholders' meeting

The shareholders' meeting held on 2018.06.22, the resolutions of in-person shareholders and the implementation status is as below:

Resolutions	Implementation Status
Adoption of the 2017 business report and financial statement	Adopted
Adoption of 2017 deficit compensation	Adopted, has implemented according to the resolution of shareholders' meeting
Adoption of the reconfirmation of securities capital increasing by the private placement in 2017	Adopted, has disclosed on company's website
The re-election of the 19th Term of Directors List of elected directors: Corporate Representative of MOTC: Chih-Chien Hsieh, Kun-Ching Liao, Ping-Jen Tseng. Corporate Representative of NDF: Chien-Yi Chang, Jiunn-Rong Chiou, Chuan-Te Ho. Corporate Representative of TIPC: Shao-Liang Chen Corporate Representative of TNC: Wen-Ching Liu Elected Independent Directors: Ming-Sheu Tsai, Tar-Shing Tang, Tze-Chun Wang	1. Authorized by MOEA, and registered on 2018.07.13 2. The seat of Jiunn-Rong Chiou in Corporate Representative of NDF is changed into Cheng-Mount Cheng on 2018.08.17 to serve as; Authorized by MOEA, and registered on 2018.08.29
Proposal of release the prohibition on directors from participation in competitive business	Adopted, has implemented according to the resolution of shareholders' meeting
Amendment to the Article of Incorporation	Adopted, authorized by MOEA, and registered on 2018.07.13, and has disclosed on the company's website

2. Board of Director's meeting

Apart from the disclosed relevant bills as above, the other important bills after the Board's resolution

Date	Session	Important Bills	Resolution
2018.01.30	The 327 th session (The 16 th session of the 18 th Term)	1. 2018 operation plan	Reviewed and approved by the directors whereupon directors raised no objection.
		2. 2018 budgetary bills	Reviewed and approved by the directors whereupon directors raised no objection. Reviewed and approved by the directors whereupon directors raised no objection.
		3. Arrangement the exchange related limit of credits and financial derivatives with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		4. The positions exchange of managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.

Date	Session	Important Bills	Resolution
2018. 03.26	The 329 th session (The 18 th session of the 18 th Term)	1. 2017 deficit compensation	Reviewed and approved by the directors whereupon directors raised no objection.
		2. 2017 compensation allocation of employees and directors	Reviewed and approved by the directors whereupon directors raised no objection.
		3. Related issues of 2018 shareholders' meetings	Reviewed and approved by the directors whereupon directors raised no objection.
		4. Related issues of shareholder's proposal and candidate of directors nomination (including independent director) in 2018 shareholders' meeting	Reviewed and approved by the directors whereupon directors raised no objection.
		5. Advance the re-election of 19 th Term of directors in 2018 shareholders' meeting	Reviewed and approved by the directors whereupon directors raised no objection.
		6. Redeeming the shares of the company's subsidiary.	Reviewed and approved by the directors whereupon directors raised no objection.
		7. Arrangement the exchange related limit of credits and financial derivatives with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		8. Amendment to the Article of Incorporation	Reviewed and approved by the directors whereupon directors raised no objection.
		9. Amendment to parts of the articles of company's organization regulations	Reviewed and approved by the directors whereupon directors raised no objection.
		10. The positions exchange of managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.
		11. The proposal of performance bonus for managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.
2018. 04.25	The 330 th session (The 19 th session of the 18 th Term)	1. Proposal of the candidates of the 19 th Term of directors and independent directors.	Reviewed and approved by the directors whereupon directors raised no objection.
2018. 05.11	The 331 th session (The 20 th session of the 18 th Term)	1. Audit the candidates of the 19 th Term of directors and independent directors	The chairperson asked the attendant directors, and adopted with no objection.
		2. Proposal of release the prohibition on directors from participation in competitive business	The chairperson asked the attendant directors, and adopted with no objection.
		3. The change of the director of the company's subsidiary	The chairperson asked the attendant directors, and adopted with no objection.
		4. Donation to Yang Ming Cultural Foundation	The chairperson asked the attendant directors, and adopted with no objection.
		5. Arrangement the exchange related limit of credits and financial derivatives with financial institutions (including renewed and new contracts)	The chairperson asked the attendant directors, and adopted with no objection.
		6. Amendment to Rules of Procedure for Board of Directors Meetings	The chairperson asked the attendant directors, and adopted with no objection.
		7. Amendment to Rules Governing the Scope of Powers of Independent Directors	The chairperson asked the attendant directors, and adopted with no objection.
		8. Amendment to Audit Committee Charter	The chairperson asked the attendant directors, and adopted with no objection.
		9. The positions exchange of managerial officers	The chairperson asked the attendant directors, and adopted with no objection.
2018. 06.22	The 332 th session (The 1 st session of the 19 th Term)	1. Chairman election among the directors	All the attendant directors elected Chih-Chien Hsieh to serve as the Chairman, also as the CEO of the company
		2. Hiring the members of the 4th Term of Compensation Committee	Reviewed and approved by the directors whereupon directors raised no objection.

Date	Session	Important Bills	Resolution
2018. 08.10	The 333 th session (The 2 nd session of the 19 th Term)	1. Constitution the New Southbound holding company by joint-venture	Reviewed and approved by the directors whereupon directors raised no objection.
		2. Constitution the subsidiary in Indonesia by joint-venture	Reviewed and approved by the directors whereupon directors raised no objection.
		3. Constitution the subsidiary in China by joint-venture	Reviewed and approved by the directors whereupon directors raised no objection.
		4. Constitution the subsidiary in France by joint-venture	Reviewed and approved by the directors whereupon directors raised no objection.
		5. The proposal of disposing and selling the over-height reefers.	Reviewed and approved by the directors whereupon directors raised no objection.
		6. The trading assessment report of related parties for the new constructed container ships of the company	Reviewed and approved by the directors whereupon directors raised no objection.
		7. Arrangement the exchange related limit of credits and financial derivatives with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		8. Amendment to parts of the articles of Rules of Procedure for Board of Directors Meetings	Reviewed and approved by the directors whereupon directors raised no objection.
		9. The compensation proposal of Chairman and CEO, Chih-Chien Hsieh	1. Chih-Chien Hsieh, the Chairman and CEO was in stake with this bill, avoided the discussion and the vote, the chairperson in this bill, was replaced by the Independent Director, Ming-Sheu Tsai. 2. Apart from the director was absent due to being in avoidance, this bill was adopted by all attendant directors.
2018. 11.12	The 334 th session (The 3 rd session of the 19 th Term)	1. The proposal for retrofit the Open Loop Scrubber on the container ship.	Reviewed and approved by the directors whereupon directors raised no objection.
		2. Constitution the group exclusive insurance company in Bermuda.	Reviewed and approved by the directors whereupon directors raised no objection.
		3. The settling of this company's subsidiaries	Reviewed and approved by the directors whereupon directors raised no objection.
		4. Arrangement the exchange related limit of credits and financial derivatives with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		5. Establishment the Special Projects Committee and designating the organization regulations	Reviewed and approved by the directors whereupon directors raised no objection..
		6. Establishment the regulations governing the board performance evaluation	Reviewed and approved by the directors whereupon directors raised no objection..
		7. Establishment the Human Rights Policy	Reviewed and approved by the directors whereupon directors raised no objection
		8. Amendment to Compensation Committee Charter	Reviewed and approved by the directors whereupon directors raised no objection..
		9. Amendment to the compensations standard of the company's directors	Reviewed and approved by the directors whereupon directors raised no objection..
		10. The positions exchange of managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.

Date	Session	Important Bills	Resolution
2019. 01.25	The 335 th session (The 4 th session of the 19 th Term)	1. 2019 operation plan	Reviewed and approved by the directors whereupon directors raised no objection.
		2. 2019 budgetary bills	Reviewed and approved by the directors whereupon directors raised no objection.
		3. Disposing and selling the over-age dry containers	Reviewed and approved by the directors whereupon directors raised no objection.
		4. Purchase the office of the company's subsidiary	Reviewed and approved by the directors whereupon directors raised no objection.
		5. Handling the mortgage loan of the new constructed container vessels	Reviewed and approved by the directors whereupon directors raised no objection.
		6. Arrangement the exchange related limit of credits and financial derivatives with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		7. Donation to the Yang Ming Cultural Foundation	Reviewed and approved by the directors whereupon directors raised no objection.
		8. Amendment to the regulations governing the board performance evaluation	Reviewed and approved by the directors whereupon directors raised no objection.
		9. Amendment to Corporate Governance Best Practice Principles	Reviewed and approved by the directors whereupon directors raised no objection.
		10. Assignment the Corporate Governance Officer of the company	Reviewed and approved by the directors whereupon directors raised no objection.
		11. Hiring the members of 1st Term of the Special Projects Committee	Reviewed and approved by the directors whereupon directors raised no objection.
		12. The positions exchange of managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.
2019. 03.25	The 336 th session (The 5 th session of the 19 th Term)	1. 2018 business report	Reviewed and approved by the directors whereupon directors raised no objection.
		2. 2018 deficit compensation	Reviewed and approved by the directors whereupon directors raised no objection.
		3. 2018 compensation allocation of employees and directors	Reviewed and approved by the directors whereupon directors raised no objection.
		4. Related issues of 2019 shareholders' meetings	Reviewed and approved by the directors whereupon directors raised no objection.
		5. Related issues of shareholder's proposal in 2019 shareholders' meeting	Reviewed and approved by the directors whereupon directors raised no objection.
		6. Blueprint for the future operation	Reviewed and approved by the directors whereupon directors raised no objection.
		7. Investment of container yard	Reviewed and approved by the directors whereupon directors raised no objection.
		8. Extending the expired reefers	Reviewed and approved by the directors whereupon directors raised no objection.
		9. Arrangement the exchange related limit of credits and financial derivatives with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		10. Amendment to the Accounting System.	Reviewed and approved by the directors whereupon directors raised no objection.
		11. Amendment to Regulations Governing Retirement and Survivor's Benefits for on shore staffs	Reviewed and approved by the directors whereupon directors raised no objection.
		12. Establishment a standard operational protocol for responding to requests from directors	Reviewed and approved by the directors whereupon directors raised no objection.

3.4.12 Where, during the most recent fiscal year or during the current fiscal year up to the date of the publication of annual report, a director or supervisor dissenting opinion with respect material resolutions passed by the Board of directors, and said dissenting opinions has been : None.

3.4.13 A summary of resignation or dismissal of related individuals of the company: 2019.03.31

Title	Name	Date Assumed	Date Dismissal	Reasons for Resignation or Dismissal
None	None	None	None	None

Note: The related individuals of the company are the Chairman, President, Accounting Officers, Financial Officers, Audit Officers, and R&D Officers etc.

3.5 Information on CPA Professional Fees
3.5.1 Information and the Grade on CPA Professional Fees

CPA Firm	Name of Accountants	Period Covered by CPA's Audit	Remarks
Deloitte Touche Tohmatsu Limited	Peter Cheng / Yu-Mei Hong / Thomas Chen	2018.01.01~2018.12.31	-

Unit: NT\$Thousand

Grade	Professional Fees	Audit Fees	Non-Audit Fees	Total
1	Under NT\$2,000		✓	
2	NT\$2,000(include)~ NT\$4,000			
3	NT\$4,000(include)~ NT\$6,000			
4	NT\$6,000(include)~ NT 8,000			
5	NT\$8,000(include)~ NT 10,000	✓		
6	Over NT\$10,000(include)			✓

1. The non-audit fees paid to certified CPA, certified office of CPA and affiliated company accounts for over ¼ to audit fee: None

A list of the company's audit fees and non-audit fees:

Unit: NT\$Thousand

CPA Firm	Name of Accountants		Audit Fees	Non-Audit Fees				Period Covered by CPA's Audit	Remarks
				System of Design	Company Registration	Human Recourses	Others		
Deloitte Touche Tohmatsu Limited	Thomas Chen		1,440	-	-	-	350	350	2018.01.01 ~ 2018.12.31 Peter Cheng, Yu-Mei Hong is the audit CPAs for financial statement; Thomas Chen is the audit CPAs for profit-seeking enterprise income tax. The non-audit fees is for consultation, in addition, majorly for the country-by-country report(including English version), the audit for master file, training for IFRS16, and the audit for accounting system.
	Peter Cheng	Yu-Mei Hong	7,313	-	-	-	1,210	1,210	

2. Change of CPA firm and less audit fee in that given year compared to the previous year: None
3. The audit fee is reduced by more than 15% compared to that of the previous year; the reduction in the amount of audit fee, reduction percentage, and reasons shall be disclosed: None

3.6 Alternation of CPA

3.6.1 About the former CPA

Replacement Date	2017.03.24, adopted by the Board		
Replacement reasons and explanations	Due to the internal rotation of Deloitte Touche Tohmatsu Limited, the financial statement was originally audited and certified by Peter Cheng and Clark Chen, from the first quarter of 2017, replaced by Peter Cheng and Yu-Mei Hong.		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Client	CPA
	Appointment terminated automatically		-
	Appointment rejected (discontinued)		-
Other issues(except for qualified issue) in the audit report within the last year	None		
Difference with the Company	None		
Other revealed matters(Disclosure specified in Article 10.6.1.4~7 of the standards)	None		

3.6.2 About the Successor CPA

CPA Firm	Deloitte Touche Tohmatsu Limited
Name of Accountants	Peter Cheng, Yu-Mei Hong
Date of Appointment	2017.03.24, adopted by the Board
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.6.3 Reply of the former CPA found on Article 10.6.1 and Article 10.6.2.3: None

3.7 The Director, President, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent years: None.

3.8 The evaluation on the independence of the CPA

The company's Audit Committee regularly assesses the independence of the CPA based on the criteria specified under Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reports the assessment results to the Board:

3.8.1 The statement of independence provided by the CPAs

3.8.2 The assessment of CPAs' independence and competence, which contains the possibility of direct or material indirect interest between the CPA firm and the company, finance or guarantee activities between the CPA firm and company directors or supervisors, as well as members of the audit team serving as company directors, managers, or in a position that has significant effect on audit cases, etc.

3.9 Information on the change or transfer of equity interests and/or pledge of or change in equity interests by the Directors, Supervisors, managers or shareholders with a share of more than 10% during the most recent or the current fiscal year up to the date of publication of the annual report

3.9.1 Changes of Directors, Supervisors, Managerial Officers, and Shareholders holding greater than ten percent in the company

Unit: Share

Title	Name	Year 2018		Current year to 2019.03.31	
		Shareholding Increase/Decrease	Pledge Shares Increase/Decrease	Shareholding Increase/Decrease	Pledge Shares Increase/Decrease
Chairman (Major Shareholder)	Representative of the MOTC: Chih-Chien Hsieh, Kun-Ching Liao, Ping-Jen Tseng	0	0	0	0
Director (Major Shareholder)	Representative of the NDF: Chien-Yi Chang, Cheng-Mount Cheng, Chuan-Te Ho	0	0	0	0
Director	Representative of the TIPC: Shao-Liang Chen	0	0	0	0
Director	Representative of the TNC: Wen-Ching Liu	0	0	0	0
Independent Director	Ming-Sheu Tsai	0	0	0	0
Independent Director	Tar-Shing Tang	0	0	0	0
Independent Director	Tze-Chun Wang	0	0	0	0
Chairman & Managerial Officer	Chih-Chien Hsieh	0	0	0	0

Tittle	Name	Year 2018		Current year to 2019.03.31	
		Shareholding Increase/ Decrease	Pledge Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledge Shares Increase/ Decrease
Managerial Officers	Wen-Bor Lin	0	0	0	0
	Fu-Tien Lin	0	0	0	0
	Tsai-Ding Chou	0	0	0	0
	Der-Shi Tsao	0	0	0	0
	Kun-Rong Pai	0	0	0	0
	Shih-Chou Lee	0	0	0	0
	Jia-Lin Wu	0	0	0	0
	Dong-Hai Chen	0	0	0	0
	Yeoung-Shuenn Ho	0	0	0	0
	Xi-Chang Zhang	0	0	0	0
	Shao-Feng Zhang	0	0	0	0
	Ping-Jen Tseng	0	0	0	0
	Wen-Zao Huang	(71,435)	0	0	0
	Mei-Chi Shih	0	0	0	0
	Shi-Nan Huang	0	0	0	0
	Yi-Da Wu	(18,000)	0	0	0
	Jian-Zhang Zeng	0	0	0	0
	Xiu-Qi He	0	0	0	0
	Zheng-Xiong Zheng	0	0	0	0
	Zeng-Yu Qiu	(9,000)	0	0	0
	Yong-Kai Wang	0	0	0	0
	Yu-Wen Su	0	0	0	0
	Leng-Hui Wang	0	0	0	0
	Jia-Ting Dong	(2,000)	0	73,634	0
	Long-Xing Zhu	0	0	0	0
	Sen-Shan Lai	0	0	0	0
	Shun-Jin Yang	0	0	0	0
	Jie-Li Zhu	0	0	0	0
	Bao-Lin Li	0	0	0	0
	Chun-Jie Lu	0	0	0	0
	Wen-Zhong Ye	0	0	0	0
	Tai-Qi Tsai	0	0	0	0
	Shu-Qin Du	0	0	0	0
	Li-Ping Xiong	0	0	0	0
Guo-Liang Huang	0	0	0	0	
Ting-Yu Lu	0	0	0	0	
Zu-Wang Luan	0	0	0	0	

3.9.2 Information on equity transfer or equity pledge: The counterparties of equity transfer or equity pledge are not related parties.

3.10 The relationship of the top ten shareholders

As of the date of publication, the last time to stop the transfer: April 24, 2018

Name	Shareholding		Spouse & Minor Current Shareholding		Current Shareholding in the name of others		Relationship among the top ten shareholders, anyone who is the related party, spouse, or second-degree kinship of another: name and relationship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
The MOTC	467,682,372	20.13	0	0	0	0	The TNC, The TIPC The NDF	Director or both are Government Institutions	None
Representative: Chia-Lung Lin	0	0	0	0	0	0	None	None	None
The NDF	460,000,000	19.80	0	0	0	0	The MOTC	Both are Government Institutions	None
Representative: Mei-Ling Chen	0	0	0	0	0	0	None	None	None
The TIPC	119,514,708	5.14	0	0	0	0	The MOTC	The MOTC is the Director	None
Representative: Chung-Rung Wu	0	0	0	0	0	0	None	None	None
Mercuries Life Insurance	81,177,432	3.49	0	0	0	0	None	None	None
Representative: Shiang-Jeh Chen	0	0	0	0	0	0	None	None	None
The TNC	32,292,930	1.39	0	0	0	0	The MOTC	The MOTC is the Director	None
Representative: Wen-Ching Liu	0	0	0	0	0	0	None	None	None
Chinachem Company in Taiwan	29,657,347	1.28	0	0	0	0	None	None	None
Representative: Rong-Jiang Liang	0	0	0	0	0	0	None	None	None
Chao-Shun Hong	27,178,000	1.17	0	0	0	0	None	None	None
UNITED LOGISTICS INTERNATIONAL CO.	25,000,000	1.08	0	0	0	0	None	None	None
Representative: Ying-Zheng Hong	0	0	0	0	0	0	None	None	None
Mega International Commercial Bank Estate Account	20,424,379	0.88	0	0	0	0	None	None	None
T3EX Global Holdings Corp.	17,105,577	0.74	0	0	0	0	None	None	None
Representative: David Yen	0	0	0	0	0	0	None	None	None

3.11 The total number of shares and total equity stake held in any single enterprise by the Company, the Company’s Directors, Supervisors, Managers, and any companies controlled by the Company either directly or indirectly

2018.12.31 Unit: share; %

Re-Investment Corporate(Note)	The Company Investment		directors, supervisors, managerial officers, and any company controlled directly or indirectly			Recognize Investment	
	Share	%	Related Party Name	Share	%	Share	%
All Oceans Transportation Inc.	1,000	100.00	None	0	0	1,000	100.00
Kuang Ming Shipping Corp	295,557,949	98.52	None	0	0	295,557,949	98.52
Ching Ming Investment Corp.	120,487,500	100.00	None	0	0	120,487,500	100.00
Hong Ming Terminal & Stevedoring Co., Ltd.	7,916,908	79.17	Ching Ming	2,083,092	20.83	10,000,000	100.00
Jing Ming Transportation Co., Ltd	8,615,923	50.98	None	0	0	8,615,923	50.98
YES Logistics Corp.	60,000,000	50.00	Ching Ming	55,630,977	46.36	115,630,977	96.36
Yang Ming Line (Singapore) Pte Ltd	60,130,000	100.00	None	0	0	60,130,000	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	10,351	100.00	None	0	0	10,351	100.00
Yang Ming Line Holding Co	13,500	100.00	None	0	0	13,500	100.00
Yang Ming (Liberia) Corp.	1	100.00	None	0	0	1	100.00
Yunn Wang Investment Co., Ltd.	5,211,474	49.75	None	0	0	5,211,474	49.75
Kao Ming Container Terminal Corp	323,000,000	47.50	None	0	0	323,000,000	47.50
Taiwan Foundation Internatioanl Pte. Ltd.	3,400,000	34.00	None	0	0	3,400,000	34.00

Note: This company’s long-term investment by the equity method

IV Capital and Shares Overview

4.1 Capital and Shares Issuance

4.1.1 Shares Issued

1. Shares Issued

Date	Par value (NT\$)	Authorized capital		Actual capital received		Notes		
		Shares	Amounts (NT\$)	Shares	Amounts (NT\$)	Sources of capital	Deducting shares from property other than cash	Other
Jan. 2005	10	2,400,000,000	24,000,000,000	2,268,754,549	22,687,545,490	Convertible bonds transformation 22,016,416 Shares	-	94.01.21 MOEA grant No.09401008230
May 2005	10	2,400,000,000	24,000,000,000	2,276,103,048	22,761,030,480	Convertible bonds transformation 7,348,499 Shares	-	2005.5.30 MOEA grant No.09401094490
Aug. 2005	10	2,400,000,000	24,000,000,000	2,289,127,926	22,891,279,260	Convertible bonds transformation 13,024,878 shares	-	2005.8.10 MOEA grant No.09401153980
Nov. 2005	10	2,400,000,000	24,000,000,000	2,289,816,718	22,898,167,180	Convertible bonds transformation 688,792 Shares	-	2005.11.14 MOEA grant No.09401226910
May 2006	10	2,400,000,000	24,000,000,000	2,289,834,417	22,898,344,170	Convertible bonds transformation 17,699 Shares	-	2006.05.26 MOEA grant No. 09501096220
May 2007	10	2,400,000,000	24,000,000,000	2,294,211,277	22,942,112,770	2007 Q1 Convertible bonds transformation 4,376,860 Shares	-	2007.06.01 MOEA grant No. 09601121010
July 2007	10	2,400,000,000	24,000,000,000	2,299,005,213	22,990,052,130	2007 Q2 Convertible bonds transformation 4,793,936 Shares	-	2007.07.19 MOEA grant No. 09601165460
Oct. 2007	10	2,400,000,000	24,000,000,000	2,317,397,254	23,173,972,540	2006 Recapitalization new issuance of 18,392,041 shares	-	2007.10.23 MOEA grant No. 09601260280
Nov. 2007	10	2,400,000,000	24,000,000,000	2,320,743,953	23,207,439,530	2007 Q3 Convertible bonds transformation 3,346,699 Shares	-	2007.11.07 MOEA grant No. 09601269630
Jan. 2008	10	2,400,000,000	24,000,000,000	2,328,698,193	23,286,981,930	2007 Q4 Convertible bonds transformation 7,954,240 Shares	-	2008.01.29 MOEA grant No. 09701022310
May 2008	10	2,400,000,000	24,000,000,000	2,328,962,146	23,289,621,460	2008 Q1 Convertible bonds transformation 263,953 Shares	-	2008.05.26 MOEA grant No.09701122050
Aug. 2008	10	2,400,000,000	24,000,000,000	2,329,561,125	23,295,611,250	2008 Q2 Convertible bonds transformation 598,979 Shares	-	2008.08.04 MOEA grant No. 09701191790
Sep. 2008	10	3,000,000,000	30,000,000,000	2,562,466,476	25,624,664,760	2007 Recapitalization new issuance of 232,905,351 shares	-	2008.09.23 MOEA grant No. 09701246760
Oct. 2011	10	3,000,000,000	30,000,000,000	2,818,713,123	28,187,131,230	2010 Recapitalization new issuance of 256,246,647 shares	-	2011.10.06 MOEA grant No. 10001227670
Feb. 2015	10	3,600,000,000	36,000,000,000	2,856,379,965	28,563,799,650	2014 Q4 Convertible bonds transformation 37,666,842 Shares	-	2015.02.04 MOEA grant No. 10401021610
May. 2015	10	3,600,000,000	36,000,000,000	2,997,918,707	29,979,187,070	2015 Q1 Convertible bonds transformation 141,538,742 Shares	-	2015.05.19 MOEA grant No.10401094490

IV. Capital and Shares Overview

Date	Par value (NT\$)	Authorized capital		Actual capital received		Notes		
		Shares	Amounts (NT\$)	Shares	Amounts (NT\$)	Sources of capital	Deducting shares from property other than cash	Other
Aug. 2015	10	3,600,000,000	36,000,000,000	3,004,440,135	30,044,401,350	2015 Q2 Convertible bonds transformation 6,521,428 Shares	-	2015.08.27 MOEA grant No.10401179670
Mar. 2017	10	3,600,000,000	36,000,000,000	1,565,271,349	15,652,713,490	2017 Q1 Capital Reduction 1,600,498,786 Shares and Private Placement 161,330,000 Shares	-	2017.03.16 MOEA grant No.10601027640
Dec. 2017	10	3,600,000,000	36,000,000,000	2,065,271,349	20,652,713,490	2017 the capital increase by cash 500,000,000 Shares		2017.12.12 MOEA grant No.10601165890
Dec. 2017	10	3,600,000,000	36,000,000,000	2,323,024,791	23,230,247,910	2017 2nd Private Placement 257,753,442 Shares		2017.12.12 MOEA grant No.10601171890

2. Type of Stock

Shares category	Authorized capital			Remark
	Shares Issued	Un-issued shares	Total Shares	
Common stock	2,323,024,791	1,276,975,209	3,600,000,000	Listed company stock

Note: The number of listed outstanding shares as of 2019.03.31.

3. General declaration system : None

4.1.2 Shareholder structure

As of the date of publication, the last time to stop the transfer: April 24, 2018

Shareholder structure \ Quantity	Government Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreign Persons	Total
Number of Shareholders	9	84	186	115,709	192	116,180
shareholding	1,057,123,072	103,495,522	147,384,482	902,928,449	112,093,266	2,323,024,791
Holding Percentage (%)	45.50	4.45	6.35	38.87	4.83	100.00

Note: The number of shares held by foreign institutions and foreigners in the shareholder structure of the company include investment from citizens of People Republic of China, is 35,002 shares per person.

4.1.3 Diffusion of ownership

As of the date of publication, the last time to stop the transfer: April 24, 2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Note)	Percentage (%)
1 ~ 999	50,634	15,893,108	0.68
1,000 ~ 5,000	40,059	95,694,356	4.12
5,001 ~ 10,000	11,401	83,307,547	3.59
10,001 ~ 15,000	4,232	52,255,730	2.25
15,001 ~ 20,000	2,412	43,267,395	1.86
20,001 ~ 30,000	2,565	63,907,663	2.75
30,001 ~ 50,000	2,012	79,428,382	3.42
50,001 ~ 100,000	1,607	114,169,397	4.91
100,001 ~ 200,000	700	96,828,128	4.17
200,001 ~ 400,000	319	89,577,709	3.86
400,001 ~ 600,000	102	49,915,316	2.15
600,001 ~ 800,000	27	19,045,468	0.82
800,001 ~ 1,000,000	30	27,694,740	1.19
Over 1,000,001	80	1,492,039,852	64.23
Total	116,180	2,323,024,791	100.00

Note: Refer to common stock. Preferred Share: None

4.1.4 Major Shareholders:

- List all shareholders with a stake of 5 percent or greater, or the names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list

As of the date of publication, the last time to stop the transfer: April 24, 2018

Name of Major Shareholders	Shares	Shareholding	Percentage (%)
Ministry of Transportation and Communication		467,682,372	20.13
National Development Fund, Executive Yuan		460,000,000	19.80
Taiwan International Ports Corporation, Ltd.		119,514,708	5.14
Mercuries Life Insurance Inc.		81,177,432	3.49
Taiwan Navigation Co., Ltd.		32,292,930	1.39
Chinachem Group		29,657,347	1.28
Chao Shun, Hung		27,178,000	1.17
United Logistics International Co.		25,000,000	1.08
Trustee trust property account at Mega International Commercial Bank — Shareholding trust of YMTC Practioners		20,424,379	0.88
T3EX Global Holdings		17,105,577	0.74

2. Shareholder List of of Major Shareholders being Juridical Persons

Name of Juridical Persons	Main Shareholder of Juridical Persons
Ministry of Transportation and Communications	Government of the Republic of China
National Development Fund, Executive Yuan	Government of the Republic of China
Taiwan International Ports Corporation, Ltd.	Ministry of Transportation and Communications
Mercuries Life Insurance Inc.	Mercuries & Associates Holding ∙ SHANG-LIN Investment Co.,Ltd. ∙ SHU-ZEN Investment Co.,Ltd. ∙ Mercuries Fu Bao Ltd.
Taiwan Navigation Co., Ltd.	MOTC ∙ Yang Ming Marine Transport Corporation ∙ Full Wang International Development Co., LTD. ∙ Chinese Maritime Transport Ltd. ∙ Yunn Wang Investment Co. Ltd. ∙ Public Service Pension Fund Supervisory Board ∙ Cathay Life Insurance Company, Ltd.
Chinachem Group	Nina Wang Kung Yu-Sum Inheritance Manager
United Logistics International Co.	BAI-JIN Development Co.,Ltd. RAY-IN Co.,Ltd.
Trustee trust property account at Mega International Commercial Bank – Shareholding trust of YMTC Practioners	N/A
T3EX Global Holdings	JIN-HUA Co.,Ltd. ∙ DYNAMIC OCEAN GROUP LIMITED ∙ CHANG-JIE Co.,Ltd. ∙ PAY-SI Co.,Ltd. ∙ HOPE OCEAN INTERNATIONAL LIMITED

4.1.5 Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item		Year	2017	2018	Current year to March 31, 2019
Market Price Per Share	Highest price		17.55	12.55	9.26
	Lowerest price		4.86	7.20	8.53
	Average price		11.13	9.57	8.88
Net Worth Per Share	Before distribution		11.21	8.54	N.A.
	After distribution (Note 2)		N.A.	N.A.	N.A.
Earnings per share	Weighted average number of outstanding shares (Note 3)		1,869,238 (1000 shares)	2,601,336 (1000 shares)	N.A.
	Earnings per share (Note 3)		0.17	(2.53)	N.A.
Dividend	Cash Dividend (Note 2)		0	0	0
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0	0	0
		Stock Dividends Appropriated from capital surplus	0	0	0
	Accumulated Undistributed Dividends (Note 2)		0	0	0
Return on Investment (Note 1)	P/E ratio (Note 2)		65.47	N.A.	N.A.
	Price-dividend ratio (Note 2)		N.A.	N.A.	N.A.
	Cash dividend yield (Note 2)		N.A.	N.A.	N.A.

Note 1: P/E ratio = current year average closing price per share / earnings per share

Price-dividend ratio= current year average closing price per share / cash dividend per share

Note 2: In 2017 and 2018, the company's account has accumulated losses, so no dividends are distributed.

Note 3: According to IAS33, if outstanding shares or potential common stock reduce because of reverse stock split, the earnings (loss) per share in the financial report should be adjusted retrospectively.

4.1.6 Company Dividend Policy and Implementation Status

1. Dividend Policy

Under the dividend policy set forth in the amended Articles, the profit the Company makes in a fiscal year will be used first to pay taxes, offset losses in previous years, allocate or set up a capital reserve for further investment in transportation equipment and improvement of financial structure. Any remaining profit along with undistributed retained earnings, with at least 25% to be distributed, will be used by the Company's board of directors as a basis for the proposal of a distribution plan, to be suggested during the shareholders' meeting for distribution of dividends and bonus of shareholders.

YMTC should consider certain factors, including its profits, change in industry environment, its potential growth, costs, expenditures and working (operating) capital for the proposal of a stock dividend appropriation plan. YMTC shall declare at least 20% of the amount in the form of cash dividend as opposed to stock.

2. The proposed dividend distribution during the shareholders' meeting: None.

4.1.7 The impact of the proposed free share allotment on the company's operating performance and earnings per share: None

4.1.8 Employee compensation and directors' remuneration

1. Compensation range for employees and directors specified in the company's articles of association:

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

2. Consult the accountant if the estimated basis for the compensation of employees, directors and supervisors is different from the actual distribution amount:

YMTC did not accrue employee compensation and directors' remuneration due to losses for the year ended December 31, 2018.

3. The board of directors distributes information; i.e., employee and director compensation:

YMTC did not accrue employee compensation and directors' remuneration due to losses for the year ended December 31, 2018.

4. The actual distribution of compensation for employees, directors and supervisors in the previous year (including the number of shares, amount and share price), and the reward differences between the recognition of employees, directors and supervisors should be presented, as well as the reasons and circumstances: None

4.1.9 The company bought back the shares of the company: None

4.2 Corporate Bonds (including Overseas Corporate Bonds)

4.2.1 Conditions of Issuance of Corporate Bond

Mar.31,2019

Bond Category	Sixteenth Debenture Bonds No Guarantee	Seventeenth Debenture Bonds Guaranteed	Fifth Convertible Bonds Guaranteed
Date of Issuance	Nov. 1, 2013	Oct. 12, 2015	May 29, 2018
Par Value	NTD 10 million	NTD 10 million	NTD 100 thousand
Place of Issuance and Exchange	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	101% of par value
Total Amount	NTD 5,000 million	NTD 4,000 million	NTD 7,676 million
Interest Rate	5 years 2.20% 7 years 2.45%	1.1%	0%
Terms of Reimbursement	5 years, Date of maturity: Nov 1, 2018 7 years, Date of maturity: Nov 1, 2020	5 years, Date of maturity: Oct 12, 2020	5 years, Date of maturity: May 29, 2023
Guarantor	N.A.	A: Bank of Taiwan B: Mega International Commercial Bank C: China Trust Commercial Bank D: Yuanta Commercial Bank	Bank of Taiwan, Mega International Commercial Bank, Taiwan Cooperative Bank, Agricultural Bank of Taiwan, Changhua Commercial Bank, Hua Nan Bank, Taipei Fubon Commercial Bank
Trustee	Mega International Commercial Bank	Taipei Fubon Bank	Land Bank of Taiwan
Underwriter	N.A.	N.A.	Fubon Securities Co., Ltd.
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Charles Y. W. Chiu
Audit Accountant	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Way of Reimbursement	In cash upon maturity	Maturity: 5years-For 4.5years, 50%. 50% due respectively	Except for the holder of this conversion corporate bond, in accordance with Article 10 of the present Measures, it shall be converted into ordinary shares of the Company or exercise the right of resale under Article 19 of these Measures. Or the company who recovers in advance according to Article 18 of these Measures and those who are bought back by the securities firm's business office. The bonds will be repayable in full at maturity.
Unreimbursed Amount	NTD 3,900 million	NTD 4,000 million	NTD 7,676 million
Conditions of Recall or Recall in Advance	N.A.	N.A.	(1) The next day after 3 full month, the issuance of the conversion corporate bond (August 30, 2018) to the 40th day before the expiration of the issue period (April 19, 2023), if the company's common stock is closed with the conversion price reaches 30% (inclusive) in consecutive 30 business days and, the company can recover all its bonds in cash in denominations.

Bond Category		Sixteenth Debenture Bonds No Guarantee	Seventeenth Debenture Bonds Guaranteed	Fifth Convertible Bonds Guaranteed
				<p>(2) The bond issued on the next day of the full three months (August 30, 2018) until the forty day before the expiration of the issue period (April 19, 2023). At 10% of the total amount, the Company may recover all of its bonds in cash in denominations.</p> <p>※ Detailed method of issuance and conversion can be obtained from market observatory post system.</p>
Conditions of Restriction		N.A.	N.A.	N.A.
Credit Rating Agency, Rating Date, Rating		Taiwan Ratings Corp, Jul 2018 twBBB	Taiwan Ratings Corp, A: Sep 2018 twAAA B: Sep 2018 twAA+ C: Sep 2018 twAA+ D: Jan 2019 twAA	Taiwan Ratings Corp, Bank of Taiwan 107.9 twAAA Mega International Commercial Bank 107.9 twAA+ Taiwan Cooperative Bank 108.1 twAA+ Agricultural Bank of Taiwan 107.4 twAAA Changhua Commercial Bank 107.10 twAA Hua Nan Bank 107.5 twAA+ Taipei Fubon Commercial Bank 107.10 twAA+
Amount of Converted Common Stock, GDR or other valuable securities		N.A.	N.A.	N.A.
Other Rights	Issuance and conversion (exchange or subscription) methods	N.A.	N.A.	<p>1. Conversion target: common stock</p> <p>2. Conversion period: The creditor shall, from the next day after 3 full months after the issuance of the conversion of the corporate bonds (August 30, 2018), to the maturity date (May 29, 2023), except for (1) the ordinary shares shall be suspended during the period of transfer. (2) Stop the transfer day of Free share allotment, cash dividends, and 15 days before cash increase and subscription transfer. On the base date of the distribution of rights, from the date of the capital reduction of the capital reduction to the day before the start of the trading day of the capital reduction and re-issuance of the shares, no conversion (subscription) may be requested. At any time, we may request the Company to convert the converted corporate bonds into ordinary shares of the company in accordance with these Measures. And in accordance with the provisions of Articles 10, 11, 12 and 16 of these Measures.</p>

IV. Capital and Shares Overview

Bond Category	Sixteenth Debenture Bonds No Guarantee	Seventeenth Debenture Bonds Guaranteed	Fifth Convertible Bonds Guaranteed
			<p>Request conversion program:</p> <p>(1) The bondholder to the original trading broker shall fill in the “Conversion of Corporate Bond Account Transfer/Redemption/Resale Application” (indicating conversion), and the trading broker shall transfer to the Taiwan Depository & Clearing comparison. (hereinafter referred to as “The insured company”) submits an application. After accepting the application, the insurance company will notify the company's stock agency electronically, and will be effective at the time of delivery, and may not apply for cancellation, and within five business days after delivery. Upon completion of the conversion procedures, the company's common stock will be directly transferred to the bondholder's collection account.</p> <p>(2) When overseas Chinese and foreigners apply to convert the converted corporate bonds held by the company into ordinary shares of the company, all the insurance companies shall adopt the account book allocation method for allotment.</p>
Possible dilution of equity and impact on existing shareholders' equity	N.A.	N.A.	<p>The company's shareholding will be diluted by the creditors of the converted corporate bonds converting the bonds held by them into ordinary shares. However, the dilution effect is a premium due to the conversion price, so the number of conversion shares is reduced; plus the gradual conversion process can alleviate the pressure on equity expansion. With the conversion to common stock, the debt can be reduced, and the shareholders' equity can be increased, thereby increasing the net value per share.</p>
Exchange target custody agency	N.A.	N.A.	N.A.

Bond Category	Third Private Placement Debenture Bonds	First Private Placed Secured Mandatory Convertible Bonds
Date of Issuance	Jul. 8, 2014	Jun. 27, 2012
Par Value	NTD 1 million	NTD 100 thousand
Place of Issuance and Exchange	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value
Total Amount	NTD 3,850 million	NTD 5,800 million
Interest Rate	2.2%	3%
Terms of Reimbursement	5 years	7 years
Guarantor	N.A.	Bank of Taiwan Taiwan Corporative Bank Land Bank of Taiwan First Commercial Bank Hua Han Bank Shanghai Commercial & Saving Bank
Trustee	E.SUN Bank	Mega International Commercial Bank
Underwriter	N.A.	N.A.
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	N.A.	N.A.
Way of Reimbursement	Maturity: 5years-reimbursed in cash upon maturity	The Bonds will be compulsorily redeemed in the Company common stocks with the converted price at Maturity.
Unreimbursed Amount	NTD 3,850 million	Nil, the Bonds will be compulsorily converted to the Company common stock.
Conditions of Recall or Recall in Advance	N.A.	This bond shall be counted from six years from the date of completion of the payment to the maturity date. The company may, in accordance with the resolution of the board of directors, recover the bonds outstanding at the time in cash. However, the aforesaid right of resumption does not apply to the bonds that have been submitted to the company's designated stock agency and served on the conversion request before the benchmark date of the bond recovery. ※ Detailed method of issuance and conversion can be obtained from Taiwan Depository & Clearing Corporation
Conditions of Restriction	N.A.	N.A.
Credit Rating Agency, Rating Date, Rating	N.A.	Taiwan Ratings Corp. Bank of Taiwan: Sep 2018 twAAA Taiwan Corporative Bank: Jan 2019 twAA+ Land Bank of Taiwan: May 2018 twAA First Commercial Bank: Aug 2018 twAA+ Hua Han Bank: May 2018 twAA+ Shanghai Commercial & Saving Bank : Dec 2018 twAA

IV. Capital and Shares Overview

Bond Category		Third Private Placement Debenture Bonds	First Private Placed Secured Mandatory Convertible Bonds
Other Rights	Amount of Converted Common Stock, GDR or other valuable securities	N.A.	N.A.
	Issuance and conversion (exchange or subscription) methods	N.A.	<p>1. Conversion target: common stock</p> <p>2. Conversion period: From September 28, 2012 (the day after the expiration of 3 months after the completion of the payment of the bond), until June 17, 2019 (10 days before the due date), except for the free distribution of shares from the company Days, cash dividends, suspension of transfer or cash increase, subscription of shares, 15 business days from the date of transfer, to the base date of the distribution of rights, from the base of the capital reduction of the capital reduction to the day before the start of the trading day of the capital reduction and exchange, other books</p> <p>The company's common shares may be transferred to the company's ordinary shares at any time in accordance with the provisions of this plan.</p> <p>3. Request Conversion program: The bondholder shall fill in the conversion request and inspect the passbook of the bond, and submit to the company's designated stock agency, the effect of the conversion at the time of delivery, and shall not apply for cancellation, and after the service, five A new share or bond conversion rights certificate will be issued within the business day or the stock will be directly transferred to the original bondholder's insured account.</p>
	Possible dilution of equity and impact on existing shareholders' equity	N.A.	After the full conversion of the bonds, the dilution ratio is about 13.96%. Only after the completion of the private placement, the financial structure is improved and the net value of the company is improved, which has no significant impact on the existing shareholders' equity.
Exchange target custody agency		N.A.	N.A.

4.2.2 Convert corporate bond information

Issuance		First Private Placed Secured Mandatory Convertible Bond		Fifth Convertible Bond Guaranteed	
Year		2018	Jan.1–Mar. 31 ,2019	2018	Jan.1–Mar. 31 ,2019
Market price	The highest	N.A.	N.A	105	103.45
	The lowest	N.A.	N.A	101.50	102.00
	Average	N.A.	N.A	102.70	102.77
Conversation Price		NT\$20.84		NT\$10.40	
Issue Date and Conversation Price		June 27, 2012, NT\$12.68		May 29, 2018; NT\$10.40	
Settlement Upon Conversion		Underlying common shares of the Company		Issuing new shares	

4.3 Preferred Shares: None

4.4 Global Depository Receipts (GDRs) Issuance

Items		Date of Issuance	Nov. 14, 1996
Place of Issuance and Exchange		London Stock Exchange	
Total amount of Issuance		USD 116,392,201.2	
Issuance price		USD 11.64	
Total units of Issuance		9,999,330 units of GDR	
Underling security		Capital increase by public offering of common shares	
Units of underling security		99,993,300 common shares	
The right & obligation of GDR holders		Same right & obligation with the YMTC'S common shares	
Trustees		Nil	
Depository		Citibank	
Custodian		Citibank Taiwan Ltd.	
Outstanding shares		8,971 shares (Mar 31,2019)	
Allocation of related expenses for issuance and During existence.		The current expenses are the related expenses of the issuance deduct the expenses related to premium reserve.	
Major covenants of deposit agreement and Custody agreement		In accordance with the law of R.O.C. and State of New York, U.S.A	
Market price per unit	2018	the highest	USD 4.19
		the lowest	USD 2.41
		the average	USD 3.19
	From Jan. 1, 2019 to Mar.31, 2019	the highest	USD 3.00
		the lowest	USD 2.78
		the average	USD 2.88

4.5 Employees Shares option certificates and Limit on Employee New Bonus Share: None

4.6 Merger and acquisitions or stock shares transferred with new stock share Issued: None

4.7 Capital implementation plan and allocation status:

- (1) As of the first quarter of the annual report, previous issue or private placement of securities has not been completed or completed in the last three years and the project benefits have not yet appeared: None
- (2) For the purpose of each plan in the preceding paragraph, the analysis per item is conducted during the first quarter before the printing date of the annual report. Implementation and comparison with the original expected benefits: None

Overview of Business Operation

5.1 Business Activities

5.1.1 Business Profile

1. The Company's main businesses include the following,

- (1) Domestic and overseas marine shipment service
- (2) Domestic and overseas marine passenger service
- (3) Warehouse, pier, tug boat, barge, container freight station and terminal operations
- (4) Maintenance and repairs, chartering, sales and purchase of ships
- (5) Maintenance and repairs, lease, sales, and purchase of containers as well as chassis
- (6) Shipping agency
- (7) G402011 Ocean freight forwarding service
- (8) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Structure of Liner Services for the Last Two Years

See the sales table for the last two years on P.88.

3. The Company's Active Fleets and Business Operations

As of December 31, 2018, the Company has operated 99 full container vessels (with a capacity of more than 640,000 TEU), amounting to a total of 7.39 million D.W.T. The scope of the Company's container liner service in 2018 was mainly consisted liner services for Asia/US East Coast, Asia/US West Coast, Asia/WCSA, Asia/ECSA, Asia/Northwestern Europe, Asia/Mediterranean, Asia/Red Sea, Asia/ISC, Asia/Middle East, Asia/Australia, US East Coast/Northwestern Europe, and US East Coast/Mediterranean, as well as Intra-Europe and Intra-Asia regional trades.

4. Development of New Products/Services

In 2019, the Company expects to operate 29 east-west service lines with THE Alliance partners starting from the second quarter of 2019, deploying 249 modern and high-efficiency vessels to cover all services. The service range will cover more than 76 ports in Asia, Northwestern Europe, the Mediterranean, North America and the Middle East Red Sea. The Company's new service routes and adjusted structure with THE Alliance arrangement includes:

- (1) Five Asia/Northwestern Europe services (including an Europe-Japan-America pendulum service) to continue to offer direct calling services for Japan and Southeastern Asia as the previous structure.
- (2) Three Asia/Mediterranean services to offer respective direct services to Spain, Italy, Israel and Turkey. With the Greek hub port directly linking to the European regional routes enables to expand the coverage of our services.
- (3) Six Asia/Southwestern US service (including an Europe-Japan-America pendulum service) to

strengthen the network between Southwestern US and Asian regions, such as Japan, Korea, Southern China, Central China, Northern China and Southeastern Asia. With the pendulum service structure, The Company is able to link to markets including Asia, Southwestern US, and the Indian subcontinent.

- (4) Four Asia/Northwestern US service to appropriately rationalize the service structure and reduce the related unit cost.
- (5) Five Asia/US East Coast services offering the unique direct service between Japan and US East Coast in the market extend our services to emerging markets such as Mexico, Central America, and Caribbean Sea through the calling port of Panama.
- (6) Seven Transatlantic service to cover important ports among North America East Coast, Northwestern Europe and the Mediterranean.
- (7) Two Asia/Middle East service to link main ports in China, Korea, Taiwan and Southeastern regions to transshipment ports in Dammam, Jubail and the Arabian Gulf.
- (8) An Asia/Red Sea service to link main ports in Korea, China and Southeastern Asian regions to Jeddah, Sokhna and Aqaba.
- (9) Continue to strengthen the service structure between Northeastern Asia and Southeastern Asia, while optimizing existing routes to maintain market competitiveness.

5.1.2 Industry Overview

1. Current Status and Future Development

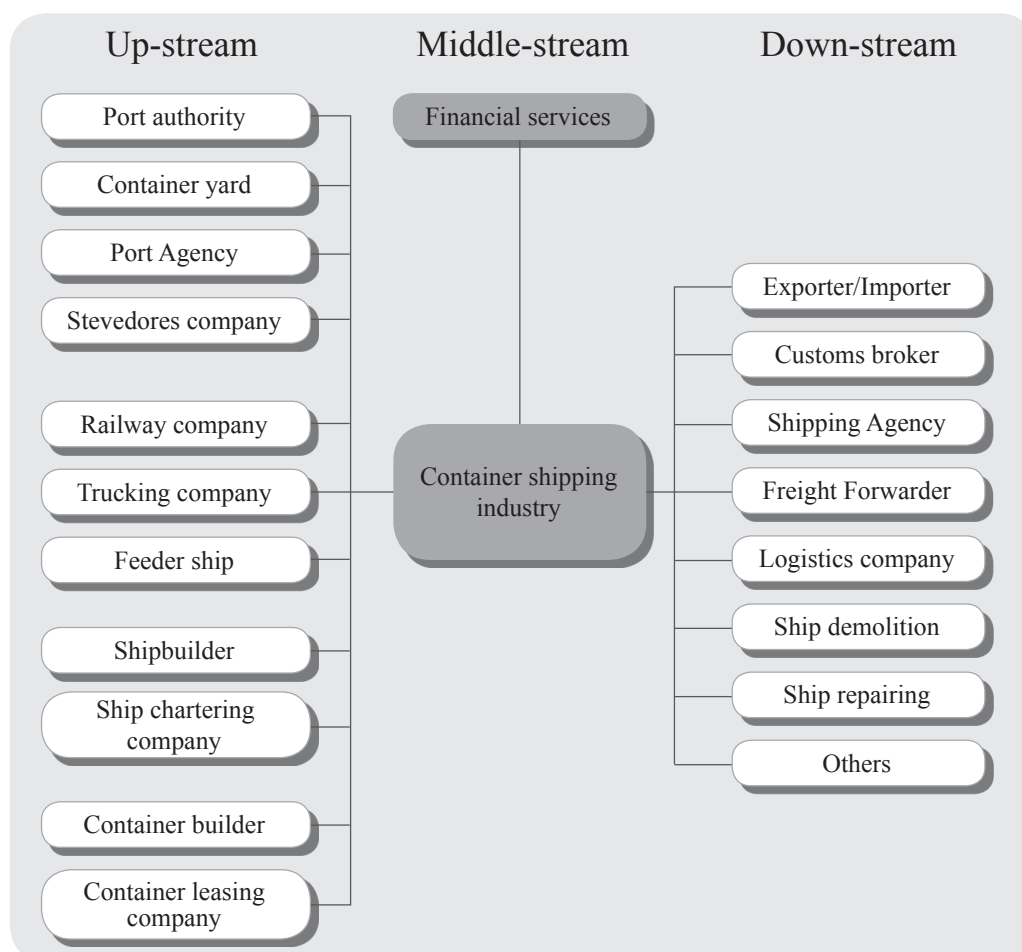
Due to the turmoil in international oil prices and some carriers introducing new vessels to the market in 2018, oversupply in the industry remains to be an extreme challenge for carriers. According to reports published by the professional shipping consultancy Alphaliner, the growth rate of container shipping demand in 2018 was 4.8%, while the growth rate of supply was 5.8%, implying that an imbalance between supply and demand still exists in the container shipping market.

Looking forward to 2019, with uncertainties such as the China-US trade war and Brexit, the global economy faces a downward pressure. As for the container shipping industry, according to forecast by Alphaliner, the growth rate of container shipping demand will likely reach 3.6% and the growth rate of supply will be 3.1%, implying that the overall container shipping will become more balanced. Although we may see some improvement in the supply-demand imbalance in the short term, the overall freight rate will still be affected by changes in the fundamentals of supply and demand. On the other hand, the implementation of the IMO 2020 regulations will likely raise the operating costs, and with the EU and US regulators becoming more conservative about alliances, the overall container shipping market will still be full of challenges in the future.

In the dry bulk shipping market, the BDI averaged 1,353 points in 2018, an increase of about 20% compared to 1,133 points in 2017. According to forecast by Clarkson (Dry Bulk Trade Outlook, March 2019), the demand for dry bulk shipping market grew by 2.7% in 2018, and the supply increased by 2.9%. Looking forward to 2019, the growth rate of demand is expected to be 2.1%, and the growth rate of supply is 2.9%, indicating a slight oversupply remains in the market. In addition, at the beginning of the year, due to the impact of factors such as reduced production of iron ore caused by Vale's dam collapse incident and the China's import of US' soybeans not increasing as expected, the outlook for future freight rates is mixed.

In the container terminal market, according to Drewry Container Forecaster 2019Q1 report, the growth rate in the global container terminal handling was 5.0% in 2018. Drewry predicts that the terminal handling growth rate would be 2.9% in 2019, a decrease of 2.1 percentage points from 2018. Based on the impact of uncertainties such as the friction between international trade relations and the global economic growth slowing down, the outlook remains preserved.

2. Relationship with Up-, Middle- and Downstream Companies (as shown in the following chart)



3. Product Trends and Competition

(1) Product Trends

A. Enlargement of Containership

According to the latest statistics from the well-known shipping consultancy Alphaliner Monthly Monitor published in March 2019, as of the end of 2018, large vessels of 7,500 TEU to 9,999 TEU accounted for 19% of the total capacity, while large vessels of 10,000 TEU or above accounted for 33% of the total capacity. In terms of the proportion of new ships TEU delivered in 2019, large vessels of 10,000 TEU or above accounted for 79% of the total capacity. According to the new vessel orders provided by Alphaliner, vessels of 10,000 TEU or above accounted for 78%. All evidence point out that 10,000 TEU-class vessels are still in the mainstream.

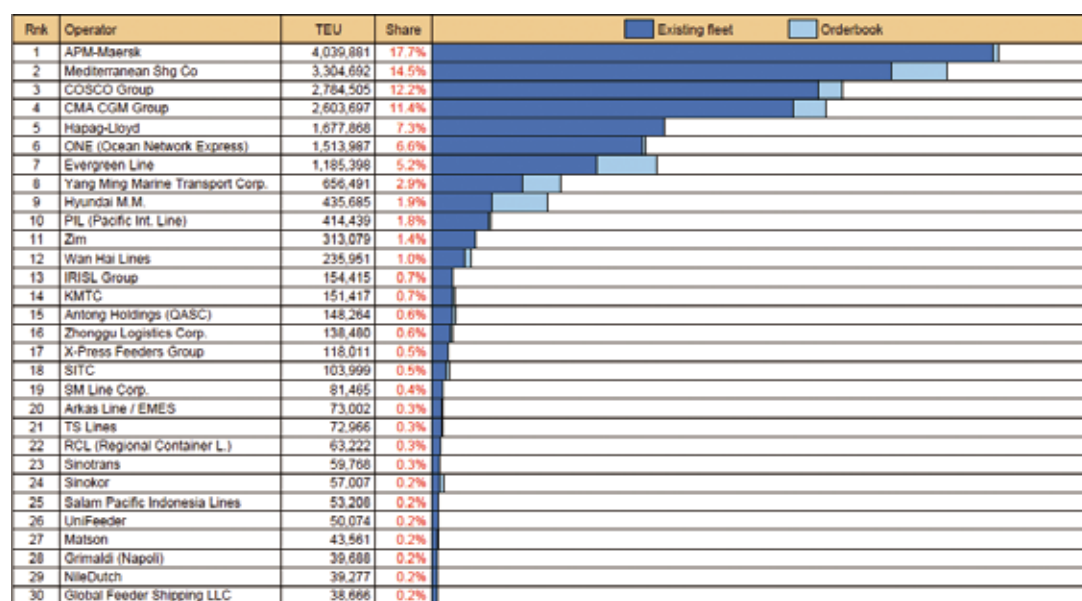
B. Fleet Renewal

According to the latest statistics of Alphaliner, as of March 1, 2019, vessels with an age of more than 20 years accounted for only 6.1% of the total capacity, and ships with more than 15 years accounted for only 11.5%, indicating that the average vessel age of the container market is decreasing, with the replacement of old vessels with new ones.

(2) Competition

A. Concentration and Enlargement of Carrier Scale

According to the latest statistics of Alphaliner (April 15, 2019), the current global fleet capacity is approximately 22,885,117 TEU, of which the top five carriers accounted for 64.0% of total capacity, the top ten carriers accounted for 82.8% of all capacity and the top twenty carriers accounted for 89.7% (as shown in the following chart).



Source: Alphaliner Top 100 April 15, 2019

B. Shipping Alliances

Beginning in September 2018, niche carrier ZIM and 2M Alliance reached a strategic cooperation agreement on the Far East-US East Coast route, and since March 2019, they have expanded the cooperation to the Far East-Pacific Northwestern US route and the Far East-Mediterranean route. According to Alphaliner's latest statistics (April 3, 2019), the three major alliances have a market share of 83.7%, of which 2M+HMM+ZIM accounted for 35.8%, OCEAN Alliance accounted for 30.4%, and THE Alliance accounted for 17.6%. The three major alliances accounted for 96.7% of the main east-west services, with OCEAN Alliance ranking first with 35.5%, followed by 2M+HMM+ZIM with 35.2% and THE Alliance with 25.9%.

5.1.3 Technology and R&D Overview

In 2018, the Company invested NT\$69 million in R&D expenses on the following projects:

1. Vessels

- (1) Implementation of big data collection system on 11 large container ships. Data is transmitted to the shore database through the INMARSAT network for further interpretation on energy efficiency analysis and application to improve fuel efficiency and reduce exhaust emissions.
- (2) Implementation of CFD data calculated by supercomputer in the Company's operation of large container ships (a total of 25 ships) as a basis for navigation to optimize the dynamic force on the hull and reduce fuel consumption.
- (3) Implementation of the Company's five large container ships to build a vessel remote support system. Through the INMARSAT network, the ship's data monitor is able to be directly viewed on shore to propose direct solutions to vessel failures.
- (4) Competitiveness. Partnership with National Cheng Kung University on the “Digital Economic Prospective Technology R&D and Application Project of the Ministry of Science and Technology – Data Analysis of Smart Shipping and Ship Energy Management” project to jointly promote the industry-university technical cooperative project and achieve multi-oriented optimization of overall energy efficiency of ship performance and enhancement of core competitiveness.

2. Engineering

In response to the trend of energy saving, the Company has greatly reduced the vessel's speed during operation. The energy-saving retrofit plan is continuously carried out according to the operating speed of the ship to effectively improve fuel efficiency at low speed, optimize the SFOC of M/E to achieve cost efficiency of fuel, further enhancing the competitiveness of the route. Modification projects include ICC (Intelligent Combustion Control) on YM Efficiency and YM Eternity's main engine as well as Energy Saving Propeller on YM Upward, YM Unicorn and YM Uniform.

3. Information

Developed and modified system features	Summary of the system features
Customer Relationship Management Project	Through this optimization case, the Company is able to strengthen the collection of customer information, and closely link interaction records between business personnel and customers in each branch around the globe to provide decision-makers accurate trend of customer information, so as to facilitate the adjustment of the business strategy at any time.
Digitalization (Blockchain and IoT) Project	Investing in blockchain technology research and seek cooperation opportunities with various blockchain platforms and upstream and downstream industry chains at home and abroad to carry out the transformation of process blockchain in the maritime industry together with relevant operators. In the Internet of Things project, the Company carries out project to collect relevant data and capture the transport track of the Reefer container.
Ship Broadband and Big Data	Investigating whether the deterioration of the hull coating is causing the extra consumption of fuel.
Information Management Process Optimization (CI, CD) Project	CI/CD use the lots of automation technologies to reduce the manual operation, and to continuously verify the system results that to accelerate the system development process greatly. After implement the CI/CD, the latest version of the system can be delivered to users faster. Fast delivery means faster feedback, and developers can quickly fix it accordingly. The final output will be more meets the original needs and better quality.

5.1.4 Long-term and Short-term Development

1. Long-Term and Short-Term Plans for Ocean Going Shipping Lines

(1) Long-Term Business Plans

The medium and long-term business goal of the Company's east-west services is to gradually develop in line with the overall market growth trend, and carry out the ship replacement and renewal plan to continuously improve the service quality. In response to the sluggish global economic recovery and the potential risks of the imbalance supply and demand in the future, the Company has adjusted the delivery schedule of new building and business plan in the medium and long-term appropriately. In addition to existing liner services for Asia/US, Asia/Mediterranean, Asia/Europe, Europe/US, Mediterranean/US, Asia/Middle East, Asia/Red Sea, the Company cooperate with COSCO and Evergreen to launch an European Express service from Northwest Europe to the Mediterranean to serve the side ports. Any potential market and cooperation in regional service is considered to improve our service network and develop the niche market.

(2) Short-Term Business Plans

In addition to improving constantly the existing east-west services, the short-term business plan will also aim to enhance service quality and reduce operating costs. In response to THE Alliance's business development strategy and in line with the service upgrade plan, FE5 the Southeast Asia Express upgraded will strengthen the competitiveness of the Southeast Asia to Europe. The Company has also upgraded our Mediterranean service, MD1 to serve the Egyptian, Spanish and Italian markets.

With regard to the Transpacific service, THE Alliance upgraded EC2 the Transpacific East Coast service to provide competitive direct services for Asia/US Boston and Wilmington. At the same time, in order to improve the schedule reliability affected by port congestion in Asian ports, the Company provided services by designated destination from Asia to Northwestern US and Southwestern US and further introduce the new PN4 service to provide direct service from Xiamen, Kaohsiung and Japan to the Northwestern US. With regards to the Transatlantic service, in order to continuously improve the service quality and the fuel efficiency, THE Alliance deployed more containerships for slow steaming in certain service from Northwest Europe to the US.

Starting in April, the Company will establish a new pendulum service with alliance partners to provide services in the US West/Asia/Europe. Through the service rationalization and containership size upgrade, the Company seeks to further reduce the unit cost and improve service quality. It will also expand the service network in Transpacific trade and increase the frequency of service through the slot exchange with outsiders. Moreover, the Company will adopt fuel-saving plans for all trades, continuing to reduce the pollution caused by fuel. The Company expects to take the responsibility of global environmental protection while continuously strengthening the competitiveness of the service and expanding the market share.

2. Long-term and Short-term Plans for Near-Sea Shipping Services

(1) Long-Term Business Plans

The long-term business development goal of the Company's near-sea services is to gradually build the overall transportation network in line with the natural growth of the market. The medium- and long-term plans of the Company's near-sea services will be based on existing services, and will be built on the basis of high-potential markets in emerging countries such as China, India, and the ASEAN

region, in which the trades are booming, as well as Japan and Korea. The Company will gradually build a complete and meticulous service network within the Southeast Asia, the North-South bound trade between Northeast Asia and Southeast Asia, the Far East to India/Pakistan service, the Far East to Australia service, and the service network of the Far East/South American East Coast/West Coast. We will also expand our joint ventures to further optimize the rationalization of service and calling ports, upgrade the containership size to reduce unit costs, and perform service in a more efficient manner by integrating ship resources to ensure niche edge and remain competitive. We expect our near-sea services to be more flexible and profitable.

(2) Short-term Business Plans

In response to the rapid changes in the Asian market and optimistic about the development potential of the ASEAN market, starting from last year (2018), the Company expanded our layout of China, Northeast Asia-Southeast Asia routes and joint ventures, and cooperated with OOCL and ONE to expand the Japan-Malaysia-Vietnam route (JMV), cooperated with OOCL and RCL to operate the China-Vietnam Express route (CHX). At the same time, we also cooperated with other carriers through slot exchange such as the exchange with HMM for the South Korea-Vietnam-Thailand route (K VX), exchange with XPF for the Port Klang-Yangon route (MYS), exchange with COSCO for the North China-Thailand route (NCT), exchange with KMTC for the China-Thailand route (CVT) and exchange with WHL for the Taiwan-Philippines route (TPS). By actively expanding our service network, port coverage and increasing weekly frequency, we are enhancing the competitiveness of the Company.

In response to business development requirements, we are going to launch a new Intra-Asia service KVM(Korea–Vietnam–Malaysia Service) jointly operated with APL and CMS (China-Malaysia Service) jointly operated with TSL, GSL, and CNC with effect from 1st quarter of 2019. In addition, to strengthen the service layout, we will continue to seek opportunities for slot exchange cooperation to provide more convenient and excellent delivery service to enhance overall competitiveness.

5.2 Market analysis and the line/route condition

5.2.1 Market analysis

◆ Operating Plan for 2019

1. Asia-US Southeast coast trade: deploying twelve containerships and cooperating with THE Alliance to provide six services per week between Asia and US Southwest (including one Northwest Europe-Asia-US Southwest pendulum service).
2. Asia-US Northwest coast trade: deploying four containerships and cooperating with THE Alliance to provide four services per week between Asia and the US Northwest coast.
3. Asia-US East coast trade: deploying nine containerships and cooperating with THE Alliance to provide five services per week between Asia and the US East coast.
4. Asia-Northeast Europe trade: deploying eight containerships and cooperating with THE Alliance to provide five services per week between Asia and Northeast Europe (including 1 Northwest Europe-Asia- US Southwest pendulum route).
5. Asia-Mediterranean trade: deploying eleven containerships and cooperating with THE Alliance to provide three services per week between Asia and the Mediterranean.

6. Northwest Europe-Mediterranean trade: deploying one containership and cooperating with COSCO and EMC to provide weekly service between Northwest Europe and the Mediterranean.
7. Intra-Europe trade: deploying one containership to provide cargo service between Hamburg and Poland/Lithuania (IE2) and expand European range services through slot exchange with potential partners.
8. Intra-Mediterranean trade: deploying one containership to provide service in the Romania, Ukraine markets and through the slot exchange with other non-THE alliance operators, to expand the coverage of other Black Sea markets such as Turkey, Bulgaria, Georgia, Russia, etc.
9. Transpacific trade: deploying four containerships, and cooperate with THE Alliance to provide six services, and cooperating with ONE/HLC/CMA/COS/OOCL to provide the seventh service which serve weekly between the US East coast and the Mediterranean.
10. Intra-Asia trade
 - (1) Taiwan-China Express (TCX): deploying one containership and cooperating with TNC to provide weekly service between Northern and Central China and Taiwan.
 - (2) China to Indonesia service (CTI): deploying three containerships and cooperating with GSL to provide weekly service between Central China, Taiwan and India.
 - (3) China - Thailand service (CTS): deploying one containership and cooperating with OOCL and GSL to provide weekly service between Central China, Vietnam, Thailand and Hong Kong.
 - (4) China - Ho Chi Minh Express service (CHX): deploying one containership and cooperating with OOCL and RCL to provide weekly service between Northern and Southern China, Vietnam and Korea.
 - (5) China-Vietnam Express (CVX): deploying one containership and cooperating with TSL and MCC to provide two services per week between Central China, Hong Kong and Vietnam.
 - (6) Pan Asia Service (PAS): deploying one containership jointly managed with TSL to provide weekly service between Japan (Kyushu), Korea, Taiwan, Hong Kong and Southern China.
 - (7) Japan - Taiwan- South China Express (JTS): deploying two containerships to provide weekly service between Japan (Kanto region), Taiwan, Hong Kong and Southern China.
 - (8) Japan-Taiwan-Bangkok service (JTC): deploying four containerships to provide one service per week between Japan, Taiwan, Hong Kong, Thailand and Vietnam.
 - (9) Japan-Malaysia-Vietnam service (JMV): deploying one containership jointly managed with ONE and OOCL to provide weekly service between Japan, Hong Kong, Singapore, Malaysia and Vietnam.
 - (10) Taiwan Philippines Express (TPE): deploying one containership to provide weekly service between Taiwan and Philippines.
 - (11) Taiwan - Ho Chi Minh service (THX): deploying one containership jointly managed with EMC and OOCL to provide two services per week between Taiwan, Hong Kong and Vietnam.
 - (12) Taiwan-South East Asia service (TSE): deploying five containerships to provide weekly service between Taiwan, Hong Kong, Vietnam, Singapore, Malaysia and Indonesia.

- (13) Korea-Taiwan-Hong Kong service (KTH): deploying one containership jointly managed with TSL and KMTC to provide weekly service between Taiwan, Hong Kong and Korea.
- (14) Korea-Vietnam-Malaysia (KVM): deploying one containership jointly managed with APL to provide weekly service between Korea, Taiwan, Vietnam, Malaysia and Singapore.
- (15) China-Malaysia service (CMS): deploying one containership jointly managed with GSL, TSL and CNC to provide weekly service between China and Malaysia.
- (16) China-Philippines service (CPS): Chartering container slot from SNL to provide weekly service between Central China and Manila.
- (17) Middle China-Taiwan (MCT): exchanging slot with CNC to provide weekly service between Taiwan and Eastern China.
- (18) Taiwan-Hong Kong service (PR5): exchanging slot with KANWAY to provide weekly service between Taiwan and Hong Kong.
- (19) Uni-Taiwan-Japan service (NSD): exchanging slot with EMC to provide weekly service between Taiwan and Japan.
- (20) Japan-Taiwan-Hong Kong service (JTH): exchanging slot with EMC to provide weekly service between Taiwan and Japan (Kansai region).
- (21) Japan-Taiwan-Vietnam service (JTV): exchanging slot with CNC to provide weekly service between Japan, Korea, Taiwan and Hong Kong.
- (22) Japan-Thailand Express service (JTX): exchanging slot with CNC to provide weekly service between Japan, Taiwan, Hong Kong and Thailand.
- (23) Taiwan-Philippines-Indonesia service (TPI): exchanging slot with EMC to provide weekly service between Taiwan and Indonesia.
- (24) Taiwan Philippines Manila South Port (TPS): exchanging slot with WHL to provide weekly service between Taiwan and Philippines.
- (25) Kaohsiung-Cebu service (KMC): exchanging slot with BTL to provide weekly service between Taiwan and Philippines.
- (26) Philippines service II (PH2): exchanging slot with OOCL to provide weekly service between Southern China and Philippines.
- (27) North China- Thailand service (NCT): exchanging slot with COSCO to provide weekly service between Northern China, Hong Kong, Southern China and Thailand.
- (28) China-Thailand Express (CVT) exchanging slot with KMTC to provide weekly service between China, Thailand and Hong Kong.
- (29) Pan Asia service I (PA1): exchanging slot with COSCO to provide weekly service between China, Singapore and Malaysia.
- (30) Pan Asia service III (PA3): exchanging slot with TSL and CNC respectively to provide weekly service between Korea, China, Malaysia, Singapore and Hong Kong.

- (31) Thailand Indonesia Express (ITS): exchanging slot with GSL to provide weekly service between Thailand, Malaysia and Singapore.
- (32) Kaohsiung-Fuzhou/Jiangyin Express (FOC): exchanging slot with SPS to provide weekly service between Kaohsiung and Fuzhou.

11. Asia feeder service

- (1) South East Asia V service (SE5): deploying one containership jointly managed with RCL to provide weekly service between Singapore, Thailand, Malaysia and Indonesia.
- (2) South East Asia service VIII (SE8): deploying one containership jointly managed with OOCL to provide weekly service between Singapore, Malaysia and Vietnam.
- (3) Singapore-Semarang service (SS1): exchanging slot with ACL to provide weekly service between Semarang and Singapore.
- (4) Sihanoukville dedicated service (RCX): exchanging slot with RCL to provide weekly service between Singapore and Sihanoukville.
- (5) Songkhla dedicated service (RSE): exchanging slot with RCL to provide weekly service between Singapore and Songkhla.
- (6) Singapore-Surabaya X-Press (SSX): exchanging slot with XPF to provide weekly service between Singapore and Surabaya.

12. Asia-Australia trade

- (1) North East Asia - Australia service (NAX): deploying one containership jointly managed with APL, Hapag-Lloyd, Ocean Network Express and Evergreen Marine to operate through Japan, Korea, North Central China and Australia.
- (2) China-Australia-Taiwan service (CAT): deploying three containerships jointly managed with Evergreen Marine, Sinotrans Container Lines and T. S. Lines to operate through Central China, Taiwan and Australia.
- (3) Asia Australia alliance service 1 (AA1): providing service between Thailand, Singapore and Australia.
- (4) Asia Australia alliance service 2 (AA2): providing service between Singapore, Malaysia and Australia.

13. Asia-Central and South America trade

- (1) South America service loop-3 (SA3): deploying one containership jointly managed with Evergreen, COSCO and CMA to operate through South-Central China and Eastern South America.
- (2) South America service loop-4 (SA4) deploying one containership jointly managed with Evergreen and COSCO to operate through Taiwan, South-Central China, Mexico and Central South America west coast
- (3) South America service loop-6 (SA6): providing service through Taiwan and South-Central China.

14. Asia -Middle East/Red Sea trade

- (1) China-Persian Gulf Express service (CGX): deploying six containerships and cooperating with THE Alliance to operate through Central China, Taiwan, Southern China, Malaysia and the Persian Gulf.
- (2) Asia-Gulf service (AGS): providing service between Korea, China, Singapore and the Persian Gulf.
- (3) Asia-Red Sea service (AR1): deploying two containerships and cooperating with THE Alliance and Wan Hai to operate through Korea, South-Central China, Singapore, Malaysia and the Red Sea.

15. Asia -India and Pakistan trade

- (1) China - Pakistan Express (CPX): deploying three containerships jointly managed with OOCL to operate through Central China, Southern China, Singapore, Malaysia, Pakistan, and India.
- (2) China - India Express service (CIX): deploying one containership jointly managed with Evergreen Marine, FEEDERTECH, Ocean Network Express, Hapag-Lloyd, T. S. Lines, COSCO and PIL to operate through Northern China, Singapore, Malaysia and India.

16. Southern Asia feeder service

- (1) South East Asia VI service (SE6): deploying three containerships to operate through Singapore, Malaysia and Bangladesh.
- (2) Singapore- Chittagong service (SCS): providing service between Singapore and Malaysia.
- (3) Straits-Bengal-Straits service (SBS): providing service between Singapore, Malaysia and Kolkata.
- (4) Indo - Bengal service (IBS): providing service between Colombo and Chittagong.

◆ Market Share and Supply, Demand and Growth in the Future

1. Transpacific Trade

According to the Drewry report, the overall volume of Transpacific trade on the eastbound leg increased by 7.4% in 2018. The overall volume is expected to increase by 2.7% in 2019. According to Alphaliner, the Company's 2018 market share in the transpacific trade was approximately 4.8%.

2. Asia-Europe/Mediterranean Trade

According to the Drewry Report, the overall volumes on the westbound leg of Asia-Europe trade increased by 1.5% in 2018, while the total westbound volume of Asia-Mediterranean trade increased by 3.2%. The overall volume on the westbound leg of the Asia-Europe trade and Asia-Mediterranean trades is expected to increase by 3.9% and 1.8% respectively in 2019. According to Alphaliner, the Company's 2018 market share in the Asia-Europe and Asia- Mediterranean trade was approximately 5.4%.

3. Transatlantic Trade

The Company's container business in the Transatlantic trade is mainly focused on the development in the container market between Northern Europe/Mediterranean and the US East Coast. According to the Drewry Report, the overall volume on the westbound leg of the Transatlantic trade increased by 5.0% in 2018, while the overall volume of the eastbound leg increased by 3.2%. The overall volume on the westbound leg of the

Transatlantic trade is expected to increase by 5.7% in 2019, and the overall volume in the eastbound leg is expected to increase by 3.5%.

4. Intra -Asia Trade

According to Global Insight report, the overall volume of the Intra-Asia trade is expected to reach 31.3 million TEU, a 4.96% growth from 2018. The Company's 2018 market share in the Intra-Asia trade was approximately 4.85%.

5. Asia -Australia Trade

According to Global Insight report, the overall volume of the FE-Australia trade increased by 8% in 2018, and the overall volume is expected to increase by 2% in 2019. The Company's 2018 market share in the FE-Australia trade was approximately 3.5%.

6. Asia -Middle East/Sub-Continental/Red Sea Trades

According to Global Insight report, the overall volume of the FE-Middle East/Sub-Continental/Red Sea Trade increased by 3% in 2018, and the overall volume is expected to increase by 5% in 2019. The Company's 2018 market share in the FE-Middle East/Sub-Continental/Red Sea Trade was approximately 5.2%.

7. FE-Central and South America Trades

According to Global Insight report, the overall volume of the FE-Central and South America Trade increased by 5% in 2018, and the overall volume is expected to increase by 3% in 2019. The Company's 2018 market share in the FE-Central and South America Trade was approximately 2.4%.

◆ Competitive Advantages and Business Visions

1. Favorable Factors

(1) Merger among Carriers Helps Stabilize the Market

The container shipping market has been experiencing a series of mergers and acquisitions in recent years (Maersk acquired Hamburg Süd, Hapag Lloyd acquired UASC, COSCO acquired OOCL and MOL and NYK and K Line jointly established ONE). The reorganization of the shipping alliances into three major players is helping the market to stabilize.

(2) New Large Vessels Delivered in Succession, Reducing Operating Costs

In order to increase the competitiveness of service, the Company has invested in sixteen new 14,000 TEU long-term chartering, new, energy-saving vessels, and an additional four 14,000 TEU new, energy-saving vessels will be phase in service in the first quarter of 2019. The addition not only optimizes the Company's fleet, but also effectively reduces the unit cost.

(3) Continue to Strengthen Regional Layout and Increase Loading Performance for Service

The Company will continue to strengthen the regional market layout. In addition to the European and American segments, THE Alliance will provide more direct port services and further adjust the intra-Asia service. It will also further develop through self-operated or exchange of slot in the emerging markets of Asia. In order to cooperate with the service route multi-stage utilization policy, we will utilize container space by increasing cargo loading and improve efficiency of service routes.

(4) Benefit of Strategic Alliances is Increasing

In 2019, in addition to maintaining the existing service routes between Asia, the US, Europe, the Mediterranean and transatlantic, as well as the Middle East and Red Sea service routes, the Company has established a new Europe-Asia-America pendulum service route to continue to rationalize the service route and optimize the ship service, maximizing the advantages of the service route layout and effectively lowering costs. On the other hand, the Company has also extended the scope of cooperation beyond THE Alliance to expand the service layout and vessel deployment. Through the most economical port planning, we are able to significantly reduce the transportation time and unit operating costs between the ports, thoroughly strengthening the competitiveness of our service route.

2. Unfavorable Factors

(1) Charter rate rising and the demolition market slows down

With the global economy recovering, the chartering market has been gradually warming up, the cost of easing is relatively higher. On the other hand, ship owners' incentives for ship dismantling are relatively low, resulting in the slowing down of ship dismantling.

(2) Competitive Pressure Within the Market

Although all signs point to a larger supply than demand in the market, and with the gradual recovery of the global economy creating a probable increase in new orders, and various carriers likely to put previously idle capacity into the market again, it is expected that the psychological pressures will affect overall operations.

(3) With the new MARPOL regulation will come into force on January 1, 2020, Carriers will be forced to use high-priced low-sulfur fuel oil or install equivalent arrangement to comply with the regulations. At the same time, with the heightened awareness of environmental protection in various countries, many emission control area has been established, cause the increasing of the operation cost.

3. Countermeasures

(1) Continue to Promote Flexible Alliance Strategies

Due to the rise of mergers and acquisitions of large shipping companies, the wave of consolidation in the shipping market will continue, ushering a rise in market trends. Only by continuously promoting flexible alliance strategies, reducing operating costs and improving service route service quality, can we strengthen competitiveness. In 2019, the Company, along with THE Alliance partners carried out the optimization of service routes to further improve service quality.

(2) Developing Emerging Markets

Due to fierce competition in the main east-west service routes, the Company continues to develop emerging markets, including Vietnam, India, the Eastern Mediterranean, Baltic, South America/South Africa, Australia and other markets, to expand the service network and effectively utilize the Company's fleet capacity.

(3) Strengthened Cost Control

By keeping ourselves updated on the latest market dynamics and competitor analysis, we further cooperate with alliance partners in service, slot exchange, and moderately adjust the service route structure to achieve the goals of cost savings (including fuel and port charges). Other strategies, including fuel price hedging, chartering market monitoring, ship flexible operation, and reasonable establish overseas agency.

(4) Strict Control of Operational Safety and Quality

Operational safety is the primary focus of the shipping industry. By completing ISPS certifications for our vessels, we deepen operational safety to ensure the quality of services. The integration of information systems in the shipping industry operations has become a crucial trend in the development of the shipping industry. Therefore, the integration and implementation of information application systems has been accelerated, to enhance service quality and management effectiveness.

(5) Complying with New Environmental Regulations and Countermeasures

In view of the expectation that the cost between high sulphur and low sulphur fuel oil will be wild spread after the new MARPOL regulation come into effect, will carry out scrubber retrofit to ensure the cost advantage by using high sulphur fuel oil and at the same time, we will levy the low-sulfur fuel surcharge to reduce impact of rising fuel cost.

5.2.2 Production Procedures and Main Uses of Main Products: not applicable.

5.2.3 Supply Status of Main Materials: not applicable.

5.2.4 Clients (suppliers) Accounting for 10% of Sales (Purchase) or More in the Last Two Years: none.

There were no clients accounting for 10% of sales or more in the last two years.

5.2.5 Production in the Last Two Years: not applicable.

5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Sales & Volume Items	2018		2017	
	Amount	Volume (TEU)	Amount	Volume (TEU)
Cargo revenue: Deep sea	100,920,418	3,662,515	94,409,345	3,319,851
Cargo revenue: Short sea	17,909,976	1,569,393	18,694,800	1,402,354
Others	4,947,824	-	4,039,024	-
Rental revenue on vessel	3,081,244	-	2,138,844	-
Slottage revenue	3,368,360	-	2,280,971	-
Other operating revenue	11,605,107	-	9,514,828	-
Total	141,832,929	5,231,908	131,077,812	4,722,205

5.2.7 Maritime Key Performance Indicator

The Company's overall performance evaluation is divided into cross-departmental business performance indicators and annual operational indicators. Inter-departmental business performance indicators are controlled by various inter-departmental project meetings. Through the implementation of the Group's project cooperation, the Company promotes various resources integration, cost control, process improvement, of which strategies cover various functions of the Company, including business, transportation, finance and information. The annual operating indicators aim to control overall profit and loss, and improve operational efficiency and cost savings. In respect of vessels, the relevant works will be completed on time according to the ship docking contract, and resources and industry-university cooperation will be utilized to strengthen the crew's actual functions. By reviewing the unbalanced area of the containers and proposing specific improvement measures, and integrating the support of the information system for stock forecast, we are able to improve the immediacy and accuracy of containers. Long-term containers lease with higher costs are replaced with those of lower cost upon maturity of contracts. On the information system, continuously proceed system promotion and optimization, big data and business intelligence specific applications, Line Manager management information system and ship information system integration development. In the agency system, according to business needs and agency evaluation indicators, continue to set up their own agent or proxy line replacement. In respect of information system, we continue to carry out system promotion and optimization, big data and business intelligence specific applications, Line Manager management information system and ship information system integration development. In the agency system, we continue to set up agent or proxy line replacement according to business needs and agency evaluation indicators.

5.3 Employee status from the two most recent fiscal years up to the date of publication of this annual report

Year		2018	2017	2019/3/31
Number of employees	Office service	3,987	3,630	4,037
	Sea service	1,344	1,343	1,356
	Total	5,331	4,973	5,393
Average age		39.53	37.90	40.16
Average service years		9.25	9.25	9.37
Education level	Ph.D.	0.11%	0.09%	0.11%
	Master's degree	9.95%	9.44%	9.99%
	College degree	66.00%	58.20%	66.02%
	High school degree	19.38%	26.95%	19.32%
	Middle school and below	4.56%	5.32%	4.55%

5.4 Expenditure on Environmental Protection

5.4.1 There was no major environmental pollution case in the Company during the latest year and up to the printing date of this annual report, and thus the loss and penalty on this subject had not occurred.

5.4.2 The Company's Countermeasures for future environmental protection.

The Company always treats environmental protection as a duty and responsibility. All newly built vessels comply with the international standards and adopt advanced designs to prevent pollution of ocean and air. We set up our environmental policy and were the first shipping company in Taiwan to be certificated by ISM in 1996, ISO14001 in 2004 and OHSAS 18001 in 2005. Since 2006, we have joined the Business for Social Responsibility (BSR) and our Clean Cargo Working Group (CCWG), to work with other companies for more responsible business practices, innovation and collaboration. We have circulated annual environment Performance Report via the Company's website since 2007 to provide related environmental information for the knowledge of our customers and the public. In 2009, we set up an energy conservation team to study and implement environmental protection actions for energy conservation and resource recovery. Since 2014, we have provided carbon emission calculator service of shipping, on our website, to help our customers achieve the lowest possible carbon emissions from the door-to-door, green-delivery supply chain.

1. The following environmental protection measures will be developed and carried out continuously this year:

- (1) Implementation of the SEEMP (Ship Energy Efficiency Management Plan) Part I and Part II to achieve the goals of energy-saving and reduced carbon emission.
- (2) Use of low-sulphur fuel oil and reduction of speed by vessels in Emission Control Areas in keeping with MARPOL 73/78/97 Regulations and local rules.
- (3) Application for Observant of the Oil Pollution of 1990, Non-Tanker Vessels Response Plan and Financial Guaranty and Financial Responsibility Certificate for all vessels sailing to US ports.
- (4) Acquirement of Bunker Convention Certificates from the signatory states by observing the 2001 Bunker Convention.
- (5) Purchase of the Liability Insurance of the Protection and Indemnity.
- (6) Strict auditing of ISM/ISO14001 codes and corrective measures in order to ensure the safety of personnel, ships, cargoes and environment and to avoid maritime accident and pollution.
- (7) Conduction of organized training courses and practical exercises on environmental protection, risk management and energy saving for all crew members to reinforce personnel's professional knowledge and skill of preventing maritime pollution and accidents.
- (8) Paying close attention to development of international environmental regulations, and observing new regulations coming into effect to ensure the fleet can meet international environmental regulations while voyaging in the world's ports.
- (9) The Company has provided the service of carbon calculator for cargo transportation on our website, to help our customers achieve a door-to-door, green supply chain by keeping the carbon footprint as low as possible.

2. Estimated capital expenditure on environmental protection for the next three years:

In compliance with MARPOL 73/78/97 Regulations and local rules, facilities for preventing oil, water, sewage and air pollution have been installed on vessels under construction. Expenditure for future purchase/installment/re-equipment of such facilities will be included in the overall shipbuilding cost.

3. Effects of setting up additional equipment on the Company

All the Company’s vessels have been deploying facilities to prevent oil, sewage and air pollution in compliance with international environmental protection standards as required by MARPOL 73/78/97 Regulations and local rules.

5.4.3 The Taiwan Stock Exchange’s Letter No.0950007006 dated April 13, 1995 requested disclosure of RoHS Information (EU legislation restricting the use of hazardous substances in electrical and electronic equipment): According to the characteristics of maritime shipping industry, the Company should not be covered by the EU RoHS.

5.5 Employee and Employer Relations

5.5.1 Current Significant Labor Agreements and Implementation

1. Employee welfare measures: the Company allocates 0.6‰ of its revenue into the employee welfare fund, and carries out welfare tax withholding for employees in the amount of 0.5% of each employee’s salary, on a monthly basis. The fund is managed by the Employee Welfare Committee, to organize a variety of welfare events.

2. Education and Trainings

Unit: NT\$

Trainings	Abstract	Total training hours (HR)	Amount
Orientation program	The Company holds orientation program, guided reading on maritime studies, vessel boarding and container yard visit, other internal and external training courses for new employees, and arranges e-learning courses for them to study. Through completing the curriculum, new employees can understand the company’s philosophy, organization, culture and human resources system, and become familiar with the company system, and successfully get acquainted with their job.	2,722	47,090
Common training courses	The Company holds training courses such as problem analysis and solution, non-financial staff accounting practice, AEO and C-TPAT certification scope, prevention of insider trading, Code of Ethical Management & Guidelines on Unethical Conduct Prevention, confidential management guidance courses, prevention of malicious email and social engineering exercises, occupational safety lectures, such as vocational and safety lectures, YM lectures, YM reading club, external professional training, occupational safety training, etc., and encourage employees to learn foreign languages and attend continued education courses. Through these trainings, the Company wishes to strengthen the basic knowledge and skills of employees.	12,163	2,026,365
Management skills training	The Company arranges for managers to participate in courses such as performance management and interviewing skills, supervisory competency workshops, and negotiation skills trainings to elevate their managing and planning skills.	930	741,950
Professional Marine core knowledge training	The Company holds marine core trainings such as marine management practice, advanced marine management practices, improved customer satisfaction and service quality courses, and the sharing of professional knowledge among departments, etc., to strengthen the professional competence of employees and improve business performance.	15,586	390,855
Ship Crew training	The Company raises ship crews’ navigation safety with ship simulators and hold trainings such as dangerous goods loading and transport operation training, safety and physical training, general safety and health education training, business supervisor training, electric welding, lathe, cable repair implementation, ISM procedures and regulations and ISPS security courses, main operation and obstacles of the host to strengthen occupational safety knowledge of the crew.	11,724	4,581,676

3. Retirement system: see the Post-Retirement Benefits Program on page 166 for details.

4. Other significant agreements: None.

5.5.2 Any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report, estimate of losses incurred to date or likely to be incurred in the future, and countermeasures:

The Company and its subsidiaries have not sustained any loss as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of publication of the annual report. The remaining litigation cases related to labor disputes are merely isolated cases and currently being handled by attorneys appointed by the Company. The estimated losses may be due to the small proportion of the Company's and its subsidiaries' revenues, and therefore, have no significant impact on the Company and its subsidiaries.

5.5.3 Employee Code of Ethics

1. Employees should be loyal to their duties, comply with government laws and regulations and company regulations, and obey the management, command, and dispatch of supervisors at all levels.
2. Employees are absolutely obligated to keep the Company's technical and business confidential information, and must not disclose or infringe on the Company's confidential business rights and interests, whether or not they are in charge of the affairs. Salary is a private as well as confidential information. Employees should abide by the obligation not to inquire, comment on salary of others, and disclose of their own salary.
3. When employees report job-related matters, except for emergency or special circumstances, they should follow the order of the administrative system and must not go over their immediate supervisors.
4. Employees are not allowed to leave their jobs without prior approval.
5. Employees must not use their authority to benefit themselves or others.
6. Employees shall not accept bribes, gifts, kickbacks or other unlawful interests.
7. Employees shall not carry ammunition and knives, dangerous goods, contraband or other items that violate workplace safety.
8. Employees shall wear identification cards in the workplace and return the identification card to the Company when they leave the Company.

5.5.4 Procedures for Handling Material Inside Information

In order to strengthen corporate governance, the Company has established the "Procedures for Handling Material Inside Information", established internal information processing and disclosure system, and disclosed the procedures in the corporate governance section under "Investor Services" of the Company's website.

5.5.5 Occupational Safety and Health Policies

The company is engaged in international shipping, container docks and station services. Based on the results of risk assessment, we focus on the safety of personnel and goods during transportation. Based on the human-oriented concept, we deeply understand that employees are important assets of the Company. Therefore, we provide safe and healthy working environment and operating procedures to ensure the safety and health of personnel.

In order to achieve the ideal of zero hazard, zero accident and zero injury, we follow the following policies:

1. Comply with government regulations and the Company's safety and health requirements.
2. Prevent occupational injuries and physical and mental health events, and “continue to improve” safety and health management systems and performance.
3. Top management will actively participate in and supervise safety and health management, and regularly review audits and performance assessments.
4. Promote various safety and health related training and activities so that employees at all levels fully understand their personal safety and health responsibilities.
5. Encourage employees to actively participate and provide the necessary time and resources to consult on safety and health related matters.
6. Provide health examinations to maintain the physical and mental health of employees. Health indicators are as important as safety goals.

5.6 Important Agreements

5.6.1 Joint Party Contract

March 31, 2019

Agreement	Counterparty	Period	Major Contents	Restrictions
THE Alliance MOU	Hapag-Lloyd/“K”Line/NYK/HJS	2017.04.01–2022.03.31 Termination of contract requires a one-year pre-notice. Minimum duration of the contract is five years.	Asia/Europe, Asia/Mediterranean Asia/U.S.West Coast, Asia/U.S.East Coast, Asia/Middle East, Asia/Red Sea, U.S East Coast/North Europe, U.S East Coast/Mediterranean	-
THE Alliance HOA	Hapag-Lloyd/“K”Line/MOL/NYK	2017.04.01–2022.03.31 Termination of contract requires a one-year pre-notice. Minimum duration of the contract is five years.	Asia/Europe, Asia/Mediterranean, Asia/U.S.West Coast, Asia/U.S.East Coast, Asia/Middle East, Asia/Red Sea, U.S East Coast/North Europe, U.S East Coast/Mediterranean	-
NEX MOU	EMC/COSCO	2017.11.26-the indefinite duration Termination of contract requires a three-month pre-notice	Europe-Mediterranean service	-
KTH MOU	TSL/KMTC	2017.08.13-the indefinite duration Termination of contract requires a ninety-day pre-notice	Korea-Taiwan-Hong Kong service	-
THX	EMC/OOCL	2006.04.04-the indefinite duration Termination of contract requires a ninety-day pre-notice	Taiwan-Ho Chi Minh service	-
PAS	TSL	2014.05.07-the indefinite duration Termination of contract requires a sixty-day pre-notice	Pan Asia service	-
TCX	TNC	2010.03.21-the indefinite duration Termination of contract requires a thirty-day pre-notice	Taiwan-China service	-
PR5	KWY	2013.01.07-the indefinite duration Effective after the expiration of the contract. Termination of contract requires a thirty-day pre-notice	Intra-Asia service	-
JTX/PA3/MCT/JTV	CNC/CST	2009.01.13-the indefinite duration Termination of contract requires a forty-five-day pre-notice	Intra-Asia service	-
NSD/JTH/TPI	EMC	2009.09.06-the indefinite duration Termination of contract requires a sixty-day pre-notice	Intra-Asia service	-

Agreement	Counterparty	Period	Major Contents	Restrictions
SS1	ACL	2014.08.08-the indefinite duration Termination of contract requires a thirty-day pre-notice	Singapore-Semarang service	-
RSZ (RCX+RSE)	RCL	2015.09.28-the indefinite duration Termination of contract requires a one-month pre-notice	Singapore-Cambodia-Thailand service	-
FOC	FOS	2017.07.21~2020.01.20 Termination of contract requires a sixty-day pre-notice	Intra-Asia service	-
PA1/CTI	COSCO SEA	2017.05.27-the indefinite duration Termination of contract requires a ninety-day pre-notice	Intra-Asia service	-
ITS	GSL	2017.05.05-the indefinite duration Termination of contract requires a thirty-day pre-notice	Intra-Asia service	-
CPS	SNL	2014.06.27-the indefinite duration Termination of contract requires a sixty-day pre-notice	Intra-Asia service	-
CTS MOU	OOCL/GSL	2016.08.13-the indefinite duration Termination of contract requires a three-month pre-notice	China-Thailand service	-
CTS	RCL	2016.08.13-the indefinite duration Termination of contract requires a one-month pre-notice	Intra-Asia service	-
PHF2	OOCL	2017.02.21-the indefinite duration Termination of contract requires a sixty-day pre-notice	Intra-Asia service	-
CVX MOU	MCC /TSL	2018.01.09-the indefinite duration Termination of contract requires a three-month pre-notice	China (Central China)-Vietnam service	-
JMV MOU	ONE/OOCL	2018.04.12-the indefinite duration After the first twelve month, termination of contract requires a three-month pre-notice	Japan-Malaysia- Vietnam service	-
SE5	RCL	2015.06.22-the indefinite duration Termination of contract requires a three-month pre-notice	South East Asia service	-
Australia CAT Joint Service Agreement	EMC/SNL/TSL	2018.01.26-the indefinite duration Termination of contract requires a three-month pre-notice Contract duration extends twelve months automatically in the absence of a termination notice.	Asia-Australia service	-
Australia NAX Joint Service Agreement	ONE/EMC/ APL/HLC	2018.03.21-the indefinite duration, Termination of contract requires a three-month pre-notice	Asia-Australia service	-
Red Sea AR1 MOU	HLC/ONE/ WHL	2018.04.06-the indefinite duration, Termination of contract requires a three-month pre-notice	Asia-Red Sea service	-
Australia CAT/ AA1/AA2 Slot exchange Agreement	PIL	2018.07.27-the indefinite duration Termination of contract requires a two-month pre-notice. (The contract can be terminated after four months)	Asia-Australia service	-
Middle East CGX/ AGS Slot exchange Agreement	COSCO	2017.04.27-the indefinite duration Termination of contract requires a ninety-day pre-notice	Asia-Middle East service	-
South Asia CPX Joint Service Agreement Joint Service Agreement	OOCL	2011.03.17-the indefinite duration During the first nine months, Termination of contract requires a ninety-day pre-notice Contract duration extends twelve months automatically in the absence of a termination notice.	Asia-South Asia service	-
South Asia CIX MOU	SMT/EMC/PIL/ HLC/ONE/TSL/ NGS	2018.04.06-the indefinite duration Minimum duration of the contract is one year Termination of contract requires a three-month pre-notice	Northern China-South Asia service	-

Agreement	Counterparty	Period	Major Contents	Restrictions
SE6/SCS/SBS/IBS Slot exchange Agreement	OEL	2015.11.03-the indefinite duration Termination of contract requires a one-month pre-notice	Asia-Bangladesh/Kolkata service	-
Eastern South America SA3 Joint Service Agreement	EMC/COSCO/CMA	2017.01.20-the indefinite duration Termination of contract requires a six-month pre-notice	Asia-Eastern South America service	-
Western South America SA4 Joint Service Agreement	EMC/COSCO	2015.12.25-the indefinite duration Termination of contract requires a ninety-day pre-notice	Asia-Western South America service	-

5.6.2 Long-term Loan Contract

Mar. 31, 2019

Agreement	Counterparty	Period	Major Contents	Restrictions
Bank Mortgage Loan	The Company and Bank of Taiwan	2012.06.18-2020.06.18	The principal shall be repaid in 16 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Bank of Taiwan	2012.12.27-2022.12.27	The principal shall be repaid in 18 successive semiannual installments commencing on the date of expiry, 1.5 years from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Bank of Taiwan	2016.06.27-2023.06.27	The principal shall be repaid in 14 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Bank of Taiwan	2016.12.20-2023.12.20	The principal shall be repaid in 12 successive semiannual installments commencing on the date of expiry, 1.5 years from the date on which the initial advance is made, of which the 1st to 11th phase will repay 50 million, and the 12th phase will repay remaining principal.	-
Bank Mortgage Loan	The Company and Bank of Taiwan	2017.06.30-2024.06.30	The principal shall be repaid in 14 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Land Bank of Taiwan	2013.06.21-2023.06.21	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and E.Sun Bank, Yuanta Bank	2012.08.10-2022.08.10	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry of six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Taipei Fubon Bank, Far Eastern Bank, Agricultural Bank of Taiwan	2013.03.20-2023.03.20	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Taiwan Cooperative Bank	2014.04.24-2026.04.24	The remaining principal shall be repaid in 16 successive semiannual installments commencing from April 24, 2018, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and First Bank	2014.07.16-2024.07.16	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Shanghai Bank	2015.07.17-2020.07.17	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Hua Nan Bank	2015.08.27-2020.08.27	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Taipei Fubon Bank	2015.11.30-2020.11.30	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Taipei Fubon Bank	2016.06.29-2021.06.29	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-

Agreement	Counterparty	Period	Major Contents	Restrictions
Bank Mortgage Loan	The Company and Taipei Fubon Bank	2016.12.29-2023.12.29	The principal shall be repaid in 14 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made, of which the 1st to 13th phase will repay 26 million, and the 14th phase will repay the remaining principal.	-
Bank Mortgage Loan	The Company and Taipei Fubon Bank	2017.02.23-2024.02.23	The principal shall be repaid in 14 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made, of which the 1st to 13th phase will repay 15.5 million, and the 14th phase will repay the remaining principal.	-
Bank Mortgage Loan	The Company and Chailease Finance Co., Ltd.	2016.03.25-2022.03.25	The principal shall be repaid in 24 successive quarterly installments commencing on the date of expiry, three months from the date when the initial advance is made.	-
Bank Mortgage Loan	The Company and Agricultural Bank of Taiwan	2016.08.24-2021.08.24	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made, the 1st to 4th phase will repay 5% principal, the 5th to 6th phase will repay 10% principal, and the 7th to 10th phase will repay 15% principal.	-
Bank Mortgage Loan	The Company and Chang Hwa Bank	2016.08.31-2021.08.25	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made, of which the 1st to 9th phase will repay 40 million, and the 10th phase will repay remaining principal.	-
Bank Mortgage Loan	The Company and Hua Nan Bank	2016.09.13-2021.09.13	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Mega International Commercial Bank	2016.12.27-2021.12.27	The principal shall be repaid in 5 successive annual installments commencing on the date of expiry, 1 year from the date on which the initial advance is made, 1st to 4th phase will repay 150 million, 5th phase will repay remaining principal.	-
Bank Mortgage Loan	The Company and Hua Nan Bank	2017.03.31-2024.03.31	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, thirty months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Taiwan Cooperative Bank	2017.11.30-2022.11.30	The principal shall be repaid in 16 successive quarterly installments commencing on the date of expiry, fourteen months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Hua Nan Bank	2019.03.12-2030.06.15	The principal shall be repaid in 14 successive semiannual installments commencing on the date of expiry, three years from the date on which the ship is delivered.	-
Bank Mortgage Loan	All Oceans and Taiwan Cooperative Bank	2011.04.19-2021.04.19	The remaining principal shall be repaid in 5 successive semiannual installments commencing from April 19, 2019, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	All Oceans and Chang Hwa Bank	2011.05.17-2019.05.31	The principal shall be repaid in 16 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	All Oceans and Bank of Taiwan	2011.10.14-2019.10.14	The principal shall be repaid in 16 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	All Oceans and Bank of Taiwan	2015.01.07-2025.01.07	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	All Oceans and Hua Nan Bank	2012.04.20-2020.04.20	The principal shall be repaid in 16 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	All Oceans and Mega International Commercial Bank	2015.03.25-2025.03.25	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	All Oceans and Chang Hwa Bank	2015.05.29-2025.05.29	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming and Chang Hwa Bank	2016.06.03-2019.12.03	The principal shall be repaid in 4 successive semiannual installments commencing on the date of expiry, 2 years from the date on which the initial advance is made.	-

V. Overview of Business Operation

Agreement	Counterparty	Period	Major Contents	Restrictions
Bank Mortgage Loan	Kuang Ming and The Export-Import Bank of The Republic of China	2016.08.16-2026.08.16	The principal shall be repaid in 15 successive semiannual installments commencing on the date of expiry, 3 years from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming and Cathay United Bank	2017.01.13-2027.01.13	The principal shall be repaid in 17 successive semiannual installments commencing on the date of expiry, 2 years from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming and Mega International Commercial Bank	2017.11.13-2024.11.13	The principal shall be repaid in 11 successive semiannual installments commencing on the date of expiry, 2 years from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming and Land Bank of Taiwan	2018.02.09-2028.02.09	The principal shall be repaid in 28 successive quarterly installments commencing on the date of expiry, 39 months from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming – Liberia and Taiwan Cooperative Bank	2012.08.15-2019.08.15	The principal shall be repaid in 11 successive semiannual installments commencing on the date of expiry, 2 years from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming – Liberia and Land Bank of Taiwan	2013.01.23-2020.01.23	The principal shall be repaid in 20 successive quarterly installments commencing on the date of expiry, 27 months from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming – Liberia and Mega International Commercial Bank	2016.11.17-2019.11.17	The principal shall be repaid in successive annual installments for an amount of with 20% of the principal each time, commencing the date of expiry, 1 year from the date on which the initial Advance is made. The remaining principal shall be repaid on the final maturity date.	-
Bank Mortgage Loan	Kuang Ming – Liberia and Union Bank of Taiwan	2018.04.09-2023.04.09	The principal shall be repaid in 20 successive quarterly installments commencing on the date of expiry, on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming – Liberia and Bank of Kaohsiung	2018.06.11-2023.06.11	The principal shall be repaid in 10 successive semiannual installments commencing on the date of expiry, from the date on which the initial advance is made, 1st to 9th phase will each repay 8% of the principle, 10th phase will repay 28% of the principle.	-

VI Overview of the Company's Financial Status

6.1 The Condensed Balance Sheets And Statements Of Comprehensive Income For The Recent 5 Fiscal Years

6.1.1 Condensed Balance Sheet and Condensed Statement of Comprehensive Income – IFRSs

1. Condensed Consolidated Balance Sheet – IFRSs

UNIT : NT\$1,000

Item		Year	Financial Data For The Recent 5 Years (Note)				
			2014 (Adjusted)	2015	2016	2017	2018
Current Assets			38,417,874	35,571,463	25,289,242	26,887,325	34,639,473
Property, Plant and Equipment			86,085,989	90,573,485	85,713,353	80,987,285	78,371,995
Intangible Assets			40,387	50,623	118,595	106,454	98,222
Other Assets			28,044,031	28,780,530	24,922,236	24,895,346	26,863,409
Total Assets			152,588,281	154,976,101	136,043,426	132,876,410	139,973,099
Current Liabilities	Before Distribution		34,927,504	40,474,038	42,550,135	44,340,702	47,496,628
	After Distribution		34,927,504	40,474,038	42,550,135	44,340,702	47,496,628
Non-current Liabilities			79,214,371	82,770,731	77,214,786	62,026,108	72,181,727
Total Liabilities	Before Distribution		114,141,875	123,244,769	119,764,921	106,366,810	119,678,355
	After Distribution		114,141,875	123,244,769	119,764,921	106,366,810	119,678,355
Equity Attributable to Shareholders of the Parent			37,448,913	31,038,710	15,808,838	26,033,565	19,828,008
Capital Stock			28,563,800	30,044,401	30,044,401	23,230,248	23,230,248
Capital Surplus			4,899,288	5,500,037	4,425,139	5,571,490	4,739,792
Retained Earnings	Before Distribution		4,223,073	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)
	After Distribution		4,223,073	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)
Other Equity			(237,248)	(640,248)	(1,003,593)	(1,203,023)	(1,010,181)
Treasury Stocks			-	-	-	-	-
Non-controlling Interests			997,493	692,622	469,667	476,035	466,736
Total Equity	Before Distribution		38,446,406	31,731,332	16,278,505	26,509,600	20,294,744
	After Distribution		38,446,406	31,731,332	16,278,505	26,509,600	20,294,744

VI. Overview of the Company's Financial Status

2. Condensed Consolidated Statement of Comprehensive Income – IFRSs

Unit: NT\$ 1,000 (Except EPS: NT\$)

Item	Year	Financial Data For The Recent 5 Years (Note)				
		2014 (Adjusted)	2015	2016	2017	2018
Operating Revenue		134,777,858	127,559,424	115,400,150	131,077,812	141,832,929
Gross Profit		5,744,443	(791,393)	(9,063,759)	6,495,225	42,223
Income from Operations		2,786,625	(6,460,794)	(14,721,429)	774,786	(5,666,392)
Non-operating income and expenses		(1,797,303)	(1,481,733)	(974,145)	(139,996)	(1,413,816)
Income before income tax		989,322	(7,942,527)	(15,695,574)	634,790	(7,080,208)
Net income of continuing business units		436,933	(7,788,491)	(14,889,499)	491,866	(6,306,356)
Loss of suspended business unit		-	-	-	-	-
Net Income (Loss)		436,933	(7,788,491)	(14,889,499)	491,866	(6,306,356)
Other comprehensive income for the year, net of income tax		59,522	(790,499)	(158,870)	(425,762)	91,690
Total comprehensive income for the year		496,455	(8,578,990)	(15,048,369)	66,104	(6,214,666)
Net income attributable to stockholders of the parent		320,346	(7,721,756)	(14,912,060)	320,849	(6,590,955)
Net income attributable to non-controlling interests		116,587	(66,735)	22,561	171,017	284,599
Total comprehensive income attributable to stockholders of the parent		365,949	(8,491,553)	(15,038,503)	(90,971)	(6,473,151)
Total comprehensive income attributable to non-controlling interests		130,506	(87,437)	(9,866)	157,075	258,485
Earnings per share		0.21	(4.80)	(9.22)	0.17	(2.53)

Note 1: The most recent financial report signed and reviewed by certified accountants

Note 2: A number of items in the financial statements of 2014 were adjusted to retrospectively apply the Regulations Governing the Preparation of Financial Reports by Securities Issuers (amended and effective in 2015), and the 2013 editions of IFRSs, IASs, IFRICs and SICs endorsed by the Financial Supervisory Commission.

Note 3: Since accounting policies changed on January 1st 2015, investment properties have been required to be valued at fair value and accordingly the financial statements of 2014 were adjusted retrospectively.

Note 4: IAS 33 provides that the calculation of the earnings per share (EPS) for the period presented shall be adjusted retrospectively when the number of ordinary shares or potential ordinary shares outstanding decreases as a result of a reverse share split.

3. Condensed Individual Balance Sheet – IFRSs

Unit: NT\$ 1,000

Item		Year	Financial Data For The Recent 5 Years (Note)				
		2014 (Adjusted)	2015	2016	2017	2018	
Current Assets			28,167,094	25,143,687	17,241,090	18,183,499	25,868,143
Property, Plant and Equipment			38,346,259	39,648,516	37,071,633	34,632,559	34,537,154
Intangible Assets			17,045	32,943	102,742	76,035	57,220
Other Assets			59,762,313	61,172,137	55,126,998	56,556,774	56,331,139
Total Assets			126,292,711	125,997,283	109,542,463	109,448,867	116,793,656
Current Liabilities	Before Distribution		27,895,100	32,460,377	34,279,890	37,630,120	38,706,021
	After Distribution		27,895,100	32,460,377	34,279,890	37,630,120	38,706,021
Non-current Liabilities			60,948,698	62,498,196	59,453,735	45,785,182	58,259,627
Total Liabilities	Before Distribution		88,843,798	94,958,573	93,733,625	83,415,302	96,965,648
	After Distribution		88,843,798	94,958,573	93,733,625	83,415,302	96,965,648
Capital Stock			28,563,800	30,044,401	30,044,401	23,230,248	23,230,248
Capital Surplus			4,899,288	5,500,037	4,425,139	5,571,490	4,739,792
Retained Earnings	Before Distribution		4,223,073	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)
	After Distribution		4,223,073	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)
Other Equity			(237,248)	(640,248)	(1,003,593)	(1,203,023)	(1,010,181)
Treasury Stocks			-	-	-	-	-
Total Equity	Before Distribution		37,448,913	31,038,710	15,808,838	26,033,565	19,828,008
	After Distribution		37,448,913	31,038,710	15,808,838	26,033,565	19,828,008

VI. Overview of the Company's Financial Status

4. Condensed Individual Statement of Comprehensive Income – IFRSs

Unit: NT\$ 1,000 (Except EPS: NT\$)

Item	Year	Financial Data For The Recent 5 Years (Note)				
		2014 (Adjusted)	2015	2016	2017	2018
Operating revenue		114,322,265	106,245,724	96,844,267	110,458,769	119,440,265
Gross profit (Loss)		1,872,224	(4,318,451)	(11,482,096)	1,662,460	(4,906,418)
Income from Operations		1,026,753	(5,857,740)	(12,944,380)	60,190	(6,335,259)
Non-operating income and expenses		(626,842)	(2,164,686)	(2,939,681)	154,424	(1,312,668)
Income (Loss) before income tax		399,911	(8,022,426)	(15,884,061)	214,614	(7,647,927)
Net income (Loss) of continuing business units		320,346	(7,721,756)	(14,912,060)	320,849	(6,590,955)
Loss of suspended business unit		-	-	-	-	-
Net Income (Loss)		320,346	(7,721,756)	(14,912,060)	320,849	(6,590,955)
Other comprehensive income for the year, net of income tax		45,603	(769,797)	(126,443)	(411,820)	117,804
Total comprehensive income for the year		365,949	(8,491,553)	(15,038,503)	(90,971)	(6,473,151)
Earnings per share		0.21	(4.80)	(9.22)	0.17	(2.53)

Note 1: The most recent financial report signed and reviewed by certified accountants

Note 2: A number of items in the financial statements of 2014 were adjusted to retrospectively apply the Regulations Governing the Preparation of Financial Reports by Securities Issuers (amended and effective in 2015), and the 2013 editions of IFRSs, IASs, IFRICs and SICs endorsed by the Financial Supervisory Commission.

Note 3: Since accounting policies changed on January 1st 2015, investment properties have been required to be valued at fair value and accordingly the financial statements of 2014 were adjusted retrospectively.

Note 4: IAS 33 provides that the calculation of the earnings per share (EPS) for the period presented shall be adjusted retrospectively when the number of ordinary shares or potential ordinary shares outstanding decreases as a result of a reverse share split.

6.1.2 The names of CPAs and their audit opinions

Year	Name of CPA	Audit Opinion
2014	Chin-Tsung Cheng, Chin-Hsiang Chen	Unqualified-modified opinion (Note 1)
2015	Chin-Tsung Cheng, Chin-Hsiang Chen	Unqualified-modified opinion (Note 1 and Note 2)
2016	Chin-Tsung Cheng, Chin-Hsiang Chen	Unqualified opinion with other matters (Note 1)
2017	Chin-Tsung Cheng, Yu-Mei Hung	Unqualified opinion with other matters (Note 1)
2018	Chin-Tsung Cheng, Yu-Mei Hung	Unqualified opinion with other matters (Note 1)

Note 1: The CPAs issued the audit opinion in order to distinguish auditors' responsibilities as it was partially based on other auditor's report.

Note 2: Newly effected IFRSs and IASs as well as revised accounting polices.

6.2 Financial Analysis for the recent five fiscal years

6.2.1 Financial Analysis For The Recent 5 Years - IFRSs

1. Financial Analysis (Consolidated) – IFRSs

Item		Year	Financial Analysis For The Recent 5 Years (Note2)				
		2014 (Adjusted)	2015	2016	2017	2018	
Capital Structure Analysis	Debts Ratio (%)	74.80	79.53	88.03	80.05	85.50	
	Long-term Fund to Property, Plant and Equipment (%)	131.17	119.90	102.98	102.82	110.91	
Liquidity Analysis	Current Ratio (%)	109.99	87.98	59.43	60.64	72.93	
	Quick Ratio (%)	96.95	79.82	52.21	51.97	62.77	
	Times Interest Earned (Times)	1.56	(3.38)	(6.89)	1.35	(2.87)	
Operating Performance Analysis	Average Collection Turnover (Times)	18.64	17.33	16.12	16.28	16.93	
	Days sale outstanding	19.58	21.07	22.64	22.42	21.56	
	Average Inventory Turnover (Times) (Note 1)	-	-	-	-	-	
	Average Payment Turnover (Times) (Note 1)	-	-	-	-	-	
	Average Inventory Turnover Days (Note 1)	-	-	-	-	-	
	Property, Plant and Equipment Turnover (times)	1.57	1.41	1.35	1.57	1.78	
	Total Asset Turnover (Times)	0.88	0.82	0.85	0.97	1.04	
Profitability Analysis	Return on Total Assets (%)	1.28	(4.09)	(9.10)	1.48	(3.55)	
	Return on Equity (%)	1.15	(22.20)	(62.03)	2.30	(26.95)	
	Pre-tax Income to Paid-in Capital Ratio (%)	3.46	(26.44)	(52.24)	2.73	(30.48)	
	Net Margin (%)	0.32	(6.11)	(12.90)	0.38	(4.45)	
	Earnings Per Share (NT\$)	0.21	(4.80)	(9.22)	0.17	(2.53)	
Cash Flow	Cash Flow Ratio	18.14	3.30	-	4.32	-	
	Cash Flow Adequacy Ratio	26.93	53.07	1.05	-	-	
	Cash Flow Reinvestment Ratio	4.04	0.87	-	1.36	-	
Leverage	Operating leverage	7.41	(2.29)	(0.40)	26.82	(2.60)	
	Financial leverage	2.75	0.78	0.88	(0.75)	0.76	

Please explain the reasons for changes in financial ratios in the most recent two years:

- Liquidity ratios improved mainly due to an increase in the volume of business in comparison with last year.
- The item "Times Interest Earned" turned negative mainly due to larger percentage increase in cost than revenue, resulting from falling freight rates and increasing fuel costs.
- Profitability ratios turned negative mainly due to falling freight rates and increasing costs this year .
- Cash flow ratios declined mainly due to business loss this year, resulting in less cash flow.
- Leverage ratios changed mainly due to negative net income while the revenue in 2018 increased

VI. Overview of the Company's Financial Status

2. Financial Analysis (Non-Consolidated) – IFRSs

Item		Year	Financial Analysis For The Recent 5 Years (Note2)				
		2014 (Adjusted)	2015	2016	2017	2018	
Capital Structure Analysis	Debts Ratio (%)	70.35	75.37	85.57	76.21	83.02	
	Long-term Fund to Property, Plant and Equipment (%)	256.60	233.32	203.02	207.37	226.10	
Liquidity Analysis	Current Ratio (%)	100.98	75.08	50.30	48.32	66.83	
	Quick Ratio (%)	87.83	66.52	42.93	39.84	56.76	
	Times Interest Earned (Times)	1.33	(5.66)	(11.00)	1.19	(6.03)	
Operating Performance Analysis	Average Collection Turnover (Times)	19.99	17.89	16.32	16.45	19.62	
	Days sale outstanding	18.26	20.40	22.36	22.19	18.61	
	Average Inventory Turnover (Times) (Note 1)	-	-	-	-	-	
	Average Payment Turnover (Times) (Note 1)	-	-	-	-	-	
	Average Inventory Turnover Days (Note 1)	-	-	-	-	-	
	Property, Plant and Equipment Turnover (times)	3.15	2.72	2.52	3.08	3.45	
	Total Asset Turnover (Times)	0.94	0.84	0.82	1.01	1.06	
Profitability Analysis	Return on Total Assets (%)	1.08	(5.33)	(11.73)	1.17	(5.03)	
	Return on Equity (%)	0.87	(22.55)	(63.66)	1.53	(28.74)	
	Pre-tax Income to Paid-in Capital Ratio (%)	1.40	(26.70)	(52.87)	0.92	(32.92)	
	Net Margin (%)	0.28	(7.27)	(15.40)	0.29	(5.52)	
	Earnings Per Share (NT\$)	0.21	(4.80)	(9.22)	0.17	(2.53)	
Cash Flow	Cash Flow Ratio	16.67	0.89	-	-	-	
	Cash Flow Adequacy Ratio	10.78	11.70	-	-	-	
	Cash Flow Reinvestment Ratio	4.05	0.27	-	-	-	
Leverage	Operating leverage	9.27	(0.62)	0.31	148.48	(0.47)	
	Financial leverage	(5.93)	0.83	0.91	(0.05)	0.85	

Please explain the reasons for changes in financial ratios in the most recent two years:

1. The item "Times Interest Earned" turned negative mainly due to larger percentage increase in cost than revenue, resulting from falling freight rates and increasing fuel costs.
2. Operating Performance ratios improved mainly due to its revenue increase with growing business volume
3. Profitability ratios turned negative mainly due to falling freight rates and increasing costs this year.
4. Cash flow ratios declined mainly due to business loss this year, resulting in less cash flow.
5. Leverage ratios changed mainly due to negative net income while the revenue in 2018 increased.

Note 1: This is not applied to the international shipping industry.

Note 2:

- (1) The most recent financial report signed and reviewed by certified accountants
- (2) A number of items in the financial statements of 2014 were adjusted to retrospectively apply the Regulations Governing the Preparation of Financial Reports by Securities Issuers (amended and effective in 2015), and the 2013 editions of IFRSs, IASs, IFRICs and SICs endorsed by the Financial Supervisory Commission.
- (3) Since accounting policies changed on January 1st 2015, investment properties have been required to be valued at fair value and accordingly the financial statements of 2014 were adjusted retrospectively.
- (4) IAS 33 provides that the calculation of the earnings per share (EPS) for the period presented shall be adjusted retrospectively when the number of ordinary shares or potential ordinary shares outstanding decreases as a result of a reverse share split.

The formula for financial analysis is as follows:

1. Capital Structure Analysis

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Property, Plant and Equipment Ratio = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis

- (1) Average Collection Turnover (including trade receivables and note receivables arising from operating activities) = Net Sales / Average Trade Receivables (including trade receivables and note receivables arising from operating activities)
- (2) Days Sales Outstanding = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Payment Turnover (including trade payables and note payables arising from operating activities) = Cost of Sales / Average Trade Payables (including trade payables and note payables arising from operating activities)
- (5) Average Inventory Turnover Days = 365 / Average Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability Analysis

- (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Total Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
- (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Review Report

2018 Audit Committee's Review Report

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2018 business report, stand-alone and consolidated financial statements, and deficit compensation proposal of the year ending on December 31, 2018. The CPA firm of Deloitte & Touche, Taiwan, was retained to audit Yang Ming Marine Transport Corporation's financial statements and has issued an independent auditors' report relating to the financial statements. In accordance with Article 14-4 of Securities and Exchange Act and Article 219 of Company Act, the undersigned hereby certifies the business report, stand-alone and consolidated financial statements, and deficit compensation proposal of the year ending on December 31, 2018 after thorough examination.

To: 2019 Annual Shareholders' Meeting

YANG MING MARINE TRANSPORT CORP.

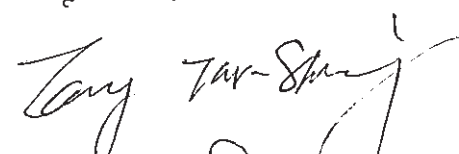
Chairman of the Audit Committee: Ming-Sheu Tsai



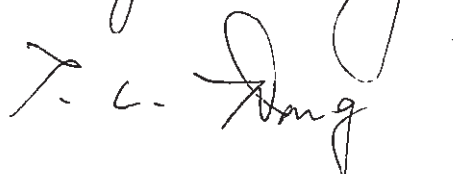
Independent Director: Ming-Sheu Tsai



Independent Director: Tar-Shing Tang



Independent Director: Tze-Chun Wang



March 25, 2019

6.4 Consolidated Financial Statements 2018

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.

VI. Overview of the Company's Financial Status

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.

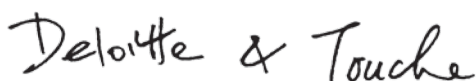
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

VI. Overview of the Company's Financial Status

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
	Amount	%	Amount	%
ASSETS				
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	<u>466,736</u>	<u>-</u>	<u>476,035</u>	<u>-</u>
Total equity	<u>20,294,744</u>	<u>14</u>	<u>26,509,600</u>	<u>20</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>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>	-
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>298,772</u>	-
PROFIT (LOSS) FROM OPERATIONS	<u>(5,666,392)</u>	<u>(4)</u>	<u>774,786</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>35,982</u>	-
Total non-operating income and expenses	<u>(1,413,816)</u>	<u>(1)</u>	<u>(139,996)</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>	-
NET PROFIT (LOSS) FOR THE YEAR	<u>(6,306,356)</u>	<u>(4)</u>	<u>491,866</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>

(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	%
EARNING (LOSS) PER SHARE (Note 32)				
From continuing operations				
Basic	\$ (2.53)		\$ 0.17	
Diluted	\$ (2.53)		\$ 0.17	

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

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

(Concluded)

VI. Overview of the Company's Financial Status

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)		Accumulated Deficits (Note 28)		Other Equity		Total Equity		
	Shares (In Thousands)	Amount	Capital Surplus (Notes 4 and 28)	Deficit to be Compensated	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	-	-	-	(212,320)	(525,572)	326,149	(411,820)	(13,942)	(425,762)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	108,459	(525,572)	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	(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)	-	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	(26,114)	91,600
Total comprehensive loss for the year ended December 31, 2018	-	-	-	(6,750,595)	178,191	-	(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)	-	-	-	-	-	-	-	(17,632)	(11,914)
Change in percentage of ownership interests in subsidiaries	-	-	5,718	-	-	-	5,718	2	172
Decrease in non-controlling interests	-	-	-	-	-	-	-	(250,106)	(250,106)
BALANCE AT DECEMBER 31, 2018	2,323,025	\$ 23,230,248	\$ 4,739,792	\$ (7,131,851)	\$ 92,350	\$ (1,102,531)	\$ 19,828,008	\$ 466,726	\$ 20,294,734

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	\$ (11,864)	\$ (167,357)
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 depositary 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)								
Required reclassification	-	\$ 1,475	\$ -	\$ 319,271	\$ 269	\$ 269	\$ -	(a)
	<u>317,796</u>	<u>1,475</u>	<u>-</u>					
<u>FVTOCI</u>								
Equity instruments	-							
Add: Reclassification from available-for-sale (IAS 39)	-	1,662,624	(47,107)	1,615,517	37,812	(84,847)	(48)	(b)
	-	<u>1,662,624</u>	<u>(47,107)</u>					
<u>Amortized cost</u>								
Add: Reclassification from loans and receivables (IAS 39)	-	23,158,677	-	23,158,677	-	-	-	(c) (d)
	-	<u>23,158,677</u>	<u>-</u>					
	<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.

VI. Overview of the Company's Financial Status

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.

VI. Overview of the Company's Financial Status

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

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

3) Other long-term employee benefits

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

4) Termination benefits

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

r. Employee share options

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

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

s. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax 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.

VI. Overview of the Company's Financial Status

6. CASH AND CASH EQUIVALENTS

	December 31	
	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	5,046,500	3,925,453
	\$ 17,399,750	\$ 12,806,622

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

	December 31	
	2018	2017
Time deposits	0.15%-24.25%	0.01%-13.80%

7. FINANCIAL INSTRUMENT AT FVTPL - CURRENT

	December 31	
	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	-	276,799
	-	317,796
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic quoted shares	92,656	-
Mutual funds	169,920	-
	262,576	-
	\$ 262,576	\$ 317,796
<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)	16,887	-
	\$ 37,460	\$ -

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.

VI. Overview of the Company's Financial Status

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

	December 31	
	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>

VI. Overview of the Company's Financial Status

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)

VI. Overview of the Company's Financial Status

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%.

VI. Overview of the Company's Financial Status

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

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

a. Investment in associates

	December 31	
	2018	2017
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)	-	-
	\$ 7,647,957	\$ 7,610,837

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.

VI. Overview of the Company's Financial Status

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

Aggregate information of joint ventures that are not individually material

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net gain (loss) for the year	\$ 4,462	\$ (2,826)
Other comprehensive income	-	-
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
Cost									
Balance at January 1, 2017	\$ 691,260	\$ 1,474,328	\$ 22,018,213	\$ 95,622,794	\$ 9,088,487	\$ 512,661	\$ 3,567,785	\$ 347,891	\$ 133,323,419
Additions	-	121	-	581,935	-	19,855	78,288	892,901	1,573,100
Disposals	-	-	(333,917)	(296,852)	(30,471)	-	(94,974)	-	(756,214)
Reclassification	-	-	-	1,886,249	-	13,681	10,979	(893,109)	1,017,800
Effect of foreign currency exchange differences	(103)	(36,662)	(211)	(998,586)	(490,041)	(1,874)	(18,970)	-	(1,546,442)
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>
Accumulated depreciation and impairment									
Balance at January 1, 2017	\$ -	\$ 466,318	\$ 9,565,105	\$ 29,404,362	\$ 4,890,920	\$ 391,431	\$ 2,891,930	\$ -	\$ 47,610,066
Disposals	-	-	(321,223)	(296,852)	(30,471)	-	(93,530)	-	(742,076)
Depreciation expenses	-	32,634	1,334,884	4,403,146	425,705	43,540	173,023	-	6,412,932
Reclassification	-	-	-	-	-	-	(327)	-	(327)
Effect of foreign currency exchange differences	-	(13,643)	-	(437,553)	(186,700)	(1,527)	(16,799)	-	(656,222)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 485,309</u>	<u>\$ 10,578,766</u>	<u>\$ 33,073,103</u>	<u>\$ 5,099,454</u>	<u>\$ 433,444</u>	<u>\$ 2,954,297</u>	<u>\$ -</u>	<u>\$ 52,624,373</u>
Carrying amount at December 31, 2017	<u>\$ 691,157</u>	<u>\$ 952,478</u>	<u>\$ 11,105,319</u>	<u>\$ 63,722,437</u>	<u>\$ 3,468,521</u>	<u>\$ 110,879</u>	<u>\$ 588,811</u>	<u>\$ 347,683</u>	<u>\$ 80,987,285</u>
Cost									
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	126	9,062	(168)	385,868	188,233	773	936	-	584,830
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>
Accumulated depreciation and impairment									
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	-	5,082	-	189,595	85,296	419	1,035	-	281,427
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.

VI. Overview of the Company's Financial Status

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	7,678	7,828
	\$ 6,272,493	\$ 6,286,118

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	-	-	1,542	1,542
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	5,153	762	-	5,915
Balance at December 31, 2018	\$ 326,582	\$ 5,352,710	\$ 593,201	\$ 6,272,493
Unrealized gain (loss) arising from the change in fair value of investment properties for the year ended December 31				
2018	\$ (3,653)	\$ (17,959)	\$ 2,072	\$ (19,540)
2017	\$ 13,131	\$ 76,528	\$ (15,775)	\$ 73,884

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	(419,572)	(526,852)
Expected future cash inflows, net	\$ 4,752,660	\$ 5,383,373
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.

VI. Overview of the Company's Financial Status

18. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current asset (included in prepayments)	\$ 181,261	\$ 172,908
Non-current asset	473,417	504,989
	\$ 654,678	\$ 677,897

- 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

	December 31	
	2018	2017
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	63,447	53,535
	\$ 63,447	\$ 3,916,769
Current	\$ -	\$ 318,790
Non-current	\$ 63,447	\$ 3,597,979

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Secured borrowings (Note 38)</u>		
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>
<u>Unsecured borrowings</u>		
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)

VI. Overview of the Company's Financial Status

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

	December 31	
	2018	2017
<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.
----------------------------------	---

VI. Overview of the Company's Financial Status

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
	Bond	Financial Liability	Component 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.

VI. Overview of the Company's Financial Status

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	<u>-</u>	<u>1,535</u>	<u>-</u>
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

	December 31	
	2018	2017
<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

	December 31	
	2018	2017
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

	December 31	
	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

	December 31	
	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>\$ 2,958,842</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.

VI. Overview of the Company's Financial Status

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	<u>\$ 2,984,224</u>	<u>\$ (876,024)</u>	<u>\$ 2,108,200</u>
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>

VI. Overview of the Company's Financial Status

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	28,901	31,058
	\$ 133,544	\$ 140,692
An analysis by function		
Operating costs	\$ 72,520	\$ 77,993
Selling and marketing expenses	49,836	49,590
General and administrative expenses	11,188	13,109
	\$ 133,544	\$ 140,692

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:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
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.

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
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

VI. Overview of the Company's Financial Status

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.

VI. Overview of the Company's Financial Status

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>

VI. Overview of the Company's Financial Status

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	<u>(48)</u>	<u>-</u>
Balance at January 1 per IFRS 9	475,987	469,667
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

	For the Year Ended December 31	
	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>

VI. Overview of the Company's Financial Status

b. Other income

	For the Year Ended December 31	
	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

	For the Year Ended December 31	
	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

	For the Year Ended December 31	
	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	(383)	1,665
	548,077	375,154
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	3,302	14,055
	(1,321,929)	(232,230)
Income tax expense (benefit) recognized in profit or loss	\$ (773,852)	\$ 142,924

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	\$ (7,080,208)	\$ 634,790
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	96,505	84,352
Income tax expense (benefit) recognized in profit or loss	\$ (773,852)	\$ 142,924

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
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 119,914</u>	<u>\$ 176,042</u>
Current tax liabilities		
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>

VI. Overview of the Company's Financial Status

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	62,796	(7,099)	-	-	55,697
	<u>\$ 3,698,372</u>	<u>\$ 302,508</u>	<u>\$ 43,414</u>	<u>\$ -</u>	<u>\$ 4,044,294</u>

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

- 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	2,795,849	-
	<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: NTS 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>

VI. Overview of the Company's Financial Status

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).

VI. Overview of the Company's Financial Status

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	(17,399,750)	(12,806,622)
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			
		Level 1	Level 2	Level 3	Total
<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>

VI. Overview of the Company's Financial Status

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

	<u>Derivatives</u>		
	<u>Oil Swap and Oil Swap Options</u>	<u>Repurchase on Bonds Payable</u>	<u>Total</u>
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)

VI. Overview of the Company's Financial Status

	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.

VI. Overview of the Company's Financial Status

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.

VI. Overview of the Company's Financial Status

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)

VI. Overview of the Company's Financial Status

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>

VI. Overview of the Company's Financial Status

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	\$ -	\$ 59,496
Prepayments	Government - related parties	\$ 31,572	\$ 31,572
Long-term prepayments for lease	Government - related parties Taiwan International Ports Corporation, Ltd.	\$ 473,417	\$ 504,989

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>

VI. Overview of the Company's Financial Status

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.

VI. Overview of the Company's Financial Status

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.

VI. Overview of the Company's Financial Status

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	8,978	95,161
	<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	8,893	151,917
	<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.

VI. Overview of the Company's Financial Status



TABLE A

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. All Oceans Transportation, Inc. Kung Ming (Liberia) Corp.	Other receivables Other receivables Other receivables	Y Y Y	\$ 1,000,000 6,000,000 614,400 (US\$ 20,000 thousand)	\$ 1,000,000 6,000,000 -	\$ - 2,417,928 -	- 1.6275% -	1 1 2	\$ 1,374,335 3,325,937 -	Repayment of loans/ obtain working capital Obtain working capital Obtain working capital	\$ - -	- -	\$ - -	\$ 7,931,203 7,931,203 991,400	\$ 9,914,003 9,914,003 1,982,800	B, C and D
1	Yang Ming Line (Singapore) Pte. Ltd.	Kung Ming (Liberia) Corp. Yang Ming Shipping (B.V.I) Inc. All Oceans Transportation, Inc. Yang Ming Shipping Philippines, Inc. Yang Ming Line (B.V.I) Holding Co Ltd. Yang Ming Line (Thailand) Co., Ltd.	Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables	Y Y Y Y Y Y	(US\$ 5,000 thousand) (US\$ 19,520 thousand) (US\$ 3,500 thousand) (US\$ 307,200 thousand) (US\$ 10,000 thousand) (US\$ 30,720 thousand) (US\$ 1,000 thousand) (US\$ 87,552 thousand) (US\$ 2,850 thousand) (THB\$ 27,345 thousand) (THB\$ 28,900 thousand)	(US\$ 5,000 thousand) (US\$ 19,520 thousand) (US\$ 3,500 thousand) (US\$ 307,200 thousand) (US\$ 10,000 thousand) (US\$ 30,720 thousand) (US\$ 1,000 thousand) (US\$ 87,552 thousand) (US\$ 2,850 thousand) (THB\$ 27,345 thousand) (THB\$ 28,900 thousand)	(US\$ 5,000 thousand) (US\$ 19,520 thousand) (US\$ 3,500 thousand) (US\$ 307,200 thousand) (US\$ 10,000 thousand) -	2.7905% 2.1451% 1.7498% - - 2.9709%	2 2 2 2 2 2	- - - - - -	Obtain working capital Obtain working capital Obtain working capital Obtain working capital Obtain working capital Obtain working capital	- -	- -	227,208 1,136,043 1,136,043 1,136,043 1,136,043 227,208	681,626 1,136,043 1,136,043 1,136,043 1,136,043 681,626	E and F	
2	Yang Ming Line (B.V.I) Holding Co., Ltd.	Kung Ming (Liberia) Corp.	Other receivables	Y	(US\$ 333,312 thousand) (US\$ 10,850 thousand)	(US\$ 122,880 thousand) (US\$ 4,000 thousand)	122,880 4,000	3.0626%	2	-	Obtain working capital	-	-	313,852	941,358	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 Yes Logistics (Shanghai) Corp. Yes Logistics Benelux B.V. Kung Ming (Liberia) Corp. Yang Ming Line (B.V.I) Holding Co Ltd.	Other receivables Other receivables Other receivables Other receivables Other receivables	Y Y Y Y Y	(EUR 39,283 thousand) (US\$ 31,679 thousand) (EUR 3,695 thousand) (US\$ 38,400 thousand) (US\$ 1,250 thousand) (US\$ 38,400 thousand)	(EUR 39,283 thousand) (US\$ 31,679 thousand) (EUR 3,695 thousand) (US\$ 38,400 thousand) (US\$ 1,250 thousand)	39,283 1,116 131,844 3,000 8,700 3,695 105	1.5400% 1.8500% 1.7200% 3.0000% 1.5400% -	1 1 1 2 2	80,373 206,451 57,271 -	Obtain working capital Obtain working capital Obtain working capital Obtain working capital Obtain working capital	- -	474,560 474,560 161,164 118,640 118,640	593,200 593,200 593,200 237,280 237,280	K and L		
5	Kung Ming (Liberia) Corp.	Kung Ming Shipping Corp.	Other receivables	Y	(US\$ 58,368 thousand) (US\$ 1,900 thousand)	(US\$ 58,368 thousand) (US\$ 1,900 thousand)	- -	- -	2 2	- -	Obtain working capital Obtain working capital	- -	- -	245,020	729,062	M and N	
6	Yang Ming Line Holding Co.	Triumph Logistics, Inc.	Other receivables	Y	(US\$ 24,576 thousand)	(US\$ 24,576 thousand)	24,576	1.7318%	2	-	Obtain working capital	-	-	998,890	998,890	O and P	

(Continued)

No.	Lender	Borrower	Financial Statement Account	Rechte 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	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	(US\$ 307,200 thousand)	(US\$ 307,200 thousand)	(US\$ 307,200 thousand)	3.2768%	2	-	Obtain working capital	-	-	998,890	998,890	
		Yang Ming Line (B.V.I.) Holding Co Ltd.	Other receivables	Y	(US\$ 122,880 thousand)	(US\$ 122,880 thousand)	(US\$ 122,880 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:

- Nature of financing:
 - Yang Ming Marine Transport Corporation (the Corporation) has transactions with the borrower.
 - The borrower needs short-term financing.
- 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 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.
- 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.
- 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 non ROC corporation, maximum financing is 50% of the net total assets.
- 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.
- 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 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.
- The maximum financing amount is 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 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 40% of the latest net assets. For the borrower needing short-term financing maximum financing is 10% of the net assets of the lender.
- 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 transactions with the lender, maximum financing is the lower of 15% of 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.
- 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 assets of the lender.
- 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 five years. For the borrower needing short-term financing, maximum financing is 50% of the net assets of the lender.
- 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 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 net assets of the lender.
- 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 50% of the net assets of the lender.
- For borrower with transaction with the lender, maximum financing is 15% 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.
- 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 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 net assets of the lender.
- 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\$30.9462, EUR1= NT\$35.1882 and RMB1= NT\$4.4751 as of December 31, 2018.

(Concluded)

VI. Overview of the Company's Financial Status

TABLE B

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)	2,625,000 (US\$ 162,185 thousand)	2,625,000 (US\$ 162,185 thousand)	1,976,663 (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)	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. LLC	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)	1,807,057 (US\$ 9,000 thousand)	623,251 (US\$ 20,288 thousand)	-	9.11	30,072,097 (Note I)	N	N	N
		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 Karfman 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)

TABLE C

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

(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	
	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
	Mutual funds						
	Global Xrobotics & Artificial Intelligence ETF	-	Financial assets at FVTPL - current	2,100	1,080	-	1,080
	XLE Energy 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)

VI. Overview of the Company's Financial Status

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	
	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.	Domestic unquoted shares United Raw Material Solutions Inc./URMS	-	Financial assets at FVTOCI - non-current	319,751	1,647	2.76	1,647

(Concluded)

TABLE D

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	Change of Investment Accounted for Using the Equity Method	Shares	Amount
Yang Ming Marine Transport Corp.	Mutual Funds														
	Jin Sun Money Market Fund	Financial assets at FVTPL - current	-	-	20,333,882	\$ 300,000	20,333,882	\$ 300,104	104	\$ -	-	-	-	-	\$ -
	Yuanta Wan Tai Money Market Fund	Financial assets at FVTPL - current	-	-	19,885,723	300,000	19,885,723	300,097	97	-	-	-	-	-	-
	Taishin 1699 Money Market Fund	Financial assets at FVTPL - current	-	-	33,398,315	450,000	33,398,315	450,042	42	-	-	-	-	-	-
	UPAMC JAMES BOND MONEY MARKET Fund	Financial assets at FVTPL - current	-	-	18,025,704	300,000	18,025,704	300,099	99	-	-	-	-	-	-
	Nomura Taiwan Money Market Fund	Financial assets at FVTPL - current	-	-	18,461,538	300,000	18,461,538	300,102	102	-	-	-	-	-	-
Capital Money Market Fund	Financial assets at FVTPL - current	-	-	18,670,882	300,000	18,670,882	300,101	101	-	-	-	-	-	-	

TABLE E

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

TABLE F

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)	Financial Statement Accounts	Transaction Details		% to Total Sales or Assets
					Amount (Note C)	Payment Terms	
0	Yang Ming Marine Transport Corp.	All Oceans Transportation, Inc.	1	Prepayments Long-term notes receivable and trade receivables Operating revenue Operating cost	\$ 58,105 22,731,797 9,683 3,325,937	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- 0.16 -
	Yang Ming (Liberia) Corp.	Yang Ming (Liberia) Corp.	1	Interest revenue Other payables Operating cost	378,309 4,993 1,374,335	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	0.02 -
	Honning Terminal & Stevedoring Co., Ltd.	Honning Terminal & Stevedoring Co., Ltd.	1	Interest revenue Trade receivables Other receivables Other payables	2,846 36 77,716 94,072	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	0.01 -
	Jing Ming Transportation Co.	Jing Ming Transportation Co.	1	Operating revenue Operating cost Rent income Other receivables Other payables	89,701 350,767 771 83 116,296	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- -
	Ching Ming Investment Corp.	Ching Ming Investment Corp.	1	Operating revenue Operating cost Rent income Guarantee deposits received Rent income	676 535,893 743 185 1,073	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- -
	Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Shipping (B.V.I.) Inc.	1	Interest expense Payables to shipping agent Operating cost	2 26,691 177,864	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- -
	Yang Ming Line (Hong Kong) Ltd.	Yang Ming Line (Hong Kong) Ltd.	1	Payables to shipping agent Operating cost	126,166 105,330	Conducted as agreed terms Conducted as agreed terms	- -
	Yang Ming Line (India) Pvt. Ltd.	Yang Ming Line (India) Pvt. Ltd.	1	Trade receivables Advances to shipping agents Operating cost Contract assets	91,413 61,983 21,538 944	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- -
	Yang Ming (Korea) Co., Ltd.	Yang Ming (Korea) Co., Ltd.	1	Contract assets Payables to shipping agent Operating cost	12,962 30,529 197,372	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- -
	Young-Carrier Company Ltd.	Young-Carrier Company Ltd.	1	Contract assets Trade receivables Payables to shipping agent Operating revenue Operating cost	747,124 1,058,285 874,510 4,856 618,147	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	0.01 0.01 0.01 -

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount (Note C)	Payment Terms	
		Yang Ming (Japan) Co., Ltd.	1	Contract assets Trade receivables Payables to shipping agent Operating cost	\$ 99,196 87,930 19,628 290,130	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
		Manwa & Co., Ltd. Yang Ming (Singapore) Pte. Ltd.	1 1	Trade receivables Contract assets Trade receivables Operating cost	2,766 38,095 63,633 27,051	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
		Yang Ming Line (M) Sdn. Bhd. Sunbright Insurance Pte. Ltd.	1 1	Payables to shipping agent Operating cost Prepayments Contract assets	141,677 63,570 46,540 21,136	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
		Yang Ming Shipping (Vietnam) Co., Ltd.	1	Trade receivables Payables to shipping agent Operating cost	7,095 64,232 90,367	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
		Yang Ming Anatolia Shipping Agency S.A. Yang Ming Shipping Philippines, Inc.	1 1	Trade receivables Payables to shipping agent Operating cost Contract assets	105,378 88,753 62,046 2,500	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
		Yang Ming (Latin America) Corp.	1	Payables to shipping agent Operating cost Payables to shipping agent Advances to shipping agents Operating cost	18,298 41,994 2,577 25 26,985	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - -
		Yang Ming (America) Corp.	1	Payables to shipping agent Operating cost	231,396 1,037,073	Conducted as agreed terms Conducted as agreed terms	- 0.01
		Yang Ming Line (Thailand) Co., Ltd.	1	Contract assets Trade receivables Payables to shipping agent Operating cost	41,033 34,729 101,236 96,628	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
		Triumph Logistics, Inc.	1	Trade receivables Operating cost Trade payables	2,867 150,005 1,259	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
		Toplevel Transportation, Inc.	1	Trade payables Operating cost	73,743 10,508	Conducted as agreed terms Conducted as agreed terms	- -
		Transcont Intermodal Logistics, Inc. Yang Ming Shipping (Canada) Ltd.	1 1	Operating cost Payables to shipping agent Operating cost Contract assets	17,282 38,544 36,266 60,569	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
		Yang Ming (Belgium) N.V.	1	Trade receivables Payables to shipping agent Operating cost	33,256 53,433 80,030	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
		Yang Ming (Netherlands) B.V.	1	Contract assets Trade receivables Payables to shipping agent Operating revenue Operating cost	79,416 25,754 9,968 74,041	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - -

(Continued)

VI. Overview of the Company's Financial Status



Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount (Note C)	Payment Terms	
	Yang Ming (Italy) S.p.A		1	Contract assets Trade receivables Payables to shipping agent Operating cost	\$ 101,257 153,818 44,612 94,115	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
	Yang Ming (U.K.) Ltd.		1	Trade receivables Operating revenue	813,384 961,601	Conducted as agreed terms Conducted as agreed terms	0.01 0.01
	Yang Ming Shipping Europe GmbH		1	Operating cost Contract assets Trade receivables	766,729 79,422 80,799	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
	Yang Ming (Russia) LLC.		1	Payables to shipping agent Operating revenue Operating cost	64,219 5,615 317,832	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
	Yang Ming (Spain), S.L		1	Trade receivables Payables to shipping agent Operating cost	4,466 246 9,710	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
	Yang Ming (Mediterranean) Marine Services Single-Member Limited Liability Company		1	Contract assets Trade receivables Payables to shipping agent Operating cost	37,226 57,794 13,304 38,082	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
	Yang Ming Shipping Corp.		1	Payables to shipping agent Operating cost Financial assets at amortized cost Other receivables	7,503 31,871 500,000 1,166	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
	YES Logistics Corp.		1	Refundable deposits Operating revenue Marketing expense Interest revenue Rent income Trade receivables Other receivables	126 944 721 17,651 4,444 750 5,614	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - - - -
	YES Logistics Corp. (USA)		1	Other payables Operating revenue Operating cost Rent income Marketing expense Other receivables Trade payables	2,044 562,093 12,008 6,130 396 4,952 36	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - - - -
	Golden Logistics USA Corporation		1	Operating revenue Operating cost Trade payables Operating cost	94,069 132 5,572 58,183	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount (Note C)	Payment Terms	
1	All Oceans Transportation, Inc.	Yang Ming (Liberia) Corp. Sunbright Insurance Pte. Ltd. Yang Ming (U.K.) Ltd. Yang Ming (Singapore) Pte. Ltd.	2 2 2 2	Long-term notes payable and trade payables Interest revenue Prepayments Operating cost Operating revenue Short-term debt payable Interest expense	\$ 625,766 102,850 14,874 36,998 1,089,947 307,200 8,395	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - 0.01 -
2	Yang Ming (Liberia) Corp.	Sunbright Insurance Pte. Ltd. Yang Ming (U.K.) Ltd.	2 2	Operating cost Operating revenue	13,104 184,941	Conducted as agreed terms Conducted as agreed terms	- -
3	Honming Terminal & Stevedoring Co., Ltd.	Jing Ming Transportation Co., Ltd. Yes Logistics Corp.	2 2	Other payables Guarantee deposits received Operating cost Other payables Other receivables Operating revenue Operating cost	17,973 1 80,723 4,965 1,184 25,324 30,613	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - - - -
4	Jing Ming Transportation Co., Ltd.	Yes Logistics Corp.	2	Notes receivables Trade receivables Operating revenue	799 1,661 8,093	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
5	Ching Ming Investment Corp.	Yang Ming Line (B.V.I.) Holding Co., Ltd. Kuang Ming (Liberia) Shipping Corp.	2 2	Interest revenue Interest revenue	61 136	Conducted as agreed terms Conducted as agreed terms	- -
6	Yang Ming Shipping (Singapore) Pte. Ltd.	Young-Carrier Company Ltd. YES Logistics (Shanghai) Corp. Kuang Ming (Liberia) Shipping Corp. Yang Ming Shipping (B.V.I.) Inc.	2 2 2 2	Other payables Guarantee deposits received Rent income Guarantee deposits received Rent income Other receivables Interest revenue Other receivables Interest revenue Interest revenue Long-term notes receivable and trade receivables Interest revenue	1,059 7,753 30,445 157 567 157,505 4,176 95,232 2,549 133 21,420 330	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - - - - - - - - -
7	Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	2	Trade receivables Marketing expense	318,278 36,941	Conducted as agreed terms Conducted as agreed terms	- -
8	Karlman Properties Limited	Yang Ming Line (Hong Kong) Ltd.	2	Guarantee deposits received Rent income	785 9,235	Conducted as agreed terms Conducted as agreed terms	- -
9	Yang Ming Line (Hong Kong) Ltd.	Young-Carrier Company Limited Yes Logistics Company Ltd.	2 2	Rent income Rent income	660 231	Conducted as agreed terms Conducted as agreed terms	- -

(Continued)

VI. Overview of the Company's Financial Status

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount (Note C)	Payment Terms	
10	Yang Ming (Japan) Co., Ltd.	Manwa & Co., Ltd. Kuang Ming (Liberia) Shipping Corp.	2 2	Other receivables Operating revenue Rent income Operating revenue	\$ 29 443 164 44	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
11	Manwa & Co., Ltd.	Yes Logistics Company Ltd.	2	Operating revenue Other current assets Trade payables	132 38 1,970	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
12	Sunbright Insurance Pte. Ltd.	Kuang Ming Shipping Corp. Kuang Ming (Liberia) Shipping Corp.	2 2	Advances from customers Operating revenue Operating revenue Advances from customers	1,289 3,334 34,516 13,384	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
13	Yang Ming Line Holding Corp	Yang Ming (America) Corp. Triumph Logistics, Inc. Yang Ming Shipping (B.V.I.) Inc. Kuang Ming (Liberia) Shipping Corp.	2 2 2 2	Other receivables Other payables Long-term notes receivable and trade receivables Interest revenue Other receivables Interest revenue Other receivables Interest revenue Other receivables Interest revenue	24,462 25,860 307,200 5,037 26,096 713 61,440 1,945 153,600 4,167	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - - - - - - -
14	Yang Ming (America) Corp.	Topline Transportation, Inc. Transcont Intermodal Logistics, Inc. Triumph Logistics, Inc.	2 2 2	Other receivables Operating revenue Other receivables	3,652 633 339	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
15	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V. Yang Ming (U.K.) Ltd. Kuang Ming (Liberia) Shipping Corp. Yes Logistics Corp.	2 2 2 2	Other receivables Trade receivables Operating revenue Other receivables Interest revenue Interest expense	3,637 4,129,772 181,639 125,933 3,854 128	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- 0.03 - - - -
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 Trade payables Other payables Operating cost	96 348 246 1,873	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms 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. Yang Ming Line (Hone Kong) Ltd. Young-Carrier Company Ltd. Yang Ming (America) Corp. Yang Ming (Korea) Co., Ltd. Yang Ming (Japan) Co., Ltd. Yang Ming Shipping (Singapore) Pte. Ltd. Yang Ming Line (M) Sdn Bhd. Yang Ming Shipping (Canada) Ltd. Yang Ming Line (India) Pvt. Ltd. Sunbright Insurance Pte. Ltd. Yang Ming Shipping (Vietnam) Co., Ltd. Yang Ming Shipping Philippines, Inc. Yang Ming Line (Thailand) Co., Ltd.	2	Trade receivables	\$ 3,321	Conducted as agreed terms	-
				Trade payables	337	Conducted as agreed terms	-
				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	-
				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	-
				Payables to shipping agent	216,956	Conducted as agreed terms	-
				Operating cost	164,898	Conducted as agreed terms	-
				Trade receivables	886	Conducted as agreed terms	-
				Payables to shipping agent	242	Conducted as agreed terms	-
				Operating cost	879	Conducted as agreed terms	-
				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	-
				Contract assets	955	Conducted as agreed terms	-
				21	Yang Ming Shipping Europe GmbH	Yes Logistics Europe GmbH	2
Payables to shipping agent	1,757	Conducted as agreed terms	-				
Operating cost	18,761	Conducted as agreed terms	-				
Payables to shipping agent	4,537	Conducted as agreed terms	-				
Operating cost	7,739	Conducted as agreed terms	-				
Payables to shipping agent	14	Conducted as agreed terms	-				
Contract assets	6,689	Conducted as agreed terms	-				
Trade receivables	62,543	Conducted as agreed terms	-				
Payables to shipping agent	65,832	Conducted as agreed terms	-				
Prepayments	2,794	Conducted as agreed terms	-				
22	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Shipping Corp. Yes Logistics Corp.	2	Operating cost	10,096	Conducted as agreed terms	-
				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	-
				Contract assets	683	Conducted as agreed terms	-
				Trade receivables	2,182	Conducted as agreed terms	-
				Payables to shipping agent	591	Conducted as agreed terms	-
				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	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Shipping Corp.	2	Trade receivables	16,901	Conducted as agreed terms	-
				Other receivables	19,429	Conducted as agreed terms	-
				Other income	12,571	Conducted as agreed terms	-
22	Yes Logistics Corp.	Yes Logistics Corp.	2	Operating revenue	129,456	Conducted as agreed terms	-
				Interest revenue	19	Conducted as agreed terms	-
				Administrative expense	34	Conducted as agreed terms	-

(Continued)

VI. Overview of the Company's Financial Status

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount (Note C)	Payment Terms	
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	-
		Yes Logistics Corp. (USA)	2	Trade receivables	11,986	Conducted as agreed terms	-
				Prepayments	24,111	Conducted as agreed terms	-
				Operating revenue	32,841	Conducted as agreed terms	-
				Operating cost	148,237	Conducted as agreed terms	-
		Yes Logistics Europe GmbH	2	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	-
				Operating cost	80,573	Conducted as agreed terms	-
				Interest revenue	758	Conducted as agreed terms	-
				Other income	854	Conducted as agreed terms	-
		YES Logistics (Shanghai) Corp.	2	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	-
				Operating revenue	60,010	Conducted as agreed terms	-
				Operating cost	206,451	Conducted as agreed terms	-
		Yes MLC GmbH	2	Interest revenue	2,710	Conducted as agreed terms	-
				Trade receivables	3	Conducted as agreed terms	-
				Operating revenue	3	Conducted as agreed terms	-
		PT. YES Logistics Indonesia	2	Trade receivables	5,106	Conducted as agreed terms	-
				Trade payables	1	Conducted as agreed terms	-
				Operating revenue	12	Conducted as agreed terms	-
				Operating cost	1	Conducted as agreed terms	-
		Yes Logistics Bulgaria Ltd.	2	Operating revenue	25	Conducted as agreed terms	-
				Trade payables	14	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. Yes Logistics Europe GmbH	2 2	Trade receivables Trade payables Operating revenue Operating cost Operating cost	\$ 6,161 8 118 8 75	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - -
27	Yes Logistics Corp. (USA)	YES Logistics (Shanghai) Corp. Golden Logistics USA Corporation	2 2	Trade receivables Trade payables Operating revenue Operating cost Trade receivables Trade payables Operating revenue Operating cost Trade receivables Trade payables PT. YES Logistics Indonesia	4,662 7,813 10,694 12,195 1,144 30 9 515 120 1 2 4	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - - - - - - - -
28	YES Logistics (Shanghai) Corp.	Yes Logistics Europe GmbH	2	Trade receivables Trade payables Operating revenue Operating cost Trade receivables	1,359 1,637 4,345 2,699 5	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - -
29	Yes Logistics Europe GmbH	Yes MLC GmbH	2	Trade receivables Operating revenue	56,962 8,505	Conducted as agreed terms 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)

VI. Overview of the Company's Financial Status



TABLE G

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		Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Note	
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership					
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 (474,622)	Investments in associates	
	Yang Ming Line (B.V.) 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)	(604,850)	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)	519,611	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	143,600	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	(28,868) (83,473)	(487,240)	Subsidiary	
	Ching Ming Investment Corp.	Taiwan	Shipping agency, forwarding agency and shipping managers	1,098,388	1,098,388	120,487,500	100.00	1,087,131	(28,868)	(83,473)	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)	(487,240)	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	
	Yum 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	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	
	Transcon Intermodal Logistics, Inc.	U.S.A.	Island 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 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 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.	Belgium	Shipping agency	8,614	8,614	553	89.92	25,240	6,244	-	Subsidiary	
Yang Ming (Netherlands) B.V.	Yang Ming (Belgium) N.V.	Netherlands	Shipping agency	15,285	15,285	400,000	100.00	113,037	86,505	-	Subsidiary	
	Yang Ming (Netherlands) B.V.	Netherlands	Shipping agency	4,319	4,319	125,000	50.00	48,662	55,316	-	Subsidiary	
	Yang Ming (Italy) S.p.A.	Italy	Shipping agency, forwarding agency and shipping managers	70,709	70,709	1,500,000	100.00	(3,647,238) (Note D)	(660,533)	-	Subsidiary	
	Yang Ming (UK) Ltd.	U.K.	Shipping agency, forwarding agency and shipping managers	29,697	29,697	(Note G)	100.00	166,978	3,164	-	Subsidiary	
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	3,017	3,017	(Note H)	60.00	11,708	16,412	-	Subsidiary	
	YangMing (Russia) LLC	Russia	Shipping agency	2,213	2,213	60,000	60.00	59,695	67,615	-	Subsidiary	
	Yang Ming (Spain), S.L.	Spain	Shipping agency, forwarding agency and shipping managers	18,150	-	5,000	100.00	17,968	379	-	Subsidiary	
	Yang Ming (Mediterranean) Marine Services Single-Member Limited Liability Company	Greece	Shipping agency, forwarding agency and shipping managers	-	-	-	-	-	-	-	-	Subsidiary
	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			
Yang Ming (UK) Ltd.	Constor Ltd.	U.K.	Storage management and trailer transportation	\$ 25	\$ 25	500	50.00	\$ 4,798	\$ -	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	-	Subsidiary
Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Shipping (B.V.) Inc. Yang Ming Line (Hong Kong) Ltd.	British Virgin Islands Hong Kong	Forwarding agency and shipping agency	247,772 2,138	247,772 2,138	1,000 1,000,000	100.00 100.00	376,360 (266,140)	39,674 (27,104)	Subsidiary 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	-	Subsidiary
	Yang Ming (Korea) Co., Ltd.	Korea	Shipping agency, forwarding agency and shipping managers	10,107	10,107	60,000	60.00	39,230	-	Subsidiary
	Young-Currier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	14,926	3,229	1,000,000	100.00	237,530	-	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	-	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	-	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	-	Subsidiary
	Sunbright Insurance Pte. Ltd.	Singapore	Insurance	32,440	32,440	5,000,000	100.00	244,454	-	Subsidiary
	Yang Ming Anatolia Shipping Agency	Turkey	Shipping agency, forwarding agency and shipping managers	1,077	1,077	50,000	50.00	110,167	-	Subsidiary
	Formosa International Development Corporation	Vietnam	Invest industry district and real estate	251,329	251,329	(Note J)	30.00	135,829	-	Investments in associates
	Yang Ming (U.A.E.) LLC.	U.A.E.	Shipping agency, forwarding agency and shipping managers	2,140	2,140	(Note K)	49.00	52,340	-	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	-	Subsidiary
	Yang Ming (Australia) Pty. Ltd.	Australia	Shipping agency, forwarding agency and shipping managers	4,597	4,597	150,000	50.00	33,060	-	Investments in associates
	LogiTrans Technology Private Limited	India	Information system service	10,211	10,211	2,040,000	51.00	16,634	-	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)	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
	PT. Formosa Sejati Logistics	Thailand	Shipping agency	2,282	-	2,450	49.00	4,059	3,747	Subsidiary
	Yang Ming Line shipping (Thailand) Co., Ltd.	Indonesia	Storage and stevedoring	5,701	-	1,875	15.00	5,504	(1,028)	Subsidiary
	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.	Thailand	Shipping agency, forwarding agency and shipping managers	3,678	-	3,920	49.00	6,965	7,586	Subsidiary
	Manwa & Co., Ltd.	Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,737	51	Subsidiary
	Kartman Properties Limited	Hong Kong	Property agency	4	4	24,000,000	100.00	88,338	824	Subsidiary
	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. (USA)	U.S.A.	Shipping agency, forwarding agency and shipping managers	179,763	179,763	2,173,411	100.00	(27,147)	(14,497)	Subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment and subsidiaries management	37,265	34,214	1,607,984	100.00	24,206	(779)	Subsidiary
	PT. YES Logistics Indonesia	Indonesia	Forwarding agency	13,315	-	310,000	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 Logistics Benelux B.V.	Netherlands	Forwarding agency	10,179	10,179	12,600	70.00	(6,967)	2,959	Subsidiary
	YES and HQL Logistics Company	Hong Kong	Forwarding agency	32,351	32,351	7,882,278 (Note R)	100.00	27,038	(2,327)	Subsidiary
	Golden Logistics USA Corporation	Vietnam	Forwarding agency	3,128	-	(Note R)	51.00	2,833	(611)	Investments in joint ventures
	YES Logistics Europe GmbH	U.S.A. Germany	Container transportation Forwarding agency	328 40,090	328 40,090	100 (Note O)	100.00 100.00	10,960 (100,715)	1,853 (21,876)	Subsidiary Subsidiary

(Continued)

VI. Overview of the Company's Financial Status

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			
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)	-	Subsidiary
YES MLC GmbH	Merlin Logistics GmbH	Austria	Storage and logistics	1,380	1,380	(Note Q)	100.00	2,123	-	Subsidiary
Merlin Logistics GmbH	YES Logistics Bulgaria	Bulgaria	Cargo consolidation service and forwarding agency	740	740	500	100.00	(543) (Note D)	-	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 is equivalent to EUR818 thousand and no shares were issued.
- H. This is 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 is equivalent to US\$300 thousand and no shares were issued.
- N. The Original investment amount did not deduct the amount of offsetting the deficits \$52,139,659 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 is equivalent to US\$102 thousand and no shares were issued.
- S. The information on investments in mainland China is provided in Table H.

(Continued)

TABLE II

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		Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount 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)	-	\$ -	\$ 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.	(US\$ 285,727 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	(US\$ 189,358 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	(RMB 44,751 thousand)	-	-	(4,001)	19.27	(771)	51,967	-
Chang 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	(US\$ 94,740 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 Subscribed 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)	(US\$ 755,242 thousand)	(Note F)
Ching Ming Investment Corp. (Note D)	89,502 (RMB 20,000 thousand)	(RMB 89,502 thousand) (RMB 20,000 thousand)	654,279

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.

6.5 Individual Financial Statements 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yang Ming Marine Transport Corporation

Opinion

We have audited the accompanying financial statements of Yang Ming Marine Transport Corporation (collectively referred to as the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors (refer to the Other Matter paragraph below), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the reports of other 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the financial statements of the Company 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\$36,270,437 thousand. The amount was material to the financial statements. Furthermore, the economic trend of the industry influenced the assessment of impairment reached by the management of the Company. The Company'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 Company'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 financial statements.

We took indicators of impairment of the tangible and intangible assets into consideration and focused on the performance of each component. When the indicators of impairment exists, we will test the assumption of impairment assessment model used by the Company's management, 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 for the 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 Company's management, we deemed the impairment of deferred tax assets generated from tax loss carryforwards as a key audit matter.

The evaluation of 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 29 to the Company's 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 from Subsidiaries Using the Equity Method

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

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

VI. Overview of the Company's Financial Status

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

Audit of the Percentage-of-completion

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

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

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

We tested the accuracy of the timing of the revenue recognition. Through subsequent information of voyages, berthing report, sailing schedule, 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 Company's management and of the revenue resulting from voyages.

Other Matter

We did not audit the financial statements of some subsidiaries, associates and joint ventures of Yang Ming Line (Singapore) Pte. Ltd, Yang Ming Line Holding Co., some subsidiaries, associates and joint ventures of Yes Logistics Company Ltd., and some subsidiaries and associates of Yang Ming Line (B.V.I) Holding Co. Ltd. as of and for the years ended December 31, 2018 and 2017. The financial statements of these subsidiaries, associates and joint ventures were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries, associates and joint ventures included in the accompanying financial statements, is based solely on the reports of other auditors. The carrying amount of these investments were NT\$3,905,758 thousand and NT\$3,539,594 thousand, representing 3.34% and 3.24% of the Company's total assets as of December 31, 2018 and 2017 respectively. The amount of profit or loss recognized on investments accounted for by equity method were NT\$644,583 thousand and NT\$229,573 thousand, representing (9.96%) and (252.36%) of the Company's total comprehensive income for the years ended December 31, 2018 and 2017, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

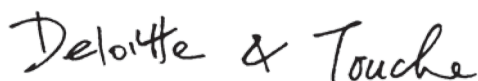
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

VI. Overview of the Company's Financial Status

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 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 financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

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

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 35)	\$ 12,444,370	11	\$ 7,433,684	7
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	70	-	71	-
Financial assets at amortized cost - current (Notes 4, 9 and 35)	500,000	-	-	-
Contract assets, net (Notes 4, 27 and 35)	3,083,823	3	-	-
Debt investments with no active market - current (Notes 4, 12 and 35)	-	-	300,000	-
Trade receivables, net (Notes 4, 13 and 27)	3,188,356	3	3,853,855	4
Trade receivables from related parties (Notes 4, 13, 27 and 35)	2,171,269	2	2,964,543	3
Other receivables from related parties (Notes 4 and 35)	90,981	-	114,700	-
Shipping fuel (Notes 4 and 14)	3,408,746	3	2,357,123	2
Prepayments (Notes 4, 18 and 35)	409,987	-	490,911	1
Prepayments to shipping agents (Note 35)	80,616	-	345,357	-
Other current assets (Note 29)	489,925	-	323,255	-
Total current assets	25,868,143	22	18,183,499	17
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	1,695,305	1	-	-
Available-for-sale financial assets - non-current (Notes 4, 10 and 36)	-	-	1,174,587	1
Financial assets at amortized cost - non-current (Notes 4, 9, 35 and 36)	5,469	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 11)	-	-	477,188	-
Debt investments with no active market - non-current (Notes 4, 12 and 35)	-	-	500,000	-
Investments accounted for using equity method (Notes 4, 5 and 15)	17,958,987	15	19,128,998	18
Property, plant and equipment (Notes 4, 5, 16 and 36)	34,537,154	30	34,632,559	32
Investment properties (Notes 4, 17 and 36)	6,720,305	6	6,731,679	6
Other intangible assets (Notes 4 and 5)	57,220	-	76,035	-
Deferred tax assets (Notes 4, 5 and 29)	5,213,029	5	3,952,165	4
Prepayments for equipment (Note 37)	1,171,074	1	-	-
Refundable deposits (Note 32)	361,756	-	616,211	1
Long-term prepayments for leases (Notes 4, 5, 18 and 35)	473,417	-	504,989	-
Long-term receivables from related parties (Note 35)	22,731,797	20	23,414,258	21
Other non-current assets (Note 36)	-	-	56,699	-
Total non-current assets	90,925,513	78	91,265,368	83
TOTAL	\$ 116,793,656	100	\$ 109,448,867	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 35)	\$ 3,000,000	2	\$ 3,000,000	3
Short-term bills payable (Note 19)	9,302,823	8	7,112,324	6
Financial liabilities at FVTPL - current (Notes 4, 17 and 20)	37,460	-	-	-
Contract liabilities - current (Notes 4 and 27)	41,439	-	-	-
Trade payables (Note 21)	10,018,091	9	8,966,559	8
Trade payables to related parties (Notes 21 and 35)	3,153,913	3	3,463,476	3
Other payables (Note 23)	1,912,943	2	1,814,084	2
Other payables to related parties (Note 35)	257,844	-	318,457	-
Current portion of long-term liabilities (Notes 4, 19, 20, 22, 24, 35 and 36)	10,644,157	9	12,702,077	12
Other advance account	167,116	-	197,649	-
Other current liabilities	170,235	-	55,494	-
Total current liabilities	38,706,021	33	37,630,120	34
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 20 and 35)	13,164,195	11	11,892,879	11
Long-term borrowings (Notes 19 and 36)	40,330,163	35	29,133,793	27
Deferred tax liabilities (Notes 4 and 29)	1,596,411	1	1,630,814	1
Other advance account - non-current	765,068	1	932,178	1
Other financial liabilities - non-current (Notes 4, 20 and 24)	-	-	13,896	-
Net defined benefit liabilities - non-current (Notes 4 and 25)	2,352,923	2	2,131,451	2
Other non-current liabilities	50,867	-	50,171	-
Total non-current liabilities	58,259,627	50	45,785,182	42
Total liabilities	96,965,648	83	83,415,302	76
EQUITY				
Share capital - ordinary shares	23,230,248	20	23,230,248	21
Capital surplus	4,739,792	4	5,571,490	5
Accumulated deficits	(7,131,851)	(6)	(1,565,150)	(1)
Other equity	(1,010,181)	(1)	(1,203,023)	(1)
Total equity	19,828,008	17	26,033,565	24
TOTAL	\$ 116,793,656	100	\$ 109,448,867	100

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

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

YANG MING MARINE TRANSPORT CORPORATION

**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, 27 and 35)	\$ 119,440,265	100	\$ 110,458,769	100
OPERATING COSTS (Notes 4, 14, 28 and 35)	<u>124,346,683</u>	<u>104</u>	<u>108,796,309</u>	<u>98</u>
GROSS PROFIT (LOSS)	<u>(4,906,418)</u>	<u>(4)</u>	<u>1,662,460</u>	<u>2</u>
OPERATING EXPENSES (Notes 28 and 35)				
Selling and marketing expenses	1,446,803	1	1,517,164	2
General and administrative expenses	349,940	-	342,554	-
Expected credit loss reversed	<u>2,811</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>1,799,554</u>	<u>1</u>	<u>1,859,718</u>	<u>2</u>
OTHER OPERATING INCOME AND EXPENSES (Note 28)	<u>370,713</u>	<u>-</u>	<u>257,448</u>	<u>-</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(6,335,259)</u>	<u>(5)</u>	<u>60,190</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 28 and 35)				
Other income	591,629	1	574,832	-
Other gains and losses	132,469	-	643,577	1
Finance costs	(1,088,641)	(1)	(1,155,818)	(1)
Share of profits or loss of subsidiaries and associates	<u>(948,125)</u>	<u>(1)</u>	<u>91,833</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,312,668)</u>	<u>(1)</u>	<u>154,424</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	(7,647,927)	(6)	214,614	-
INCOME TAX BENEFIT (Notes 4, 5 and 29)	<u>1,056,972</u>	<u>1</u>	<u>106,235</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(6,590,955)</u>	<u>(5)</u>	<u>320,849</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 25, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at FVTOCI	86,868	-	-	-
Remeasurement of defined benefit plans	(209,853)	-	(231,652)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION
**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 (loss) of subsidiaries and associates accounted for using the equity method	\$ 3,660	-	\$ (20,119)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>58,938</u>	-	<u>39,381</u>	-
	<u>(60,387)</u>	-	<u>(212,390)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	175,958	-	(562,460)	-
Unrealized gain on available-for-sale financial assets	-	-	304,261	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	-	-	21,888	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>2,233</u>	-	<u>36,881</u>	-
	<u>178,191</u>	-	<u>(199,430)</u>	-
Other comprehensive loss for the year, net of income tax	<u>117,804</u>	-	<u>(411,820)</u>	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (6,473,151)</u>	<u>(5)</u>	<u>\$ (90,971)</u>	<u>-</u>
EARNING (LOSS) PER SHARE (Note 30)				
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 financial statements.

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

(Concluded)

VI. Overview of the Company's Financial Status

YANG MING MARINE TRANSPORT CORPORATION

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

	Share Capital (Note 26)		Capital Surplus (Notes 26 and 31)	Accumulated Deficits (Note 26)	Exchange Differences on Translating Foreign Operations (Notes 4 and 26)	Unrealized Loss on Available-for-sale Financial Assets (Notes 4 and 26)	Unrealized Gain/Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 26)	Total Equity
	Shares (in Thousands)	Amount						
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
Donations from shareholders	-	-	7	-	-	-	-	7
Changes in accumulated deficits from investments in associates accounted for using equity method	-	-	-	(90)	-	-	-	(90)
Net profit for the year ended December 31, 2017	-	-	-	320,849	-	-	-	320,849
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	(212,390)	(525,579)	326,149	-	(411,820)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	108,459	(525,579)	326,149	-	(90,971)
Issuance of ordinary shares for cash	919,084	9,190,835	1,123,833	-	-	-	-	10,314,668
Share-based payments	-	-	22,511	-	-	-	-	22,511
Capital reduction used to offset accumulated deficits	-	-	-	16,004,988	-	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	(21,398)	-	-	-	(21,398)
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
Effect of retrospective application and retrospective restatement	-	-	-	37,543	-	1,117,182	(1,201,784)	(47,059)
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
Equity component of convertible bonds issued by the Company	-	-	308,765	-	-	-	-	308,765
Capital surplus used to offset accumulated deficits	-	-	(1,146,351)	1,146,351	-	-	-	-
Net loss for the year ended December 31, 2018	-	-	-	(6,590,955)	-	-	-	(6,590,955)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(159,640)	178,191	-	99,253	117,804
Total comprehensive loss for the year ended December 31, 2018	-	-	-	(6,750,595)	178,191	-	99,253	(6,473,151)
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 31)	-	-	5,718	-	-	-	-	5,718
Change in percentage of ownership interests in subsidiaries	-	-	170	-	-	-	-	170
BALANCE AT DECEMBER 31, 2018	2,323,025	\$ 23,230,248	\$ 4,739,792	\$ (7,131,851)	\$ 97,350	\$ -	\$ (1,102,531)	\$ 19,828,008

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 25, 2019)

YANG MING MARINE TRANSPORT CORPORATION
**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	\$ (7,647,927)	\$ 214,614
Adjustments for:		
Depreciation expenses	2,822,932	2,734,186
Amortization expenses	18,815	26,707
Impairment loss recognized on trade receivables	-	20,852
Expected credit loss reversed on trade receivables	2,811	-
Net gain on fair value change of financial assets/liabilities at FVTPL	(129,063)	(18,360)
Finance costs	1,088,641	1,155,818
Interest income	(448,367)	(482,844)
Dividend income	(50,237)	(614)
Compensation costs of employee share options	-	22,511
Share of profit (loss) of subsidiaries and associates	948,125	(91,833)
Gain on disposal of property, plant and equipment	(304,001)	(193,952)
Loss on disposal of associates	1,260	-
Gain on disposal of available-for-sale financial assets	-	(161)
(Reversal of) write-down of shipping fuel	98,349	(251,497)
Net loss on repurchase of bonds payable	466	-
Loss (gain) on change in fair value of investment properties	17,289	(89,491)
Amortization of long-term prepayments for leases	31,572	31,572
Recognition of donations	-	(1,542)
Changes in operating assets and liabilities		
Financial assets held for trading	151,172	21,264
Contract assets	(809,109)	-
Trade receivables	(1,612,026)	(210,981)
Trade receivables from related parties	793,274	(15,680)
Other receivables from related parties	23,719	54,777
Shipping fuel	(1,149,972)	(427,678)
Prepayments	55,959	12,889
Prepayments to shipping agents	264,741	(38,124)
Other current assets	(702,866)	(490,289)
Contract liabilities	41,439	-
Trade payables	1,051,532	(1,522,569)
Trade payables to related parties	(309,563)	(1,417,656)
Other payables	111,093	52,951
Other payables to related parties	(60,613)	(34,174)
Advances from customers	(197,643)	(174,016)
Other current liabilities	81,814	(154,897)
Net defined benefit liabilities	11,619	(45,928)
Cash used in operations	(5,804,765)	(1,314,145)
Interest received	920,212	1,010,323
Dividend received	496,119	455,286
Interest paid	(1,936,142)	(1,582,936)
Income tax paid	(183,603)	(145,710)
Net cash used in operating activities	<u>(6,508,179)</u>	<u>(1,577,182)</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	\$ 351,230	\$ -
Proceeds from expiration of debt investments with no active market	-	200,000
Purchase of available-for-sale financial assets	-	(1,700,000)
Acquisition of associates	(103,802)	-
Proceeds from disposal of available-for-sale financial assets	-	1,700,161
Payments for property, plant and equipment	(2,828,197)	(267,445)
Proceeds from disposal of property, plant and equipment	511,870	239,573
Increase (decrease) in refundable deposits	254,455	(298,301)
Decrease in long-term receivables from related parties	682,461	335,296
Acquisition of investment properties	(5,915)	(5,476)
Increase in other non-current assets	-	(4,148)
Increase in prepayments for equipment	<u>(1,149,551)</u>	<u>-</u>
Net cash generated from (used in) investing activities	<u>(2,287,449)</u>	<u>199,660</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	-	(110,000)
Proceeds from short-term bills payable	2,200,000	5,828,000
Repayments of bonds payable	(1,275,952)	(6,585,000)
Proceeds from bonds payable	7,676,000	-
Repurchase of bonds payable	(149,200)	-
Proceeds from long-term borrowings	28,200,000	15,539,000
Repayments of long-term borrowings	(22,812,794)	(21,372,232)
Payments for obligations under finance leases	(40,201)	(135,735)
Decrease in other financial liabilities	(52,566)	(51,019)
Decrease in other non-current liabilities	696	2,326
Issuance of ordinary shares for cash	-	10,314,668
Acquisition of subsidiaries	-	(2,397,176)
Proceeds from capital reduction of subsidiaries	<u>60,331</u>	<u>401,625</u>
Net cash generated from financing activities	<u>13,806,314</u>	<u>1,434,457</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,010,686	56,935
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,433,684</u>	<u>7,376,749</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,444,370</u>	<u>\$ 7,433,684</u>

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

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

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO 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 depositary receipts (GDRs), which have been listed on the London Stock Exchange (ticker symbol: YMTD) since November 1996.

The financial statements of the Company are presented in YMTC’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 Company’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 Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

VI. Overview of the Company's Financial Status

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 Company'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	\$ 7,433,684	\$ 7,433,684
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	1,651,775	1,608,437
Debt securities	Debt investments with no active market - current	Amortized cost	800,000	800,000
Trade receivables, other receivables (included in other current assets) and long-term receivables	Loans and receivables	Amortized cost	30,355,076	30,355,076
Other financial assets - restricted bank balance (included in other non-current assets)	Loans and receivables	Amortized cost	56,699	56,699

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	Remark
<u>FVTOCI</u>							
Equity instruments	\$ -						
Add: Reclassification from available-for-sale (IAS 39)	-	\$ 1,651,775	\$ (43,338)				a)
		<u>1,651,775</u>	<u>(43,338)</u>	\$ 1,608,437	\$ 37,812	\$ (81,150)	
<u>Amortized cost</u>							
Add: Reclassification from loans and receivables (IAS 39)	-	37,845,459	-	37,845,459	-	-	b), c)
Add: Debt investments with no active market - current (IAS 39)	-	800,000	-	800,000	-	-	d)
	<u>\$ -</u>	<u>\$40,297,234</u>	<u>\$ (43,338)</u>	<u>\$40,253,896</u>	<u>\$ 37,812</u>	<u>\$ (81,150)</u>	

- a) The Company 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 \$477,188 thousand and decrease of 43,338 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Company 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 a decrease of \$37,812 thousand in accumulated deficits on January 1, 2018.

- b) 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.

- c) Cash and cash equivalents, 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 the Note 3(1) b. IFRS 15 “Revenue from Contracts with Customers” and related amendments.
- d) Debt investments previously classified as debt investments with no active market 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.

	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Investments accounted for using the equity method	\$ 19,128,998	\$ (3,721)	\$ 19,125,277	\$ (269)	\$ (3,452)	*

* As a result of the retrospective application of IFRS 9 by subsidiaries, there was a decrease in investments accounted for using the equity method of \$3,721 thousand, a decrease in other equity - unrealized gain (loss) on financial assets at FVTOCI of \$3,452 thousand, a decrease in retained earnings of \$269 thousand on January 1, 2018.

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 Company 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	\$ 3,853,855	\$ (311,040)	\$ 3,542,815
Trade receivables from related parties	2,964,543	(1,967,464)	997,079
Contract assets - current	-	2,278,504	2,278,504
Total effect on assets	\$ 6,818,398	\$ -	\$ 6,818,398

VI. Overview of the Company's Financial Status

Had the Company applied IAS 18 in the current year, the following adjustments should be made to reflect the line items and balances under IAS 18.

	December 31, 2018 (IFRS 15)	Impact of IFRS 15	December 31, 2018 (IAS 18)
Trade receivables	\$ 3,188,356	\$ 1,614,647	\$ 4,803,003
Trade receivables from related parties	2,171,269	1,469,176	3,640,445
Contract assets - current	<u>3,083,823</u>	<u>(3,083,823)</u>	<u>-</u>
Total effect on assets	<u>\$ 8,443,448</u>	<u>\$ -</u>	<u>\$ 8,443,448</u>
Other advance account	\$ 167,116	\$ 41,439	\$ 208,555
Contract liabilities - current	<u>41,439</u>	<u>(41,439)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 208,555</u>	<u>\$ -</u>	<u>\$ 208,555</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 Company 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 Company 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 Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, and lease liabilities for all leases on the 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 statements of comprehensive income, the Company 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 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. Prepaid lease payments are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company 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), their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

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

If the Company 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 Company 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 Company 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 Company will continue to amortize any gains on sales over the lease term. Operating lease under IAS 17, the Company will adjust the leaseback right-of-use assets for any deferred gains or losses recognized on January 1, 2019.

VI. Overview of the Company's Financial Status

The Company as lessor

Except for sublease transaction, the Company 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 Company subleased its leasehold assets to a third party. Such sublease is classified as an operating lease under IAS 17. The Company 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
Finance lease receivables - current	\$ -	\$ 33,011	\$ 33,011
Finance lease receivables - non - current	-	570,481	570,481
Prepayments	409,987	(31,572)	378,415
Long-term prepaid rent	473,417	(473,417)	-
Property, plant and equipment	34,537,154	(12,774)	34,524,380
Investments accounted for using the equity method	17,958,987	(29,136)	17,929,851
Right-of-use assets	<u>-</u>	<u>75,249,609</u>	<u>75,249,609</u>
Total effect on assets	<u>\$ 53,379,545</u>	<u>\$ 75,306,202</u>	<u>\$ 128,685,747</u>
Other advances received	\$ 167,116	\$ (119,680)	\$ 47,436
Other advances received- non-current	765,068	(670,208)	94,860
Lease liabilities - current	-	8,733,284	8,733,284
Lease liabilities - non-current	<u>-</u>	<u>67,391,942</u>	<u>67,391,942</u>
Total effect on liabilities	<u>\$ 932,184</u>	<u>\$ 75,335,338</u>	<u>\$ 76,267,522</u>
Accumulated deficits	<u>\$ (7,131,851)</u>	<u>\$ (29,136)</u>	<u>\$ (7,160,987)</u>
Total effect on equity	<u>\$ (7,131,851)</u>	<u>\$ (29,136)</u>	<u>\$ (7,160,987)</u>

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company 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 Company'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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 Company 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 Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

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 financial statements are authorized for issue; and
- 3) Liabilities for which the Company 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. 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 financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries and associates 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.

e. 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.

f. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

g. Investments in associates

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

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

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

Any excess of the cost of acquisition over the Company'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.

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 Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. 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 attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate 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.

Freehold land is not depreciated.

VI. Overview of the Company's Financial Status

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 Company 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 Company 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.

1. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, financial assets at amortized cost and equity instruments at fair value through other comprehensive income.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such a financial asset is mandatorily classified or designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss 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 34.

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, trade receivables at amortized cost and restricted bank balance, 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.

VI. Overview of the Company's Financial Status

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 fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income 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 fair value through other comprehensive income 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 Company'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 fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

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

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 34.

ii. Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company'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, debt investments with no active market and other receivables) 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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and other receivables), as well as contract assets.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, other receivables and contract assets. For all other financial instruments, the Company 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 Company 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.

VI. Overview of the Company's Financial Status

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

For financial assets measured at amortized cost, such as trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company'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 Company 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 a debt instrument at fair value through other comprehensive income, 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. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, 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 company entity are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

VI. Overview of the Company's Financial Status

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 34.

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 Company 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 Company 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 fair value through profit or loss. 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 fair value through profit or loss.

m. Revenue recognition

2018

The Company 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 Company provides container shipping services, customers simultaneously receive and consume the benefits provided by the Company's performance. The Company 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 complete.

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

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) Other service revenue

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

4) 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 Company 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 Company 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.

n. 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 Company 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 Company as lessee

Assets held under finance leases are initially recognized as assets of the Company 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 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.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

4) Termination benefits

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

p. 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 Company'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.

q. 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 Company 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 Company 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 Company'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 Company's major operating assets are ships and containers, other intangible assets, prepayments for lease and prepayments for equipment. At the end of each reporting period, the Company 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 Company 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 Company's strategy.

b. Investments accounted for using equity method's provisions for onerous contracts

The Company estimates the investments accounted for using equity method's 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 \$4,891,209 thousand and \$3,581,620 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 Company 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>	
	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 1,441	\$ 1,515
Checking accounts and demand deposits	8,922,789	6,125,831
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	<u>3,520,140</u>	<u>1,306,338</u>
	<u>\$ 12,444,370</u>	<u>\$ 7,433,684</u>

VI. Overview of the Company's Financial Status

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

	December 31	
	2018	2017
Time deposits	0.60%-3.30%	0.40%-3.40%

7. FINANCIAL INSTRUMENT AT FVTPL - CURRENT

	December 31	
	2018	2017
<u>Financial assets at FVTPL - current</u>		
Held for trading		
Non-derivative financial assets		
Mutual funds	\$ -	\$ 71
Mandatorily classified as at fair value through profit or loss		
Non-derivative financial assets		
Mutual funds	70	-
	\$ 70	\$ 71
<u>Financial liabilities at FVTPL - current</u>		
Mandatorily classified as at fair value through profit or loss		
Derivative financial liabilities (not under hedge accounting)		
Oil swap and oil swap option	\$ 20,573	\$ -
Put option of bonds payable (Note 20)	16,887	-
	\$ 37,460	\$ -

The Company's purpose for trading oil swap and oil swap option was to reduce the cost burden from oil price increase. The Company entered into oil swap and oil swap option contracts. The contracts was 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.	<u>4,596</u>
	<u>\$ 1,695,305</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 fair value through other comprehensive income as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company'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
<u>Current</u>	
Domestic privately placed unsecured bonds - Kuang Ming Shipping Corp.	<u>\$ 500,000</u>
<u>Non-current</u>	
Restricted bank balance (Note 36)	<u>\$ 5,469</u>

In November 2014, the Company bought a 5-year corporate bond issued by Kuang Ming Shipping Corp. with a coupon rate of 2.30% and an effective interest rate of 2.30%, at a par value of \$1,000,000 thousand. These financial assets at amortized cost were classified as Held-to-maturity financial assets - current and other non-current assets under IAS 39. Refer to Note 3 and Note 12 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - 2017

	December 31, 2017
<u>Domestic investments</u>	
Domestic listed shares	<u>\$ 1,174,587</u>

Available-for-sale financial assets pledged as collaterals for secured loans is set out in Note 36.

VI. Overview of the Company's Financial Status

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

	December 31, 2017
Domestic unlisted ordinary shares	<u>\$ 477,188</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 477,188</u>

Management believed that the above unlisted equity investments held by the Company, 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. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Domestic privately placed unsecured bonds - Kuang Ming Shipping Corp.	<u>\$ 800,000</u>
Current	\$ 300,000
Non-current	<u>500,000</u>
	<u>\$ 800,000</u>

In November 2014, the Company bought a 5-year corporate bond issued by Kuang Ming Shipping Corp. with a coupon rate of 2.30% and an effective interest rate of 2.30%, at a par value of \$1,000,000 thousand.

13. TRADE RECEIVABLES

	December 31	
	2018	2017
<u>Trade receivables</u>		
At amortized cost		
Trade receivable	\$ 3,196,473	\$ 3,863,949
Trade receivable - related parties	2,171,269	2,964,543
Less: Allowance for impairment loss	<u>(8,117)</u>	<u>(10,094)</u>
	<u>\$ 5,359,625</u>	<u>\$ 6,818,398</u>

2018

The average credit period of trade receivables from cargo business is 14 to 28 days.

The Company 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 trade receivables and contract assets. The expected credit losses on 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 Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, and the Company'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 Company's different customer base. The Company 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 Company 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 Company writes off a 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 and contract assets that have been written off, the Company 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 trade receivables balances that were past due at the end of the reporting period, the Company 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 Company acquired bank's guaranteed letter from agencies or received security deposit from clients; for the rest of the receivables, the Company did not hold any collateral or other credit enhancements for these balances.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	<u>No Sign of Default by Client</u>		
	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>Total</u>
Expected credit loss rate	0.12%-0.16%	0.47%-1.51%	-
Gross carrying amount	\$ 5,147,882	\$ 219,860	\$ 5,367,742
Loss allowance (Lifetime ECL)	<u>(6,242)</u>	<u>(1,875)</u>	<u>(8,117)</u>
Amortized cost	<u>\$ 5,141,640</u>	<u>\$ 217,985</u>	<u>\$ 5,359,625</u>

VI. Overview of the Company's Financial Status

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

	2018
Balance at January 1, 2018 per IAS 39	\$ 10,094
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	10,094
Less: Amounts written off	(998)
Less: Net remeasurement of loss allowance	<u>(979)</u>
 Balance at December 31, 2018	 <u>\$ 8,117</u>

2017

The Company applied the same credit policy in 2018 and 2017.

The aging of receivables was as follows:

	December 31, 2017
Less than and including 90 days	\$ 6,828,492
91-180 days	-
181-365 days	-
Over 365 days	<u>-</u>
	<u>\$ 6,828,492</u>

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

The aging of receivables that were not past due.

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ -	\$ 9,808	\$ 9,808
Add: Impairment losses recognized on receivables	-	1,446	1,446
Less: Amounts written off as uncollectable	<u>-</u>	<u>(1,160)</u>	<u>(1,160)</u>
 Balance at December 31, 2017	 <u>\$ -</u>	 <u>\$ 10,094</u>	 <u>\$ 10,094</u>

14. SHIPPING FUEL

	December 31	
	2018	2017
Shipping fuel	<u>\$ 3,408,746</u>	<u>\$ 2,357,123</u>

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2018 and 2017, was \$20,779,392 thousand and \$15,206,197 thousand, respectively.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2018 and 2017 included shipping fuel write-downs of \$98,349 thousand and reversals of write-downs of \$251,497 thousand, respectively. Previous write-downs were reversed as a result of increased profit from marine operations.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Investments in subsidiaries	\$ 11,752,026	\$ 12,865,461
Investments in associates	<u>6,206,961</u>	<u>6,263,537</u>
	<u>\$ 17,958,987</u>	<u>\$ 19,128,998</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Unlisted shares		
Yang Ming Shipping (B.V.I.) Inc.	\$ 3,138,527	\$ 3,550,194
Yang Ming Line (Singapore) Pte Ltd.	2,272,087	2,049,380
Yang Ming Line Holding Co.	1,997,780	1,795,553
Kuang Ming Shipping Corp.	1,701,808	2,255,782
Ching Ming Investment Corp.	1,057,131	1,088,433
Yang Ming (Liberia) Corp.	642,263	725,736
Yes Logistics Corp.	494,887	460,371
All Oceans Transportation Inc.	202,016	689,256
Jing Ming Transportation Co., Ltd.	126,107	123,891
Honming Terminal & Stevedoring Co., Ltd.	<u>119,420</u>	<u>126,865</u>
	<u>\$ 11,752,026</u>	<u>\$ 12,865,461</u>

	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31</u>	
Name of Subsidiaries	<u>2018</u>	<u>2017</u>
Yang Ming Shipping (B.V.I.) Inc.	100.00%	100.00%
Yang Ming Line (Singapore) Pte Ltd.	100.00%	100.00%
Yang Ming Line Holding Co.	100.00%	100.00%
Kuang Ming Shipping Corp. (Note a)	98.52%	98.52%
Ching Ming Investment Corp.	100.00%	100.00%
Yang Ming (Liberia) Corp. (Note b)	100.00%	100.00%
Yes Logistics Corp.	50.00%	50.00%
All Oceans Transportation Inc.	100.00%	100.00%
Jing Ming Transportation Co., Ltd.	50.98%	50.98%
Honming Terminal & Stevedoring Co., Ltd.	79.17%	79.17%

VI. Overview of the Company's Financial Status

Note a: The Company'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 Company 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 Company's board of directors resolved in September 2017 to apply for the capital increase by cash of Kuang Ming on November 10, 2017. The Company 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 Company's board of directors resolved in November 2018 to liquidate Yang Ming (Liberia) Corp. (Yang Ming-Liberia) in February 2019.

Refer to Note 2 for the amount of investments in subsidiaries which were pledged for the Company's endorsement and guarantee.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been audited.

b. Investment in associates

	December 31	
	2018	2017
Associates that are not individually material		
Kao Ming Container Terminal Corp.	\$ 5,987,984	\$ 6,100,423
Yunn Wang Investment Co., Ltd.	115,002	102,431
Taiwan Foundation International Pte. Ltd. (Note a)	103,975	-
Transyang Shipping Pte. Ltd. (Note b)	-	60,683
	\$ 6,206,961	\$ 6,263,537

Note a: The Company's board of directors resolved to establish Taiwan Foundation International Pte. Ltd. in August 2018 and had registered in October 2018.

Note b: The Company'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.

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 Company's share of:		
Net gain for the year	\$ 10,347	\$ 54,845
Other comprehensive income	11,600	21,853
Total comprehensive loss for the year	\$ 21,947	\$ 76,698

Except for 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. Investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited in 2017. 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Total
<u>Cost</u>								
Balance at January 1, 2017	\$ 343,210	\$ 773,258	\$ 22,015,480	\$ 28,170,429	\$ 2,732,756	\$ 146,272	\$ 2,331,975	\$ 56,513,380
Additions	-	-	-	248,982	-	-	23,699	272,681
Disposals	-	-	(333,917)	(134,158)	-	-	(15,025)	(483,100)
Reclassification	-	-	-	28,966	-	-	6,159	35,125
Balance at December 31, 2017	<u>\$ 343,210</u>	<u>\$ 773,258</u>	<u>\$ 21,681,563</u>	<u>\$ 28,314,219</u>	<u>\$ 2,732,756</u>	<u>\$ 146,272</u>	<u>\$ 2,346,808</u>	<u>\$ 56,338,086</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	\$ -	\$ 265,251	\$ 9,565,105	\$ 5,030,302	\$ 2,564,300	\$ 146,272	\$ 1,870,517	\$ 19,441,747
Disposals	-	-	(321,223)	(134,158)	-	-	(15,025)	(470,406)
Depreciation expenses	-	16,378	1,334,884	1,197,940	79,037	-	105,947	2,734,186
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 281,629</u>	<u>\$ 10,578,766</u>	<u>\$ 6,094,084</u>	<u>\$ 2,643,337</u>	<u>\$ 146,272</u>	<u>\$ 1,961,439</u>	<u>\$ 21,705,527</u>
Carrying amount at December 31, 2017	<u>\$ 343,210</u>	<u>\$ 491,629</u>	<u>\$ 11,102,797</u>	<u>\$ 22,220,135</u>	<u>\$ 89,419</u>	<u>\$ -</u>	<u>\$ 385,369</u>	<u>\$ 34,632,559</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 343,210	\$ 773,258	\$ 21,681,563	\$ 28,314,219	\$ 2,732,756	\$ 146,272	\$ 2,346,808	\$ 56,338,086
Additions	-	-	2,739,802	53,163	-	-	26,472	2,819,437
Disposals	-	-	(1,022,931)	(32,000)	(73)	-	(119,611)	(1,174,615)
Reclassification	-	-	-	3,442	-	-	8,760	12,202
Balance at December 31, 2018	<u>\$ 343,210</u>	<u>\$ 773,258</u>	<u>\$ 23,398,434</u>	<u>\$ 28,338,824</u>	<u>\$ 2,732,683</u>	<u>\$ 146,272</u>	<u>\$ 2,262,429</u>	<u>\$ 57,995,110</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ -	\$ 281,629	\$ 10,578,766	\$ 6,094,084	\$ 2,643,337	\$ 146,272	\$ 1,961,439	\$ 21,705,527
Disposals	-	-	(920,454)	(32,000)	(73)	-	(117,976)	(1,070,503)
Depreciation expenses	-	15,040	1,440,869	1,198,846	76,643	-	91,534	2,822,932
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 296,669</u>	<u>\$ 11,099,181</u>	<u>\$ 7,260,930</u>	<u>\$ 2,719,907</u>	<u>\$ 146,272</u>	<u>\$ 1,934,997</u>	<u>\$ 23,457,956</u>
Carrying amount at December 31, 2018	<u>\$ 343,210</u>	<u>\$ 476,589</u>	<u>\$ 12,299,253</u>	<u>\$ 21,077,894</u>	<u>\$ 12,776</u>	<u>\$ -</u>	<u>\$ 327,432</u>	<u>\$ 34,537,154</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 Company's property, plant and equipment pledged as collaterals for the secured loans is set out in Note 36.

17. INVESTMENT PROPERTIES

	Completed Investment Property
Balance at January 1, 2017	\$ 6,635,170
Additions	5,476
Donations	1,542
Gain on change in fair value of investment properties	<u>89,491</u>
Balance at December 31, 2017	6,731,679
Additions	5,915
Loss on change in fair value of investment properties	<u>(17,289)</u>
 Balance at December 31, 2018	 <u>\$ 6,720,305</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	\$ 83,753	\$ 87,663
Later than 1 year and not later than 5 years	101,348	168,496
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 185,101</u>	<u>\$ 256,159</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 \$90,234 thousand and \$89,948 thousand, respectively.

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

	December 31	
	2018	2017
Independent valuation	<u>\$ 6,720,305</u>	<u>\$ 6,731,679</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 Company'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	\$ 5,731,313	\$ 597,382	\$ 6,635,170
Recognized in profit or loss (gain arising from the change in fair value of investment property)	13,131	91,983	(15,623)	89,491
Purchases	5,476	-	-	5,476
Donations	-	-	1,542	1,542
Balance at December 31, 2017	<u>325,082</u>	<u>5,823,296</u>	<u>583,301</u>	<u>6,731,679</u>
Recognized in profit or loss (gain arising from the change in fair value of investment property)	(3,653)	(15,858)	2,222	(17,289)
Purchases	<u>5,153</u>	<u>762</u>	<u>-</u>	<u>5,915</u>
Balance at December 31, 2018	<u>\$ 326,582</u>	<u>\$ 5,808,200</u>	<u>\$ 585,523</u>	<u>\$ 6,720,305</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>\$ (15,858)</u>	<u>\$ 2,222</u>	<u>\$ (17,289)</u>
2017	<u>\$ 13,131</u>	<u>\$ 91,983</u>	<u>\$ (15,623)</u>	<u>\$ 89,491</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.

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Expected future cash inflows	\$ 5,857,431	\$ 6,592,466
Expected future cash outflows	<u>(465,612)</u>	<u>(573,033)</u>
Expected future cash inflows, net	<u>\$ 5,391,819</u>	<u>\$ 6,019,433</u>
Discount rate	3.845%	3.845%

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 Company'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.

VI. Overview of the Company's Financial Status

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%.

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 Company's investment property was held under freehold interests.

The carrying amount of investment properties pledged by the Company to secure borrowings granted to the Company, were reflected in Note 36.

18. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current asset (included in prepayments)	\$ 31,572	\$ 31,572
Non-current asset	<u>473,417</u>	<u>504,989</u>
	<u>\$ 504,989</u>	<u>\$ 536,561</u>

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.

19. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2018	2017
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 2,000,000	\$ 1,500,000
Loans from related parties (Note 35)	<u>1,000,000</u>	<u>1,500,000</u>
	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

- 1) The range of weighted average effective interest rate on credit borrowings was 1.40%-1.55% and 1.55% per annum as of December 31, 2018 and 2017, respectively.
- 2) Loans from related parties of the Company were the amounts repayable to government-related entities. Interest rate was 1.48%-1.56% and 1.35%-1.56% per annum as of December 31, 2018 and 2017.

b. Short-term bills payable

	<u>December 31</u>	
	2018	2017
Commercial paper	\$ 9,328,000	\$ 7,128,000
Less: Unamortized discount on bills payable	<u>25,177</u>	<u>15,676</u>
	<u>\$ 9,302,823</u>	<u>\$ 7,112,324</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

	<u>December 31</u>	
	2018	2017
Secured borrowings (Note 36)		
Secured bank loans	\$ 4,313,200	\$ 5,971,500
Loans from related parties (Note 35)	11,714,263	13,735,756
Others borrowings	<u>756,686</u>	<u>891,862</u>
	<u>16,784,149</u>	<u>20,599,118</u>
Unsecured borrowings		
Line of credit borrowings	10,333,325	9,746,418
Loans from related parties (Note 35)	<u>6,550,000</u>	<u>5,990,000</u>
	<u>16,883,325</u>	<u>15,736,418</u>
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>
	44,953,172	40,332,263
Less: Current portion	<u>4,623,009</u>	<u>11,198,470</u>
Long-term borrowings	<u>\$ 40,330,163</u>	<u>\$ 29,133,793</u>

VI. Overview of the Company's Financial Status

Secured borrowings

1) Secured bank loans

The secured bank loans of the Company will be repaid in New Taiwan dollars. The loans are repayable in installment at varying amounts before February 23, 2024. Interest rates were 1.44%-1.79% and 1.44%-2.00% on December 31, 2018 and 2017, respectively. The Company's ships, investment properties, stocks and containers are pledged as collaterals for the secured loans.

2) Loans from related parties

The Company's loans from related parties are borrowings repaid in New Taiwan dollars from government-related entities. Interest rates were 1.32%-1.90% on December 31, 2018 and 2017, respectively. The loans are repayable in installment at varying amounts before April 24, 2026. The Company'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 4.00% on December 31, 2018 and 2017. The loans are repayable in installment at varying amounts before March 25, 2022. The Company's containers and cash in bank are pledged as collateral for the secured loans.

Unsecured borrowings

1) Line of credit borrowings

The Company's unsecured bank loans will be repaid in New Taiwan dollars in one-lump sum payment at maturity and repaid in installments every month. The loans are expected to be fully repaid before August 9, 2021. Interest rates were 1.31%-2.50% and 1.25%-2.50% on December 31, 2018 and 2017, respectively.

2) Loans from related parties

The Company's loans from related parties are borrowings repaid in New Taiwan 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%-1.76% and 1.40%-1.76% on December 31, 2018 and 2017, respectively.

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.

20. 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>

VI. Overview of the Company's Financial Status

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 24).

According to performance guarantee agreements, the required financial ratios calculated on the basis of annual 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.
----------------------------------	---

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.

The 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 10 days before the due date, into YMTC's common shares at the prevailing conversion price;
- 3) Reselling to YMTC by the holders before maturity.
- 4) Redemption by YMTC, under certain conditions, at face value before bond maturity.
- 5) Repurchase and write-off by YMTC from securities dealer office.

VI. Overview of the Company's Financial Status

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
	Bond	Financial Liability	Component Option
January 1, 2017	\$ 145,589	\$ -	\$ 11,437
Interest charged using effective interest rate method	2,515	-	-
December 31, 2017	\$ 148,104	\$ -	\$ 11,437
January 1, 2018	\$ 148,104	\$ -	\$ 11,437
Interest charged using effective interest rate method	630	-	-
Redeemed on convertible bonds	(149,200)	-	(11,437)
Loss on purchase bonds payable	466	-	-
December 31, 2018	\$ -	\$ -	\$ -

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:

	Liability Component		Equity
	Bond	Financial Liability	Component Option
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	-
	-	1,535	-
December 31, 2018	\$ 7,276,968	\$ 16,887	\$ 308,765

21. TRADE PAYABLES

	December 31	
	2018	2017
<u>Trade payables - operating</u>		
Trade payables - non-related parties	\$ 10,018,091	\$ 8,966,559
Trade payables - related parties	3,153,913	3,463,476
	\$ 13,172,004	\$ 12,430,035
Payable for cost of voyage in sailing	\$ 9,919,325	\$ 9,259,410
Payable for fuel	2,979,487	2,348,176
Payable for space hire	273,192	822,449
	\$ 13,172,004	\$ 12,430,035

22. FINANCE LEASE PAYABLES

	December 31, 2017
<u>Minimum lease payments</u>	
Not later than 1 year	\$ 41,163
Later than 1 year and not later than 5 years	-
Later than 5 years	-
	41,163
Less: Future finance charges	481
Present value of minimum lease payments	<u>\$ 40,682</u>
<u>Present value of minimum lease payments</u>	
Not later than 1 year	\$ 40,682
Later than 1 year and not later than 5 years	-
Later than 5 years	-
	<u>\$ 40,682</u>
Current (included in current portion of long-term liabilities)	\$ 40,682
Non-current	-
	<u>\$ 40,682</u>

YMTC leases containers under capital lease agreements. The terms of the leases were from nine years to ten years for containers. The annual rent payable on leased containers under the agreements is US\$4,337 thousand. YMTC has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US\$1 per unit. The lease contract has expired in 2018.

Interest rates was 0.22%-6.20% for the year ended December 31, 2017.

23. OTHER PAYABLES

	December 31	
	2018	2017
Payable for container lease	\$ 1,096,328	\$ 940,365
Payable for salary and bonus	10,179	60,924
Payable for interest expenses	62,625	68,267
Payable for equipment M&R expenses	89,800	103,312
Payable for annual leave	139,320	137,684
Payable for vessel charter hire	57,324	25,259
Payable for purchases of equipment	-	12,332
Others	457,367	465,941
	<u>\$ 1,912,943</u>	<u>\$ 1,814,084</u>

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Cost of issuance of bonds (Note 20,a)	<u>\$ 13,896</u>	<u>\$ 66,462</u>
Current (included in current portion of long-term liabilities)	\$ 13,896	\$ 52,566
Non-current	<u>-</u>	<u>13,896</u>
	<u>\$ 13,896</u>	<u>\$ 66,462</u>

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

YMTC 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 Company 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 Company makes monthly contributions to the employees' account together with salaries.

b. Defined benefit plans

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 Company 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 Company 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 Company 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.

VI. Overview of the Company's Financial Status

The Company, 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 balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 3,051,841	\$ 2,816,940
Fair value of plan assets	<u>(698,918)</u>	<u>(685,489)</u>
Net defined benefit liability	<u>\$ 2,352,923</u>	<u>\$ 2,131,451</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	<u>\$ 2,658,932</u>	<u>\$ (713,205)</u>	<u>\$ 1,945,727</u>
Current service cost	92,956	-	92,956
Net interest expense (income)	<u>39,377</u>	<u>(10,884)</u>	<u>28,493</u>
Recognized in profit or loss	<u>132,333</u>	<u>(10,884)</u>	<u>121,449</u>
Remeasurement			
Return on plan assets	-	3,937	3,937
Actuarial loss - changes in financial assumptions	74,978	-	74,978
Actuarial loss - experience adjustments	<u>152,737</u>	<u>-</u>	<u>152,737</u>
Recognized in other comprehensive income	<u>227,715</u>	<u>3,937</u>	<u>231,652</u>
Contributions from the employer	-	(18,787)	(18,787)
Benefits paid	<u>(202,040)</u>	<u>53,450</u>	<u>(148,590)</u>
Balance at December 31, 2017	<u>2,816,940</u>	<u>(685,489)</u>	<u>2,131,451</u>
Current service cost	86,077	-	86,077
Net interest expense (income)	<u>34,798</u>	<u>(8,419)</u>	<u>26,379</u>
Recognized in profit or loss	<u>120,875</u>	<u>(8,419)</u>	<u>112,456</u>
Remeasurement			
Return on plan assets	-	(20,252)	(20,252)
Actuarial loss - changes in financial assumptions	-	-	-
Actuarial loss - experience adjustments	<u>230,105</u>	<u>-</u>	<u>230,105</u>
Recognized in other comprehensive income	<u>230,105</u>	<u>(20,252)</u>	<u>209,853</u>
Contributions from the employer	-	(28,163)	(28,163)
Benefits paid	<u>(116,079)</u>	<u>43,405</u>	<u>(72,674)</u>
Balance at December 31, 2018	<u>\$ 3,051,841</u>	<u>\$ (698,918)</u>	<u>\$ 2,352,923</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Current service cost	\$ 86,077	\$ 92,956
Net interest expense	26,379	26,379
Less: Other receivables - related	<u>(28,289)</u>	<u>(30,806)</u>
	<u>\$ 84,167</u>	<u>\$ 90,643</u>
 An analysis by function		
Operating costs	\$ 39,658	\$ 43,390
Selling and marketing expenses	36,478	36,385
General and administrative expenses	<u>8,031</u>	<u>10,868</u>
	<u>\$ 84,167</u>	<u>\$ 90,643</u>

Through the defined benefit plans under the Labor Standards Law, the Company 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:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Discount rates	1.25%	1.25%
Expected rates of salary increase	2.50%	2.50%

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:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Discount rates		
0.50% increase	<u>\$ (153,528)</u>	<u>\$ (146,763)</u>
0.50% decrease	<u>\$ 167,319</u>	<u>\$ 160,121</u>

(Continued)

VI. Overview of the Company's Financial Status

	December 31	
	2018	2017
Expected rates of salary increase		
0.50% increase	<u>\$ 164,348</u>	<u>\$ 157,265</u>
0.50% decrease	<u>\$ (152,435)</u>	<u>\$ (145,707)</u>
		(Concluded)

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>\$ 28,868</u>	<u>\$ 19,257</u>
The average duration of the defined benefit obligation	11 years	11 years

- c. In an effort to encourage employee retirement, hence improve the human resource structure and enhance vitality within organization, the Company calculates favorable retirement benefits according to the retirement policies. The Company recognized pension cost of \$5,315 thousand and \$13,759 thousand for the years ended December 31, 2018 and 2017, respectively.

26. 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.

VI. Overview of the Company's Financial Status

b. Capital surplus

	December 31	
	2018	2017
<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 28(g).

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

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

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

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.

VI. Overview of the Company's Financial Status

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	1,260	-
Other comprehensive income recognized for the year	178,191	(525,579)
Balance at December 31	\$ 92,350	\$ (85,841)

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	304,422
Share from subsidiaries and associates accounted for using the equity method	21,888
Reclassification adjustment	
Disposal of available-for-sale financial assets	(161)
Other comprehensive income recognized for the year	326,149
Balance at December 31, 2017	\$ (1,117,182)
Balance at December 31, 2018 (IAS 39)	\$ (1,117,182)
Adjustment on initial application of IFRS 9	1,117,182
Balance at January 1, 2018 (IFRS 39)	\$ -

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	(1,201,784)
Balance at January 1 per IFRS 9	(1,201,784)
Recognized for the year	
Unrealized gain	
Equity instruments	86,868
Share from associates accounted for using the equity method	12,134
Related income tax	251
Other comprehensive income recognized for the year	99,253
Balance at December 31	\$ (1,102,531)

27. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Cargo revenue	\$ 109,017,463	\$ 102,227,323
Rental income		
Rental revenue on vessel	1,164,351	1,286,342
Slottage revenue	790,819	276,131
Other operating revenue		
Agency revenue	187,459	201,114
Other operating revenue	<u>8,280,173</u>	<u>6,467,859</u>
	<u>\$ 119,440,265</u>	<u>\$ 110,458,769</u>

a. Contact balances

	December 31, 2018
Trade receivables (Note 13)	<u>\$ 5,359,625</u>
Contract assets	
Cargo revenue	\$ 3,087,613
Less: Allowance for impairment loss	<u>(3,790)</u>
Contract assets	<u>\$ 3,083,823</u>
Contract liabilities - current	
Other advance account	<u>\$ 41,439</u>

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

The amount of recognition of expected credit loss on contract assets was 3,790 thousand for the year ended December 31, 2018. For information of recognition of expected credit loss on contract assets, refer to Note 13.

b. Disaggregation of revenue

Revenue from contracts with customers mainly comes from the containership department.

VI. Overview of the Company's Financial Status

28. NET PROFIT (LOSS)

Net profit (loss) included items below:

a. Other operating income and expenses

	For the Year Ended December 31	
	2018	2017
Gain on disposal and retirement of property, plant and equipment	\$ 304,001	\$ 193,952
Reimbursement income	<u>66,712</u>	<u>63,496</u>
	<u>\$ 370,713</u>	<u>\$ 257,448</u>

b. Other income

	For the Year Ended December 31	
	2018	2017
Rental income	\$ 93,025	\$ 91,374
Interest income		
Long-term receivables - related	381,155	424,178
Bank deposits	48,149	29,909
Short-term bills	570	781
Others	18,493	27,976
Dividends	<u>50,237</u>	<u>614</u>
	<u>\$ 591,629</u>	<u>\$ 574,832</u>

c. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	\$ -	\$ 161
Net foreign exchange gains	242,285	450,460
Fair value changes of financial assets and financial liabilities		
Financial assets held for trading	-	18,360
Financial assets mandatorily classified as at FVTPL	15,171	-
Financial liabilities designated as at FVTPL	(22,108)	-
(Loss) gain on change in fair value of investment properties	(17,289)	89,491
Others	<u>(85,590)</u>	<u>85,105</u>
	<u>\$ 132,469</u>	<u>\$ 643,577</u>

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ 577,620	\$ 645,427
Interest on obligations under finance leases	539	5,889
Interest on bonds	318,632	331,766
Other interest expenses	<u>191,850</u>	<u>172,736</u>
	<u>\$ 1,088,641</u>	<u>\$ 1,155,818</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 2,822,932	\$ 2,734,186
Intangible assets	<u>18,815</u>	<u>26,707</u>
	<u>\$ 2,841,747</u>	<u>\$ 2,760,893</u>
An analysis of depreciation by function		
Operating costs	\$ 2,769,573	\$ 2,675,113
Operating expenses	<u>53,359</u>	<u>59,073</u>
	<u>\$ 2,822,932</u>	<u>\$ 2,734,186</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>18,815</u>	<u>26,707</u>
	<u>\$ 18,815</u>	<u>\$ 26,707</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	\$ 61,658	\$ 59,188
Defined benefit plans (Note 25)	<u>84,167</u>	<u>90,643</u>
	<u>145,825</u>	<u>149,831</u>
Termination benefits	3,093	13,759
Other employee benefits	<u>2,052,059</u>	<u>2,086,023</u>
Total employee benefits expense	<u>\$ 2,200,977</u>	<u>\$ 2,249,613</u>
An analysis of employee benefits by function		
Operating costs	\$ 941,454	\$ 959,861
Operating expenses	<u>1,259,523</u>	<u>1,289,752</u>
	<u>\$ 2,200,977</u>	<u>\$ 2,249,613</u>

VI. Overview of the Company's Financial Status

Function Nature	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries	\$ 765,321	\$ 859,704	\$ 1,625,025	\$ 771,884	\$ 779,035	\$ 1,550,919
Bonuses	20,764	92,647	113,411	22,560	216,317	238,877
Remuneration of directors	-	2,753	2,753	-	2,786	2,786
Post-employment benefits	68,272	77,553	145,825	72,283	77,548	149,831
Termination benefits	725	2,368	3,093	920	12,839	13,759
Labor and health insurance costs	47,926	95,698	143,624	46,149	93,930	140,079
Others	<u>38,446</u>	<u>128,800</u>	<u>167,246</u>	<u>46,065</u>	<u>107,297</u>	<u>153,362</u>
	<u>\$ 941,454</u>	<u>\$ 1,259,523</u>	<u>\$ 2,200,977</u>	<u>\$ 959,861</u>	<u>\$ 1,289,752</u>	<u>\$ 2,249,613</u>

As of December 31, 2018 and 2017, the number of employees of the company was 1,693 and 1,655, respectively. The number of directors who did not have concurrent employees was 9 and 8, respectively. The calculation basis was the same as the employee benefits expense.

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.

29. INCOME TAXES

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Current tax		
In respect of the current year	\$ 177,124	\$ 140,459
Adjustments for prior years	<u>-</u>	<u>(4,540)</u>
	<u>177,124</u>	<u>135,919</u>
Deferred tax		
In respect of the current year	(714,358)	(256,463)
Adjustments for prior years	2,888	14,309
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(522,626)</u>	<u>-</u>
	<u>(1,234,096)</u>	<u>(242,154)</u>
Income tax benefit recognized in profit or loss	<u>\$ (1,056,972)</u>	<u>\$ (106,235)</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>\$ (7,647,927)</u>	<u>\$ 214,614</u>
Tax expense (benefit) calculated at the statutory rate (20% and 17% in 2018 and 2017, respectively)	\$ (1,529,585)	\$ 36,484
Nondeductible expenses in determining taxable income	17,413	8,058
Tax-exempt income	103,482	98,264
Unrecognized loss carryforwards and deductible temporary differences	677,538	397,854
Offshore income tax	177,124	140,460
Reduction of capital on the subsidiaries to offset deficits	-	(799,228)
Effect of tax rate changes	(522,626)	-
Adjustments for prior years' tax	-	(4,540)
Others	<u>19,682</u>	<u>16,413</u>
Income tax benefit recognized in profit or loss	<u>\$ (1,056,972)</u>	<u>\$ (106,235)</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%.

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

	For the Year Ended December 31	
	2018	2017
<u>Deferred tax</u>		
Change in tax rate	\$ (15,918)	\$ -
In respect of the current year:		
Translation of foreign operations	(3,282)	(36,881)
Remeasurement on defined benefit plan	<u>(41,971)</u>	<u>(39,381)</u>
	<u>\$ (61,171)</u>	<u>\$ (76,262)</u>

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 11,734</u>	<u>\$ 30,817</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ -</u>

VI. Overview of the Company's Financial Status

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)	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	5,369	(5,276)	-	93
Defined benefit plan	334,383	45,008	58,938	438,329
Payable for annual leave	23,406	4,458	-	27,864
Unrealized loss on voyage in sailing	8,676	2,796	-	11,472
Others	<u>13,442</u>	<u>6,793</u>	<u>-</u>	<u>20,235</u>
	<u>\$ 3,952,165</u>	<u>\$ 1,201,926</u>	<u>\$ 58,938</u>	<u>\$ 5,213,029</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Investment gain on investments accounted for using equity method	\$ 818,612	\$ 6,746	\$ -	\$ 825,358
Reserve for land value increment tax	665,337	(8,379)	-	656,958
Investment properties	15,006	3,032	-	18,038
Property, plant and equipment	65,066	(37,642)	-	27,424
Exchange differences on translating foreign operations	5,945	-	(2,233)	3,712
Others	<u>60,848</u>	<u>4,073</u>	<u>-</u>	<u>64,921</u>
	<u>\$ 1,630,814</u>	<u>\$ (32,170)</u>	<u>\$ (2,233)</u>	<u>\$ 1,596,411</u>

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Tax losses	\$ 3,198,319	\$ 362,868	\$ -	\$ 3,561,187
Temporary differences				
Unrealized shipping fuel valuation losses	48,457	(42,755)	-	5,702
Investment loss on investments accounted for using equity method	3,754	1,615	-	5,369
Defined benefit plan	292,478	2,524	39,381	334,383
Payable for annual leave	17,797	5,609	-	23,406
Unrealized loss on voyage in sailing	34,979	(26,303)	-	8,676
Others	<u>13,489</u>	<u>(47)</u>	<u>-</u>	<u>13,442</u>
	<u>\$ 3,609,273</u>	<u>\$ 303,511</u>	<u>\$ 39,381</u>	<u>\$ 3,952,165</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Investment gain on investments accounted for using equity method	\$ 742,320	\$ 76,292	\$ -	\$ 818,612
Reserve for land value increment tax	701,948	(36,611)	-	665,337
Investment properties	11,051	3,955	-	15,006
Property, plant and equipment	50,995	14,071	-	65,066
Exchange differences on translating foreign operations	42,826	-	(36,881)	5,945
Others	57,198	3,650	-	60,848
	<u>\$ 1,606,338</u>	<u>\$ 61,357</u>	<u>\$ (36,881)</u>	<u>\$ 1,630,814</u>

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

	December 31	
	2018	2017
Loss carryforwards		
Expire in 2019	\$ 263,188	\$ 771,391
Expire in 2021	6,079,861	9,187,088
Expire in 2022	147,692	2,470,428
Expire in 2023	4,216,570	7,692,031
Expire in 2025	-	947,415
Expire in 2026	10,145,673	-
Expire in 2027	1,062,982	-
Expire in 2028	2,540,079	-
	<u>\$ 24,456,045</u>	<u>\$ 21,068,353</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
9,187,088	2021
2,470,428	2022
7,692,031	2023
4,393,098	2025
12,831,315	2026
4,538,443	2027
<u>6,015,540</u>	2028
<u>\$ 47,899,334</u>	

- g. Income tax assessments

The income tax returns through 2016, have been assessed by the tax authorities.

VI. Overview of the Company's Financial Status

30. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	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

	For the Year Ended December 31	
	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	-	-
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.

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. On May 2018, the Company 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 Company 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>

32. OPERATING LEASE ARRANGEMENTS

- a. The Company as lessee

The Company 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 \$24,615,077 thousand and \$21,823,986 thousand, respectively. The rentals are paid monthly or quarterly, and the Company has deposited \$311,056 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	\$ 20,571,251	\$ 23,124,529
Later than 1 year and not later than 5 years	64,559,235	55,869,626
Later than 5 years	<u>42,427,108</u>	<u>27,436,830</u>
	<u>\$ 127,557,594</u>	<u>\$ 106,430,985</u>

VI. Overview of the Company's Financial Status

b. The Company as lessor

1) Vessels

The Company 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	\$ 94,844	\$ 125,316
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	\$ 94,844	\$ 125,316

2) Investment properties

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

33. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (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)	\$ 96,928,188	\$ 83,415,302
Cash and cash equivalents	(12,444,370)	(7,433,684)
Net debt	\$ 84,483,818	\$ 75,981,618
Equity (b)	\$ 19,828,008	\$ 26,033,565
Net debt to equity ration	426.08%	291.86%

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 and other equity, of the Company that are managed as capital.

34. 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	<u>7,276,968</u>	<u>-</u>	<u>7,399,948</u>	<u>-</u>	<u>7,399,948</u>
	<u>\$ 19,185,343</u>	<u>\$ -</u>	<u>\$ 19,278,459</u>	<u>\$ 185,577</u>	<u>\$ 19,464,036</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>40,682</u>	<u>-</u>	<u>40,682</u>	<u>-</u>	<u>40,682</u>
	<u>\$ 13,410,382</u>	<u>\$ -</u>	<u>\$ 13,257,315</u>	<u>\$ 404,602</u>	<u>\$ 13,661,917</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.

VI. Overview of the Company's Financial Status

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				
Mutual funds	\$ <u>70</u>	\$ -	\$ -	\$ <u>70</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>350,898</u>	<u>350,898</u>
	<u>\$ 1,344,407</u>	<u>\$ -</u>	<u>\$ 350,898</u>	<u>\$ 1,695,305</u>
Financial liabilities at FVTPL				
Derivatives				
Put option of bond	\$ -	\$ -	\$ 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	\$ <u>71</u>	\$ -	\$ -	\$ <u>71</u>
Available-for-sale financial assets				
Domestic quoted shares	<u>\$ 1,174,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,174,587</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

	Equity Instruments
<u>Financial assets at FVTOCI</u>	
Balance at January 1, 2018 under IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>433,850</u>
Balance at January 1, 2018 under IFRS 9	433,850
Unrealized gain/(loss) on financial assets at FVTOCI	<u>(82,952)</u>
Balance at December 31, 2018	<u>\$ 350,898</u>
Recognized in other gains and losses - unrealized	<u>\$ (99,253)</u>

	<u>Derivatives</u>		
	<u>Oil Swap and Oil Swap Options</u>	<u>Repurchase on Bonds Payable</u>	<u>Total</u>
<u>Financial liabilities</u>			
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	-	-	-
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 Oil Swap and Oil Swap 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
Reclassification	-
Purchases	-
Disposals/settlements	(7,463)
Transfers out of Level 3	-
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 the 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 way to determine the value of a target company by assessing the total value of individual assets and liabilities, based on liquidity reduction.

VI. Overview of the Company's Financial Status

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
FVTPL		
Held for trading	\$ -	\$ 71
Mandatorily classified as at FVTPL	70	-
Loans and receivables (1)	-	38,645,459
Available-for-sale financial assets (2)	-	1,651,775
Financial assets at amortized cost (3)	41,157,264	-
Financial assets at FVTOCI		
Equity instruments	1,695,305	-
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	37,460	-
Amortized cost (4)	91,634,630	78,178,255

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade receivables (including related parties), other receivables (including related parties), debt investments with no active market, restricted bank balance (included in other non-current assets) and long-term receivables - related parties.
- 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, restricted bank balance, trade receivables (including related parties) and other receivables (including related parties).
- 4) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term notes payable, trade payables (including related parties), other payables, bonds payable and other financial liabilities.

d. Financial risk management objectives and policies

The Company'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 Company'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 Company 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 Company'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 Company'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 Company 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 Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operations involve foreign currency transactions so the Company is exposed to foreign currency risk. The Company'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 Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 39.

Sensitivity analysis

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

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollars, GBP, RMB, JPY, 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, EUR and HKD. For a 1% weakening of New Taiwan dollars against the U.S. dollars, GBP, RMB, JPY 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	\$ (54,893)	\$ (64,824)
GBP	3,123	459
RMB	(7,144)	5,314
JPY	1,770	187
CAD	(2,233)	(363)
HKD	2,287	1,857

* 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 Company's sensitivity to foreign currency exchange rate during the current period was mainly due to the increase in GBP, JPY and HKD dollars' monetary assets; RMB's monetary assets decrease and the monetary liabilities were greater than the relevant currency liabilities, and the CAD's monetary liabilities were greater than the relevant currency liabilities.

VI. Overview of the Company's Financial Status

b) Interest rate risk

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

The carrying amount of the Company'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	\$ 2,624,739	\$ 1,306,338
Financial liabilities	32,244,852	24,984,569
Cash flow interest rate risk		
Financial assets	9,484,207	5,773,277
Financial liabilities	44,196,486	38,893,983

Sensitivity analysis

The sensitivity analyses below were determined based on the Company'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 Company's pre-tax profit for the year ended December 31, 2018 would decrease/increase by \$34,712 thousand, which was mainly attributable to the Company'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 Company's pre-tax profit for the year ended December 31, 2017 would decrease/increase by \$33,121 thousand, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings, other financial liabilities and variable-rate financial assets.

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

c) Other price risk

The Company 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 Company 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, the other comprehensive income for the years ended December 31, 2018 would increase/decrease by \$84,765 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, 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 \$4 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 \$4 thousand, as a result of the changes in fair value of held-for-trading investments.

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 Company'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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company 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 Company.

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

The Company 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 Company 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.

VI. Overview of the Company's Financial Status

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized bank loans facilities \$4,012,268 thousand and \$5,077,323 thousand, respectively.

a) Liquidity and interest risk rate tables

The following table details the Company'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 Company 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	\$ 15,342,791	\$ 50,867	\$ -
Variable interest rate liabilities	5,133,706	40,325,838	253,852
Fixed interest rate liabilities	24,590,132	14,276,404	-
Financial guarantee liabilities	<u>23,071,194</u>	<u>-</u>	<u>-</u>
	<u>\$ 68,137,823</u>	<u>\$ 54,653,109</u>	<u>\$ 253,852</u>

December 31, 2017

	Less than 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 14,562,576	\$ 50,171	\$ -
Finance lease liabilities	41,163	-	-
Variable interest rate liabilities	11,611,209	23,043,377	5,629,539
Fixed interest rate liabilities	12,196,631	19,667,990	-
Financial guarantee liabilities	<u>22,994,466</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,406,045</u>	<u>\$ 42,761,538</u>	<u>\$ 5,629,539</u>

The amounts included above for financial guarantee contracts were within the limitation the Company can offer to related parties; i.e. the maximum amounts the Company 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 Company held are all settled within one year as of December 31, 2018.

35. 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 19 and 20), concession rights of the Port of Kaohsiung, Taiwan International Ports Corporation Kaohsiung harbor intercontinental container and logistics center (see Note 18) government-related entities who subscribed for the ordinary shares of the Group which were issued for the purpose of a cash injection (see Note 26) and shipbuilding contracts signed with CSBC Corporation (see Note 37).

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 Company's business:

a. Related party name and relationship

Related Party Name	Relationship with the Company
All Oceans Transportation, Inc.	Subsidiaries
Yang Ming (Liberia) Corp.	Subsidiaries
Honming Terminal & Stevedoring Co., Ltd.	Subsidiaries
Jing Ming Transportation Co.	Subsidiaries
Ching Ming Investment Corp.	Subsidiaries
Yang Ming Line (Singapore) Pte. Ltd.	Subsidiaries
Yang Ming Shipping (B.V.I.) Inc.	Subsidiaries
Yang Ming Line (Hong Kong) Ltd.	Subsidiaries
Yang Ming Line (India) Pvt. Ltd.	Subsidiaries
Yang Ming (Korea) Co., Ltd.	Subsidiaries
Young-Carrier Company Ltd.	Subsidiaries
Yang Ming (Japan) Co., Ltd.	Subsidiaries
Manwa & Co., Ltd.	Subsidiaries
Yang Ming (Singapore) Pte. Ltd.	Subsidiaries
Yang Ming Line (M) Sdn. Bhd.	Subsidiaries
Sunbright Insurance Pte. Ltd.	Subsidiaries
Yang Ming Anatolia Shipping Agency S.A.	Subsidiaries
Yang Ming Line Holding Co.	Subsidiaries
Yang Ming (America) Corp.	Subsidiaries
Olympic Container Terminal LLC	Subsidiaries
Triumph Logistics, Inc.	Subsidiaries
Topline Transportation, Inc.	Subsidiaries
Coastal Tarheel Express, Inc.	Subsidiaries
Transcont Intermodal Logistics, Inc.	Subsidiaries
Yang Ming Shipping (Canada) Ltd.	Subsidiaries
Yang Ming Line (B.V.I) Holding Co., Ltd.	Subsidiaries

(Continued)

VI. Overview of the Company's Financial Status

Related Party Name	Relationship with the Company
Yang Ming Line (Belgium) N.V.	Subsidiaries
Yang Ming (Netherlands) B.V	Subsidiaries
Yang Ming Shipping Europe GmbH	Subsidiaries
Yang Ming (Italy) S.p.A	Subsidiaries
Yang Ming (UK) Ltd.	Subsidiaries
Kuang Ming Shipping Corp.	Subsidiaries
Kuang Ming Shipping (Liberia) Corp.	Subsidiaries
YES Logistics Corp.	Subsidiaries
YES Logistics Corp. (USA)	Subsidiaries
Golden Logistics USA Corporation	Subsidiaries
Yang Ming Line (Thailand) Co., Ltd.	Subsidiaries
Yang Ming Shipping (Vietnam) Co., Ltd.	Subsidiaries
Yang Ming (Russia) LLC	Subsidiaries
Yang Ming Shipping Philippines, Inc.	Subsidiaries
Yang Ming (Latin America) Corp.	Subsidiaries
Yang Ming (Spain), S.L.	Subsidiaries
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
LogiTrans Technology Private Limited	Joint ventures
YES LIBERAL Logistics Corp.	Joint ventures
Chang Ming Logistics Company Limited	Joint ventures
Taiwan Navigation Co., Ltd.	Government - related parties
Chunghwa Telecom Co., Ltd.	Government - related parties
Taiwan International Ports Corporation, Ltd.	Government - related parties
Chunghwa Post Co., Ltd.	Government - related parties
Agricultural Bank of Taiwan	Government - related parties
First Commercial Bank	Government - related parties
Mega International Commercial Bank Co., Ltd.	Government - related parties
Chung Kuo Insurance Company, Limited	Government - related parties
Bank of Taiwan	Government - related parties
Land Bank of Taiwan	Government - related parties
The Export-Import Bank of the Republic of China	Government - related parties
Taiwan Cooperative Bank Co., Ltd.	Government - related parties
Taiwan Business Bank Co., Ltd.	Government - related parties
Chang Hwa Bank Ltd.	Government - related parties
Taiwan Power Company	Government - related parties
Taiwan Water Corporation	Government - related parties
China Steel Corporation	Government - related parties
CPC Corporation, Taiwan	Government - related parties
CSBC Corporation, Taiwan	Government - related parties
Hua Nan Commercial Bank, Ltd.	Government - related parties

(Continued)

<u>Related Party Name</u>	<u>Relationship with the Company</u>
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	<u>For the Year Ended December 31</u>	
		2018	2017
Operating revenue	Subsidiaries	\$ 1,739,205	\$ 1,474,560
	Government - related parties	180,771	103,127
	Associates	<u>295</u>	<u>347</u>
		<u>\$ 1,920,271</u>	<u>\$ 1,578,034</u>
Operating cost	Subsidiaries	\$ 10,289,078	\$ 9,983,287
	Associates	2,618,286	3,466,955
	Government - related parties	<u>336,004</u>	<u>268,576</u>
		<u>\$ 13,243,368</u>	<u>\$ 13,718,818</u>
Operating expenses	Government - related parties	\$ 31,033	\$ 41,424
	Other related parties	26,881	29,961
	Subsidiaries	1,117	795
	Joint ventures	<u>47,553</u>	<u>50,641</u>
		<u>\$ 106,584</u>	<u>\$ 122,821</u>

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

VI. Overview of the Company's Financial Status

c. Bank deposits

Bank deposits on reporting period balance were as follows:

Related Party Category/Name	December 31	
	2018	2017
Government - related parties	<u>\$ 5,812,678</u>	<u>\$ 2,356,454</u>

d. Contract assets

Line Item	Related Party Name	For the Year Ended December 31	
		2018	2017
Contract assets	Subsidiaries		
	Young-Carrier Company Limited	\$ 747,124	\$ -
	Others	<u>619,211</u>	<u>-</u>
		1,366,335	-
	Associates	<u>102,841</u>	<u>-</u>
		<u>\$ 1,469,176</u>	<u>\$ -</u>

e. Receivables and payables from related parties

Line Item	Related Party Name	December 31	
		2018	2017
Trade receivables	Subsidiaries		
	Young-Carrier Company Limited	\$ 1,058,285	\$ 1,475,652
	Others	<u>965,077</u>	<u>1,259,137</u>
		2,023,362	2,734,789
	Associates	147,907	223,651
	Government - related parties	<u>-</u>	<u>6,103</u>
		<u>\$ 2,171,269</u>	<u>\$ 2,964,543</u>
Other receivables (included in other current assets)	Subsidiaries		
	Honming Terminal & Stevedoring Co., Ltd.	\$ 77,716	\$ 95,378
	Others	<u>11,815</u>	<u>13,460</u>
		89,531	108,838
	Associates	-	5,468
	Government - related parties	<u>1,450</u>	<u>394</u>
		<u>\$ 90,981</u>	<u>\$ 114,700</u>
Long-term receivables	Subsidiaries		
	All Oceans Transportation, Inc.	\$ 22,731,797	\$ 23,043,414
	Others	<u>-</u>	<u>370,844</u>
		<u>\$ 22,731,797</u>	<u>\$ 23,414,258</u>

(Continued)

Line Item	Related Party Name	December 31	
		2018	2017
Trade payables	Subsidiaries	\$ 2,676,038	\$ 3,021,810
	Associates	468,726	427,560
	Government - related parties	<u>91,149</u>	<u>14,106</u>
		<u>\$ 3,153,913</u>	<u>\$ 3,463,476</u>
Other payables	Subsidiaries	\$ 217,406	\$ 184,635
	Associates	-	87,734
	Government - related parties	<u>40,438</u>	<u>46,088</u>
		<u>\$ 257,844</u>	<u>\$ 318,457</u>

(Concluded)

f. Financial assets at amortized cost

Related Party Name	December 31	
	2018	2017
Subsidiaries		
Kuang Ming Shipping Corp.	<u>\$ 500,000</u>	<u>\$ -</u>

g. Debt investments with no active market

Related Party Name	December 31	
	2018	2017
Subsidiaries		
Kuang Ming Shipping Corp.	<u>\$ -</u>	<u>\$ 800,000</u>

h. Prepayments

Line Item	Related Party Category/Name	December 31	
		2018	2017
Prepayments to shipping agents	Associates		
	Yang Ming Shipping (Egypt) S.A.E	<u>\$ -</u>	<u>\$ 59,496</u>
	Subsidiaries		
	Yang Ming Line (India) Pvt. Ltd.	61,983	57,521
	Others	<u>25</u>	<u>26,403</u>
		<u>62,008</u>	<u>83,924</u>
		<u>\$ 62,008</u>	<u>\$ 143,420</u>
Prepayments	Subsidiaries		
	All Oceans Transportation, Inc.	\$ 58,105	\$ 57,326
	Others	<u>7,095</u>	<u>1,829</u>
		65,200	59,155
	Government - related parties	<u>31,572</u>	<u>31,572</u>
	<u>\$ 96,772</u>	<u>\$ 90,727</u>	

(Continued)

VI. Overview of the Company's Financial Status

Line Item	Related Party Category/Name	December 31	
		2018	2017
Long-term prepayments for lease	Government - related parties Taiwan International Ports Corporation, Ltd.	<u>\$ 473,417</u>	<u>\$ 504,989</u> (Concluded)

i. Bonds payable

Related Party Category/Name	December 31	
	2018	2017
Government - related parties Taiwan International Ports Corporation, Ltd. Others	<u>\$ 4,000,000</u> <u>3,390,000</u> 7,930,000	<u>\$ 4,000,000</u> <u>2,150,000</u> 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.

j. Loans from related parties

Line Item	Related Party Category/Name	December 31	
		2018	2017
Short-term borrowings	Government - related parties Chang Hwa Bank Ltd. First Financial Holding Co., Ltd. Land Bank of Taiwan	<u>\$ 500,000</u> <u>-</u> <u>500,000</u>	<u>\$ 500,000</u> <u>500,000</u> <u>500,000</u>
		<u>\$ 1,000,000</u>	<u>\$ 2,151,400</u>
Long-term borrowings	Secured borrowings	<u>\$ 11,714,263</u>	<u>\$ 13,735,756</u>
Unsecured borrowings	Government - related parties	<u>\$ 6,550,000</u>	<u>\$ 5,990,000</u>

k. Others

Line Item	Related Party Name	For the Year Ended December 31	
		2018	2017
Rental income	Subsidiaries Other related parties Government - related parties	<u>\$ 13,160</u> <u>3,200</u> <u>-</u>	<u>\$ 12,650</u> <u>3,852</u> <u>23</u>
		<u>\$ 16,360</u>	<u>\$ 16,525</u>

(Continued)

Line Item	Related Party Name	For the Year Ended December 31	
		2018	2017
Interest income	Subsidiaries		
	All Oceans Transportation, Inc.	\$ 378,309	\$ 409,693
	Others	<u>20,497</u>	<u>41,255</u>
		398,806	450,948
	Government - related parties	<u>9,589</u>	<u>5,471</u>
	<u>\$ 408,395</u>	<u>\$ 456,419</u>	
Finance cost	Government - related parties		
	Mega International Commercial Bank Co., Ltd.	\$ 155,989	\$ -
	Bank of Taiwan	87,998	110,110
	Others	<u>245,209</u>	<u>299,728</u>
		489,196	409,838
	Investors that have significant influence	-	1,533
	Associates	-	65
	Subsidiaries	<u>2</u>	<u>1</u>
	<u>\$ 489,198</u>	<u>\$ 411,437</u> (Concluded)	

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

1. 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.

VI. Overview of the Company's Financial Status

36. 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:

	December 31	
	2018	2017
Restricted bank balance (included in Financial assets at amortized cost)	\$ 5,469	\$ -
Restricted bank balance (included in other financial assets)	-	56,669
Available-for-sale financial assets	-	1,132,054
Property, plant and equipment, net	27,015,065	28,794,467
Investment properties, net	4,764,430	4,759,370
	\$ 31,784,964	\$ 34,742,560

37. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Table B, Notes 20 and 32, commitments and contingent liability on reporting periods were as follows:

- a. The Company signed ship lease contracts with other companies in 2013, 2015 and 2018, contracts that are effective beginning either in 2015, 2018 or 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.
- b. The Company's shipping and port business were secured by the letter of guarantee issued by a bank for \$490,425 thousand and \$231,509 thousand as of December 31, 2018 and 2017, respectively.
- c. The Company signed shipbuilding contract 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.

38. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Company's board of directors resolved to apply for a capital increase by cash of Kuang Ming in January 25, 2019. The Company injected for 886,674 thousand to 1,000,000 thousand for 88,667 thousand shares to 100,000 thousand shares, with a par value of \$10 in March 8, 2019.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company 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	\$ 160,107	30.7200	(USD:NTD)	\$ 4,918,493
GBP	11,021	38.8654	(GBP:USD)	428,328
EUR	23,612	35.1882	(EUR:NTD)	830,874
RMB	47,267	4.4751	(RMB:NTD)	211,525
JPY	2,498,377	0.2781	(JPY:NTD)	694,760
HKD	82,379	3.9228	(HKD:NTD)	323,155
CAD	662	22.5725	(CAD:NTD)	14,935
Non-monetary items				
Investments accounted for using equity method				
USD	244,543	30.7200	(USD:NTD)	7,512,369
Financial assets at FVTPL				
GBP	2	38.8654	(GBP:NTD)	70
<u>Financial liabilities</u>				
Monetary items				
USD	338,797	30.7200	(USD:NTD)	10,407,832
GBP	2,986	38.8654	(GBP:USD)	116,033
EUR	25,604	35.188	(EUR:NTD)	900,942
RMB	206,906	4.4751	(RMB:NTD)	925,933
JPY	1,861,805	0.2781	(JPY:NTD)	517,739
HKD	24,069	3.9228	(HKD:NTD)	94,418
CAD	10,552	22.5725	(CAD:NTD)	238,192

VI. Overview of the Company's Financial Status

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 79,926	29.7600 (USD:NTD)	\$ 2,378,600
GBP	3,001	40.1313 (GBP:USD)	120,438
EUR	19,597	35.5989 (EUR:NTD)	697,623
RMB	241,164	4.5698 (RMB:NTD)	1,102,083
JPY	1,110,933	0.2643 (JPY:NTD)	293,579
HKD	69,174	3.8082 (HKD:NTD)	263,428
CAD	2,257	23.7302 (CAD:NTD)	53,569
Non-monetary items			
Investments accounted for using equity method			
USD	250,194	29.7600 (USD:NTD)	7,455,810
Financial assets at FVTPL			
GBP	2	40.1313 (GBP:NTD)	71
<u>Financial liabilities</u>			
Monetary items			
USD	297,747	29.7600 (USD:NTD)	8,860,958
GBP	1,858	40.1313 (GBP:USD)	74,570
EUR	18,661	35.5989 (EUR:NTD)	664,310
RMB	124,872	4.5698 (RMB:NTD)	570,646
JPY	1,040,192	0.2643 (JPY:NTD)	274,884
HKD	20,422	3.8082 (HKD:NTD)	77,771
CAD	3,785	23.7302 (CAD:NTD)	89,829

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were \$242,285 thousand and \$450,460 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 Company entities.

40. 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) Information on investees: See Table F 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.

TABLE A

YANG MING MARINE TRANSPORT CORPORATION

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. All Oceans Transportation, Inc. Kung Ming (Liberia) Corp.	Other receivables Other receivables Other receivables	Y Y Y	\$ 1,000,000 6,000,000 (US\$ 20,000 thousand)	\$ 1,000,000 6,000,000 -	\$ - 2,417,928 -	- 1.6275% -	1 1 2	\$ 1,374,335 3,325,937 -	Repayment of loans/ obtain working capital Obtain working capital	\$ - - -	- -	\$ - -	\$ 7,931,203 7,931,203 991,400	\$ 9,914,003 9,914,003 1,982,800	B, C and D

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. United States dollars, Euros dollars and Ren Min Bi translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.72 as of December 31, 2018.

(Concluded)

TABLE B

YANG MING MARINE TRANSPORT CORPORATION

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 A and B)	Maximum Amount Endorsed/Guaranteed During the Period (Notes C and D)	Outstanding Endorsement/Guarantee at the End of the Period (Notes C and D)	Actual Borrowing Amount (Notes C and D)	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit (Notes A and B)	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 and NTS 2,625,000 thousand)	5,029,147 (US\$ 78,260 thousand and NTS 2,625,000 thousand)	4,380,810 (US\$ 78,260 thousand and NTS 1,976,663 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

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.

TABLE C

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

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	
Yang Ming Marine Transport Corporation	Domestic unquoted shares	-	Financial assets at FVTOCI - non-current	51,000,000	\$ 346,302	9.81	
	Taipei Port Container Terminal Co., Ltd.	-	Financial assets at FVTOCI - non-current	500,000	4,596	10.00	
	United Stevedoring Corp.						
	Domestic quoted shares	Governed by the MOTC	Financial assets at FVTOCI - non-current	70,758,243	1,344,407	16.96	
	Taiwan Navigation Co., Ltd.						
	Mutual funds	-	Financial assets at FVTPL- current	1,771	70	-	
	BlackRock ICS GBP Liquidity Funds						
	Corporate bonds	Subsidiary	Financial assets at amortized cost - current	-	500,000	-	
	Domestic Privately Placed Unsecured Bonds - Kuang Ming Shipping Corp.						

TABLE D

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	Gain (Loss) on Disposal	Carrying Amount	Shares	Amount	Shares
Yang Ming Marine Transport Corp.	Mutual funds	Financial assets at fair value through profit or loss - current	-	-	-	-	20,333,882	\$ 300,000	20,333,882	\$ 300,104	\$ -	104	\$ -	-	\$ -
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,885,723	300,000	19,885,723	300,097	-	97	-	-	-
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	33,398,315	450,000	33,398,315	450,042	-	42	-	-	-
	Taihsin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	18,025,704	300,000	18,025,704	300,099	-	99	-	-	-
	UBAMC JAMES BOND MONEY MARKET Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	18,461,538	300,000	18,461,538	300,102	-	102	-	-	-
	Nomura Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	18,670,882	300,000	18,670,882	300,101	-	101	-	-	-
Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE E

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.	Subsidiary	\$ 22,731,797 (Note A)	-	\$ -	-	\$ -	-
	Young-Carrier Company Limited	Subsidiary	1,058,285	-	-	1,058,285	-	-
	Yang Ming (Italy) S.P.A. Yangming (UK) Ltd.	Subsidiary Subsidiary	153,818 156,590	- -	- -	153,818 156,590	- -	- -

Notes:

- A. Interest receivable, financing provided and proceeds from sale of ships.
- B. Collections between related parties made according to "Agency Accounting Procedure" by the Corporation and local business conventions.

TABLE F

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			
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	\$ 15,800 (Note B)	\$ 7,505 (474,622)	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	(604,820)	Subsidiary
	Kuang Ming Shipping Corp.	Taiwan	Shipping service, shipping agency and forwarding agency	7,928,163 (Note C)	7,928,163	295,557,949	98.52	1,701,808	519,611	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	143,600	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	(28,868)	Subsidiary
	Ching Ming Investment Corp.	Taiwan	Shipping agency; forwarding agency and shipping managers	1,098,388	1,098,388	120,487,500	100.00	1,057,131	(83,473)	Subsidiary
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency; forwarding agency and shipping managers	3,299	3,299	1	100.00	642,263	(487,240)	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	29,955	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	494,887	21,371	Subsidiary
	Honning Terminal & Stevedoring Co., Ltd.	Taiwan	Terminal operation and stevedoring	79,273	79,273	7,916,908	79.17	119,420	6,014	Subsidiary
	Jing Ming Transportation Co., Ltd.	Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	126,107	3,663	Investments in associates
	Yum Wang Investment Co., Ltd.	Taiwan	Investment	179,810	179,810	5,211,474	49.75	115,002	(464)	Investments in associates
	Taiwan Foundation International Pte. Ltd.	Singapore	Investment and subsidiaries management	103,802	-	3,400,000	34.00	103,975	(357)	Investments in associates
	Transyang Shipping Pte. Ltd.	Singapore	Shipping services, chartering, sale and purchase of ships; forwarding agency and shipping agency	-	57,802	-	-	(728)	-	Investments in associates

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.

(Concluded)

TABLE G

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		Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount 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)	\$ -	\$ -	\$ 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)	-	-	2,378	47.22	1,123	295,793	-
	Sino Trans PFS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and coordination service	US\$ 46,242 thousand	Investee's direct investment in Mainland China	189,458 (US\$ 6,164 thousand)	-	-	(37,837)	12.85	(4,862)	79,285	-
	Shanghai United Cold Chain Logistics Co., Ltd. (Note C)	Stevedoring equipment, management and coordination service	RMB 50,000 thousand	Investee's direct investment in Mainland China	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 coordination service	US\$ 46,242 thousand	Investee's direct investment in Mainland China	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 Openness 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.

6.6 If the Company and its Affiliates encountered any financial difficulties in the past year and as of the date of publication of the Annual Report, the Impact on the Company's financial status should be listed : None.

VII Review of Financial Position, Financial Performance and Risk Management

7.1 Analysis of the Financial Statements

Unit: NT\$ 1000

Item	Year	2018	2017	Increase (Decrease)	
				Amount	%
Current assets		34,639,473	26,887,325	7,752,148	28.83
Property, plant and equipment		78,371,995	80,987,285	(2,615,290)	(3.23)
Intangible assets		98,222	106,454	(8,232)	(7.73)
Other assets		26,863,409	24,895,346	1,968,063	7.91
Total assets		139,973,099	132,876,410	7,096,689	5.34
Current liabilities		47,496,628	44,340,702	3,155,926	7.12
Other liabilities		72,181,727	62,026,108	10,155,619	16.37
Total liabilities		119,678,355	106,366,810	13,311,545	12.51
Capital stock		23,230,248	23,230,248	0	0.00
Capital surplus		4,739,792	5,571,490	(831,698)	(14.93)
Retained earnings		(7,131,851)	(1,565,150)	(5,566,701)	(355.67)
Other adjustments		(543,445)	(726,988)	183,543	25.25
Total equity		20,294,744	26,509,600	(6,214,856)	(23.44)

Notes:

Analysis of increase or decrease above 20%:

1. Increase in current assets mainly due to increase with growing business volume, leading to an increase in cash and cash equivalents.
2. Decrease in retained earnings and total equity mainly due to business losses this year.
3. Increase in other adjustments mainly due to the appreciation of USD causing differences from translating the financial statements of foreign institution.
4. Contingency plans for factors of significant impact: no factor of significant impact.

7.2 Analysis of the Company's Financial Performance

Unit: NT\$ 1000

Item	Year	2018	2017	Increase (Decrease)	
				Amount	%
Operating revenue		141,832,929	131,077,812	10,755,117	8.21
Operating costs		141,790,706	124,582,587	17,208,119	13.81
Gross profit (loss)		42,223	6,495,225	(6,453,002)	(99.35)
Operating expenses		6,136,581	6,019,211	117,370	1.95
Other income and gains, expenses and loss		427,966	298,772	129,194	43.24
Operating income (loss)		(5,666,392)	774,786	(6,441,178)	(831.35)
Non-operating income and gains		415,695	1,671,458	(1,255,763)	(75.13)
Non-operating expenses and losses		(1,829,511)	(1,811,454)	(18,057)	(1.00)
Income before tax (loss)		(7,080,208)	634,790	(7,714,998)	(1,215.36)
Tax expense (gains)		(773,852)	142,924	(916,776)	(641.44)
Net income (loss)		(6,306,356)	491,866	(6,798,222)	(1,382.13)
Cumulative effect of changes in accounting principles		-	-	-	-
Net income (loss) for the year		(6,306,356)	491,866	(6,798,222)	(1,382.13)

Notes:

Analysis of increase or decrease above 20%:

1. Decrease in gross profit, operating income, income before tax, and net income for the year mainly due to decrease in freight rates and continuous increase of fuel costs.
2. Decrease in other income and expenses mainly due to increase of profit from sales of assets.
3. Decrease of non-operating income and gains mainly due to the appreciation of USD and loss in exchange.
4. Decrease of tax expense mainly due to business losses this year.
5. Contingency plans for factors of significant impact: no factor of significant impact.

7.3 Analysis of Cash Flows

7.3.1 Cash Flow Analysis for the Past Year

Unit: NT\$ 1000

Cash and cash equivalents beginning balance ①	Net cash flow from operating activities throughout the year ②	Cash outflow throughout the year ③	Estimated cash surplus (deficit) ① + ② - ③	Leverage of cash deficit	
				Investment plan	Financing plan
12,806,622	(3,121,149)	(7,714,277)	17,399,750	-	-

Cash flow analysis and liquidity analysis of the past year:

1. Operating activities: Net cash outflow from operating activities of NT\$ 3,121,149,000.
 2. Investing activities: spent NT\$ 4,391,820,000 to acquire funds and financial assets, bulk carriers, and machine equipment.
 3. Fundraising activities: paid off debts and conducted fundraising for businesses development needs.
- Remedies for cash deficit: not applicable.

7.3.2 Cash Flow Analysis for the Coming Year (2019)

Unit: NT\$ 1000

Cash and cash equivalents beginning balance ①	Estimated net cash flow from operating activities throughout the year ②	Estimated cash outflow throughout the year ③	Estimated cash surplus (deficit) ① + ② - ③	Leverage of cash deficit	
				Investment plan	Financing plan
17,399,750	16,893,029	19,188,899	15,103,880	-	-

Cash flow analysis and liquidity analysis of the coming year (2019):

1. Operating activities: Net cash inflow from operating activities is estimated to be NT\$ 16,893,029,000, including net cash inflow from operating activities is NT\$5,518,572,000 and Depreciation charge for right-of-use assets is NT\$11,374,457,000.
2. Investing activities: Estimated amount is NT\$ 14,886,365,000 to be spent on acquiring bulk carriers, containers, and machine equipment is NT\$4,937,791,000 and Right-of-Use Assets is NT\$9,948,574,000.
3. Fundraising activities: pay off debts and conduct fundraising for businesses development needs.
4. Remedies for cash deficit: not applicable.
5. Cash flow analysis for the coming year has taken into consideration the impact of IFRS16.

7.4 Impact of major capital expenditure on finance and business

7.4.1 Major Capital Expenditure and Source of Fund

Expenditure item	Source of fund	Completion date	Total amount required
Purchase of one 63,000-ton bulk carrier	Bank loan Equity fund	January 2018	USD 28.3 millions
Purchase of containers	Equity fund	December 2018	USD 88.65 millions

7.4.2 Expected Benefit

1. Each bulk carrier is expected to increase operating revenue by NT\$ 120-140 million each year.
2. Each self-owned container is expected to decrease operating cost by NT\$ 143,906,000 each year.

7.5 Re-investment Policy in the Past Year, Major Causes of Profit and Loss, Improvement Plans, and Investment Plans for the Coming Year

The Company's re-investment policies, following established company strategies, are based on operational and development needs. Our main re-investment businesses are the upper stream and downstream industries in marine shipping. Our vision is to provide top-quality services to customers through vertical integration. Re-investment income under the equity method for the year of 2018 consolidated financial statement was NT\$ 162,644,000. This re-investment income was mainly recognizing one affiliated company, West Basin Container Terminal. Following established business development strategies and echoing the Taiwanese governments New Southbound Policy, in the coming year the Company's main investment focus will be in container warehouse and logistics in Southeast Asia.

7.6 Risk Management

7.6.1 Impact of Changes in Interest Rates, Foreign Exchange Rates, and Inflation on Profit and Loss, and Future Response Strategies

1. Impact on profit and loss

(1) Interest rate changes

While all major interest rate indices continue to remain low, net interest expense throughout the year amounts to NT\$1,674,319,000, accounting for 1.19% of net operating revenue. Loss before tax is NT\$ 7,080,208,000. Net interest income (expense) accounts for 23.65% of loss before tax.

(2) Foreign exchange rates changes

To counter fluctuations in foreign exchanges rates, the Company uses income in foreign currency to pay for foreign currency expenditures to achieve natural hedging effects. Due to the income and expense currency structure and assets and liabilities in foreign currency, exchange gains of NT\$ 96,059,000 accounts for 0.07% of net operating revenue.

(3) Inflation

US economy is relatively strong in 2018. In the second half of 2018 due to marginal effects of tax reduction and the potential threat of trade war between US and China, institutions are relatively conservative about the momentum of continuous economic growth. Domestic inflation is mild. In 2019, global economic growth is expected to slow down while remaining positive. With major central banks contractionary policy, inflation rate is expected to stabilize.

2. Future response strategies

In terms of risk management of interest rate changes, the Company will continue to monitor the level of interest rate sensitive liabilities and reduce debt in USD in order to lower the impact of interest rate fluctuations. In terms of risk management of foreign exchange rate changes, a balanced asset-liability, income-expense structure in foreign currency will be maintained to achieve natural hedging effects. In terms of risk management of oil price fluctuations, the Company strives in shipping cost transfer, hedging, and fuel usage reduction in order to maintain high performance.

7.6.2 Policies, Main Causes of Profit and Loss, and Future Response Strategies with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Trading

1. The Company does not engage in high-risk, high-leverage investments.
2. The Company provides loans and endorsement guarantees, mainly to subsidiaries and for business development purposes, in accordance with the Company's operating procedures for fund lending, procedures for making endorsements and guarantees, and relevant policies.
3. Policies for trading derivatives are focused on hedging. With consideration of the Company's position and market prospect, in accordance with the Company's procedure for handling acquisition and disposal of assets and relevant regulations, a reasonable gain within bearable risks is aimed for.

7.6.3 Future Research and Development (R&D) Plans and Estimated Expenses

1. Developing and implementing a Vessel Monitoring System (VMS).
2. Full-scale testing of energy efficiency improvement of main engine set in collaboration with Optemar (France).
3. Energy efficiency analysis of large container ships.
4. Modification of existing ships in accordance with the International Maritime Organization (IMO) 2020 sulphur cap.
5. Blockchain technology application
6. Internet of Things (IOT) application
7. Implementation of Robotic Process Automation (RPA)
8. Applying machine learning to dangerous goods detection
9. Modification of online booking system
10. Broadband on board and Big Data

7.6.4 Impact of Important Changes in Domestic and International Policies and Regulations on Corporate Finance and Sales, and Response Strategies

1. Finance

Assigned personnel in the finance department of the Company pays close attention to changes in corporate laws and securities regulations. They participate in training, conduct research, and develop contingency plans. As a result, changes in domestic and international policies and regulations have limited impact on the Company's finances.

2. Business

Changes in domestic and international policies and regulations have limited impact on the Company's main business and sales. The Company abides by the rules and regulations established by governing bodies and pays close attention to any changes in the regulations.

7.6.5 Impact of Changes in Technology and the Industry on Corporate Finance and Sales, and Response Strategies

1. Finance

The Company continues to observe the latest trend of energy saving and carbon reduction and selectively tests the technology on our machines, with the hope of a wider implementation in the future to reduce fuel consumption, carbon emission, and costs.

2. Sales

- (1) The Company has subsidiaries and agents all around the world. With the rising need for business development and e-commerce, and to increase our competitiveness, the Company continuously updates and upgrades our information system and processes, with the purpose to collect real-time information, improve operational efficiency and quality, and reduce communication and operational costs.
- (2) The Company is dedicated to environmental protection: We diligently abide by international treaties and regulations; strive to reduce emission and protect the ocean in accordance with the most up to date requirements from International Maritime Organization of regional regulation; as well as increase energy efficiency. The Company continues to implement environmental protection and anti-pollution control with our fleets. All new container ships meet the international standards and regulations of low fuel consumption and eco-friendly designs and are competitive in the market. In addition, in accordance with anti-terrorism measures at the ports, all our ships are equipped with ship security and alarm system, Electronic Chart Display and Information System(ECDIS), and satellite communication system to ensure shipping security and integrated sailing information.
- (3) Large vessels are the mainstream market trend. The new designs are particularly focused on energy saving and carbon reduction, with a significant fuel consumption saving compared to previous designs of the same segment. Comparing to ship designs in 2007-2009, latest designs have improved its fuel consumption saving by 25-30%. In order to further reduce fuel consumption and fuel cost, the Company will continue to monitor the latest advancements in fuel technology, ship-building technology, and engine improvement. In addition to the existing sixteen charter in 14,000TEU energy-efficient ships among YML fleets as of present, four additional charter in 14,000TEU energy-efficient ships will be launched successively in Q1 2019 in order to strengthen the fleet capacity and widen its global competitiveness thoroughly.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The company follows “Regulations Governing Establishment of Internal Control Systems by Public Companies” and sets up our own internal control system. It comprises control environment, risk assessment, control activities, information and communications, and monitoring activities. This system helps the company operate soundly and effectively. The company has never ceased to strengthen corporate governance in recent years in order to cope with possible business risks. In doing so, we have never failed to reveal the key elements of information according to the law and regulations. We are devoted to environmental protection and the fulfillment of social responsibility. All these efforts are important to us in forming our good corporate image. Besides establishing a mechanism for coping with various kinds of risks, we have worked out a reporting procedure and a communication conduit. When a risk emerges, all concerned departments immediately assess its impact and propose the most appropriate response to it so that we can protect our image.

7.6.7 Expected Benefits and Potential Risks of M&A, and Response Strategies: Not applicable.

7.6.8 Expected Benefits and Potential Risks of Expanding Fleet and Capacity, and Response Strategies

The expansion of fleet and capacity is expected to increase our lifting volume, sales revenue, and gross profit, while the enlargement of ships will lower unit operating costs. Shipping economy is of a circular nature, with shipping needs closely tied to world economic and trade activities. Considering the decline of manufacturing industries in Asia, the uncertainty in the eurozone and the sluggish of global economy, the capacity growth continued reveals the risk of over-supply in the shipping industry. Currently, major shipping companies around the world and ship owners are taking every possible measure to control additional capacity deployed, or through delaying the implementation of new capacity to stabilize the supply and demand. The Company has taken the following measures to lower the risk of imbalance in the supply and demand.

1. Joint operations

The Company has always worked closely with our joint operation partners. Partnering with the THE Alliance, through improved route planning and optimized ship arrangement, we can better deploy ship resources, lower shipping cost, expand shipping routes and coverage, remain competitive in the market, and attain the highest service quality. In addition, we continue to research new market opportunities to more flexibly allocate our resources and provide more diverse services to our customers. We do not exclude any potential business opportunities and collaborations with other shipping companies in niche markets in order to advance our sales performance.

2. Seasonal route adjustments

Adapting to changes of demands during special period such as Chinese New Year holidays, Labor Day holidays and National Day holidays in China, Golden Week in Japan, or slack season such as winter, service are adjusted to consolidate the surplus capacity for saving operational cost and increasing loading factors.

7.6.9 Risks of Purchase or Sales Concentration, and Response Strategies

The risk is not significant as the Company does not have a single client accounting for over 10% of total import or export volume.

7.6.10 Impact and Risks of Mass Share Transfer of or Change of Directors, Supervisors, or Shareholders Holding More Than 10% of the Company's Shares, and Response Strategies: None.

7.6.11 Impact and Risks of Change of Management of the Company, and Response Strategies: Not applicable.**7.6.12 Impact of Litigations or Non-litigations**

The Company imported and put in operation three rail mounted gantry cranes at the Kaohsiung Port pier in December 2006. Due to operational needs, the Company negotiated with the Bureau of Kaohsiung Port and moved the cranes to the container yard of Keelung Port for further usage. However, Kaohsiung Customs (Customs Administration), Executive Yuan deemed this action a violation of the Act for the Establishment and Management of Free Trade Zones and confiscated the three cranes in 2014. The Company denies this allegation and pursued legal actions. As the Supreme Administrative Court dismissed the Company's request to appeal on April 30th, 2018, the Company has followed the order by Kaohsiung Customs. However, to protect self-interest, the Company plans to apply for judicial interpretation by the Justices of Constitutional Court, Judicial Yuan as a last resort. Other than the aforementioned case, most of the cases the Company is involved in are damage claims related to goods, ship structure, ship owner responsibility, caused by damage during shipment and operation of ships. As these cases are covered by our insurance policy, the damages and expenses will be compensated by the insurance company according to our insurance policy and therefore, within controllable risks of the Company.

7.6.13 Other Significant Risks and Response Strategies

1. Please refer to Page 37 for the Company's risk management policies.

2. Cyber security risk assessment and analysis:

(1) Interruptions of communication network of host computer

External network is supported by two telecom service providers and jointly monitored by Chunghwa Telecom and BT, with continuous network upgrades overseas. However, due to the magnitude of impact of network interruptions, the risk level cannot be downgraded. At the headquarters, the domestic leased circuit, the international private leased circuit, and the internet are all supported by networks of two telecom service providers. The communication of the main agents with the headquarters is mainly through the leased circuits, with the internet as the backup, and with continuous network upgrades overseas. In addition, multiple VPN (Virtual Private Networks) access points are available to common agents. In the event of inevitable large-scale network interruptions, operations of the Company will likely be affected.

(2) Core application system damage

System of higher security has been installed on the host computer of core database. High availability (HA) is implemented on key host computers, with real-time synchronization of database at offsite backup centers, and daily backup logs available for later inspection. Firewalls and antivirus software have been installed and regular monitoring and checks are performed. Considering recent outbreaks of cyberattacks, risk level remains high.

System of higher security has been installed on the host computer of core database. High availability (HA) is implemented on key host computers, with real-time synchronization of database at offsite backup centers, and daily backup logs of available for later inspection. Security measure such as firewalls and antivirus software have been installed, and regular monitoring and checks are performed. Considering heightened needs for cyber security measures and constantly changing tactics of hackers, the Company needs to remain highly alert.

7.6.14 The Organizational Structure in Relation to Risk Management

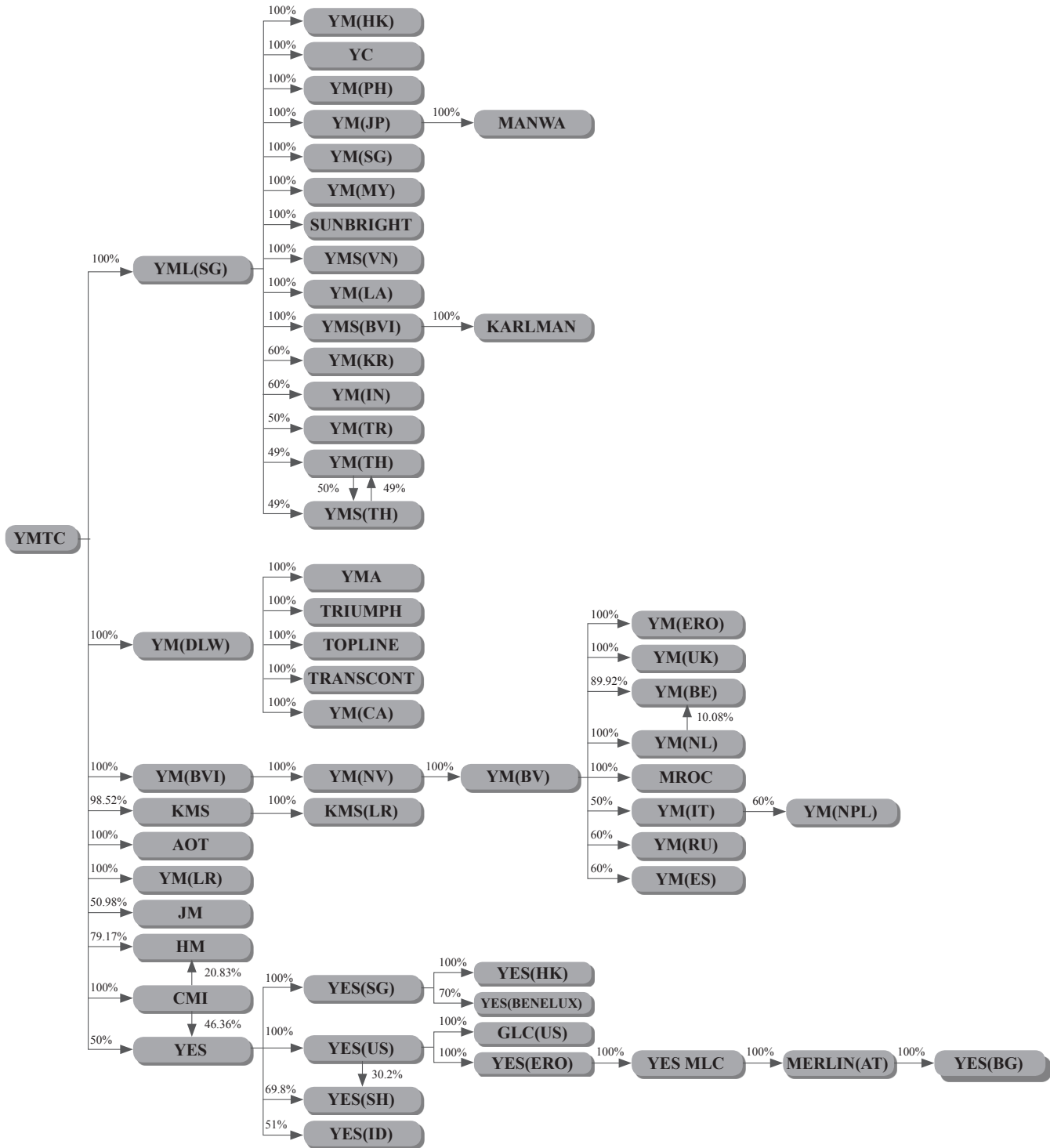
1. The Company established the Risk Management and Insurance Claim Dept. in accordance with the latest Criteria for Corporate Governance and Internal Auditing on July 1st 2004. This department oversees all risk management matters in the Company, including regular risk assessments, and subsequent analysis and measures.
2. The organizational structure in relation to risk management is divided by the nature of risks. While the department of Risk Management and Insurance Claim oversees all risk management related matters, the initial identification of general risks, and the assessment and control of them are the responsibilities of each department. Cases of significant risks will be sent to special review committees and the auditing office, based on their nature and the monetary sum involved. Reviewed cases that meet the standard will then be sent to the Board of Directors for approval.

7.7 Other Important Matters None.

VIII Special Disclosures

8.1 Information related to the Company's Affiliates

8.1.1 The Chart of the Company's Affiliates as of December 31, 2018



YMTC	: Yang Ming Marine Transport Corp.
YML(SG)	: Yang Ming Line (Singapore) Pte Ltd
YM(JP)	: Yangming (Japan) Co., Ltd.
MANWA	: Manwa Co., Ltd.
YM(SG)	: Yang Ming (Singapore) Pte. Ltd.
YM(MY)	: Yang Ming Line (M) Sdn. Bhd.
SUNBRIGHT	: Sunbright Insurance Pte. Ltd.
YMS(VN)	: Yang Ming Shipping (Vietnam) Co. Ltd.
YMS(BVI)	: Yang Ming Shipping (B.V.I.) Inc.
KARLMAN	: Karlman Properties Limited
YM(HK)	: Yang Ming Line (Hong Kong) Ltd.
YM(PH)	: Yang Ming Shipping Philippines, Inc.
YM(LA)	: Yang Ming (Latin America) Corp.
YC	: Young-Carrier Company Ltd.
YM(IN)	: Yang Ming Line (India) Pvt. Ltd.
YM(KR)	: Yang Ming (Korea) Co. Ltd.
YM(TR)	: Yang Ming Anatolia Shipping Agency S.A.
YM(TH)	: Yang Ming Line (Thailand) Co., Ltd.
YMS(TH)	: Yang Ming Line Shipping (Thailand) Co., Ltd.
YM(DLW)	: Yang Ming Line Holding Co.
YMA	: Yang Ming (America) Corp.
TRIUMPH	: Triumph Logistics, Inc.
TOPLINE	: Topline Transportation, Inc.
TRANSCONT	: Transcont Intermodal Logistics, Inc.
YM(CA)	: Yang Ming Shipping (Canada) Ltd.
YM(BVI)	: Yang Ming Line (B.V.I.) Holding Co., Ltd.
YM(NV)	: Yang Ming Line N.V.
YM(BV)	: Yang Ming Line B.V.
YM(ERO)	: Yang Ming Shipping Europe GmbH
YM(UK)	: Yang Ming (UK) Ltd.
YM(BE)	: Yang Ming (Belgium) N.V.
YM(NL)	: Yang Ming (Netherlands) B.V.
MROC	: Yang Ming (Mediterranean) Marine Services Single-member Limited Liability Company
YM(RU)	: Yang Ming (Russia) LLC
YM(ES)	: Yang Ming (Spain), S.L.
YM(IT)	: Yang Ming (Italy) S.p.A
YM(NPL)	: Yang Ming (Naples) S.r.l.
KMS	: Kuang Ming Shipping Corp.
KMS(LR)	: Kuang Ming (Liberia) Corp.
AOT	: All Oceans Transportation Inc.
YM(LR)	: Yang Ming (Liberia) Corp.
JM	: Jing Ming Transportation Co., Ltd.
HM	: Hong Ming Terminal & Stevedoring Corp.
CMI	: Ching Ming Investment Corp.
YES	: YES Logistics Corp.
YES(SG)	: YES Yangming Logistics (Singapore) Pte. Ltd.
YES(HK)	: Yes Logistics Company Ltd.
YES(BENELUX)	: Yes Logistics Benelux B.V.
YES(US)	: YES Logistics Corp.
GLC(US)	: Golden Logistics USA Corporation
YES(SH)	: Yes Logistics (Shanghai) Corp.
YES(ERO)	: YES Logistics Europe GmbH
YES MLC	: YES MLC GmbH
MERLIN(AT)	: Merlin Logistics GmbH
YES(BG)	: YES Logistics Bulgaria Ltd.
YES(ID)	: PT. YES Logistics Indonesia

8.1.2 Affiliates

 December 31, 2018
 Unit: Original Currency in Thousand

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Yang Ming Line (B.V.I.) Holding Co Ltd.	1996.08.19	Citco Building, Wickhams Cay, P.O.Box 662, Road Town, Tortola, British Virgin Islands	USD103,505	Commercial investment, shipping agency, forwarding agency and freight management service
Yang Ming Line (Singapore) Pte Ltd	1996.08.08	50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623	SGD60,130	Commercial investment, ocean shipmen service, chartering, sales and purchase of ships and sea forwarding agency
Ching Ming Investment Corp.	1997.03.03	4F, No.243, Sec. 2, Chongqing N. Rd., Datong District, Taipei City	TWD1,204,875	General investment
All Oceans Transportation, Inc.	1971.11.05	80 Broad Street, Monrovia, Republic of Liberia	USD100	Shipping agency, forwarding agency and freight management services
Yes Logistics Corp.	1999.11.11	4-5F, No.243, Sec. 2, Chongqing N. Rd., Datong District, Taipei City	TWD1,200,000	Warehousing service and sea forwarding agency
Kuang Ming Shipping Corp.	1990.06.18	6F, No.243, Sec. 2, Chongqing N. Rd., Datong District, Taipei City	TWD3,000,000	Ocean shipmen service, shipping agency, and sales and purchase of ships and ship parts
Hong Ming Terminal & Stevedoring Corp.	1998.01.01	No.10, Ya Tai Rd., Hsiao-Kang District, Kaohsiung City	TWD100,000	Stevedoring
Jing Ming Transportation Co.	1998.11.01	2F, No.999, Sinsheng Rd., Hsiao-Kang District, Kaohsiung City	TWD169,006	Container transportation
Yang Ming Line Holding Co.	1996.08.23	251 Little Falls Drive, Wilmington DE 19808, New Castle County, USA	USD4,500	Commercial investment, shipping agency, forwarding agency and freight management service
Yang Ming (Liberia) Corp.	2004.06.24	80 Broad Street, Monrovia, Republic of Liberia	USD100	Shipping agency, forwarding agency and freight management service
Yang Ming (America) Corp.	2003.07.01	One Newark Center, 1085 Raymond Boulevard, 9th Floor, Newark, NJ 07102, USA	USD500	Shipping agency, forwarding agency and freight management service
Triumph Logistics, Inc.	2004.10.08	40 Technology Pkwy South, #300, Norcross, Georgia 30092, in Gwinnett County, USA	USD50	Trucking transportation
Topline Transportation, Inc.	2006.03.10	77 Sugar Land Center Blvd. Ste 450, Sugar Land TX 77478, USA	USD150	Trucking transportation
Transcont Intermodal Logistics, Inc.	2007.07.18	77 Sugar Creek Center Blvd. Ste 450, Sugar Land, TX 77478-3688	USD75	Inland forwarding agency

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Yang Ming Shipping (Canada) Ltd.	2009.06.18	1002, Sherbrooke West, Suite 1900, Montreal, Quebec H3A 3L6, Canada	CAD100	Shipping agency, forwarding agency and freight management service
Yang Ming Line N.V.	1996.10.03	Schottegatweg Oost 44, P.O. Box 812, Curaçao	USD1,500	Commercial investment, shipping agency, forwarding agency and freight management service
Yang Ming Line B.V.	1997.01.28	Prins Hendriklaan 26, 1075 BD Amsterdam, The Netherlands	EUR1,134	Commercial investment, shipping agency, forwarding agency and freight management service
Yang Ming (UK) Ltd.	1997.01.29	2nd Floor, 210 South Street, Romford, Essex, England, RM1 1TR, U.K.	GBP1,500	Shipping agency, forwarding agency and freight management service
Yang Ming Shipping Europe GmbH.	1992.07.10	Oberbaumbruecke 1, 20457 Hamburg, Germany	EUR818	Shipping agency, forwarding agency and freight management service
Yang Ming (Italy) S.p.A	2002.12.04	Piazza Galeazzo Alessi 2/10, 16128 Genova, Italy	EUR250	Shipping agency
Yang Ming (Belgium) N.V.	2007.06.01	Molenbergstraat Nr 10 - Bus 23, 2000 - Antwerpen, Belgium	EUR62	Shipping agency
Yang Ming (Netherlands) B.V.	2004.01.01	Albert Plesmanweg 61D, 3088 GB Rotterdam, The Netherlands P.O. Box 1158, 3000 BD Rotterdam	EUR400	Shipping agency
Yang Ming (Mediterranean) Marine Services Single –Member Limited Liability Company	2018.01.29	2nd floor, No 1-3, Filellinon 185 36, Piraeus	EUR500	Shipping agency, forwarding agency and freight management service
Yang Ming (Russia) LLC.	2015.06.23	Zastavskava street, 22, block 2, lit. A, Office 505, St. Petersburg, 196084, Russia	RUB10,000	Shipping agency
Yang Ming (Spain), S.L.	2016.06.22	Muelle Principe de España s/n Edificio Mestre 1ª Plla 08039 Barcelona, Spain	EUR100	Shipping agency
Yang Ming Naples S.r.l.	2003.07.01	Via Melisurgo 4 - 80133, Napoli, Italy	EUR10	Freight forwarding service
Yangming (Japan) Co., Ltd.	1996.12.06	8F, Shiba 2Chome Building, 2-28-8 Shiba, Minato-ku, Tokyo, 105-0014 Japan	JPY150,000	Ocean shipmen service, sales and purchase of ships and sea forwarding agency
Young-Carrier Company Ltd.	1994.02.01	22 Floor, Ever Gain Plaza, Tower 1, 88 Container Port Road, Kwai Chung, N.T. Hong Kong	HKD1,000	Commercial investment, shipping agency, forwarding agency and freight management service
Yang Ming Shipping (BVI) Inc.	2000.08.16	P.O. Box 3174, Road Town, Tortola, British Virgin Islands	USD1	Forwarding agency and shipping agency
Yang Ming Line (Hong Kong) Ltd.	1998.11.09	22 Floor, Ever Gain Plaza, Tower 1, 88 Container Port Road, Kwai Chung, N. T. Hong Kong	HKD1,000	Forwarding agency and shipping agency

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Yang Ming (Singapore) Pte. Ltd.	1999.11.13	171 Chin Swee Road, #08-01 Ces Centre, Singapore 169877	SGD1,000	Shipping agency, forwarding agency and freight management service
Yang Ming Line (M) Sdn. Bhd.	2000.01.01	Suite 12.01, Level 12, Menara Trend, Intan Millennium Square, No. 68, Jalan Batai Laut 4 Taman Intan, 41300 Klang, Selangor Darul Ehsa Malaysia	MYR1,000	Shipping agency, forwarding agency and freight management service
Yang Ming Line (India) Pvt. Ltd.	2004.03.29	131, Centre 1, World Trade Centre, Cuffe Parade, Mumbai, India	INR5,000	Shipping agency, forwarding agency and freight management service
Yang Ming (Korea) Co. Ltd.	2006.04.01	19TH/20TH Floor, Sebang Bldg. 433, Seolleung-ro, Gangnam-Gu, Seoul, Korea, 06212	KRW500,000	Shipping agency, forwarding agency and freight management service
Sunbright Insurance Pte. Ltd.	2008.02.05	8 Marina View, #09-05, Asia Square Tower 1, Singapore 018960	USD5,000	Insurance
Yang Ming Anatolia Shipping Agency S.A.	2008.12.23	İzmir, Konak, Çınarlı Mahallesi, Ankara Asfaltı Caddesi, No: 15/301	TRY100	Shipping agency, forwarding agency and freight management service
Yang Ming Shipping (Vietnam) Co. Ltd.	2015.06.15	19th floor, Ree Tower, No. 9, Doan Van Bo street, Ward 12, District 4, Ho Chi Minh City, Vietnam	USD300	Forwarding agency and freight management service
Yang Ming Shipping Philippines, Inc.	2016.11.21	Scape Building, Unit 502, 5th Floor, Macapagal Avenue cor. Pearl Drive, Central Business Park 1, Barangay 76, San Rafael, Pasay City, Philippines	PHP10,000	Forwarding agency and freight management service
Yang Ming (Latin America) Corp.	2017.03.03	P.H. Torre Global, calle 50, piso 33, oficina 3301, Panamá, República de Panamá	USD200	Shipping agency, forwarding agency and freight management service
Yang Ming Line (Thailand) Co., Ltd.	2017.09.25	Singha Complex Bldg., 20th Floor, Unit 2005-2008, 1788 New Phetchaburi Road, Bangkok, Huai Kwang, Bangkok, 10310	THB8,000	Shipping agency, forwarding agency and freight management service
Yang Ming Line Shipping (Thailand) Co., Ltd.	2017.12.18	Singha Complex Bldg., 20th Floor, Unit 2009, 1788 New Phetchaburi Road, Bangkok, Huai Kwang, Bangkok, 10310	THB5,000	Shipping agency
Karlman Properties Limited	2001.03.30	22 Floor, Ever Gain Plaza, Tower 1, 88 Container Port Road, Kwai Chung, N.T. Hong Kong	HKD24,000	Property management
Manwa Co., Ltd.	2001.03.28	8F, Shiba 2Chome Building, 2-28-8 Shiba, Minato-ku, Tokyo, 105-0014 Japan	JPY10,000	Shipping agency and forwarding agency

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Kuang Ming (Liberia) Corp.	2008.07.16	80 Broad Street, Monrovia, Republic of Liberia	USD109,691	Forwarding agency
YES Logistics Corp.	2000.02.17	3675 E. Huntington Drive Suite 210, Pasadena, CA 91107 USA	USD2,173	Shipping agency, forwarding agency and freight management service
YES Yangming Logistics (Singapore) Pte. Ltd.	2000.06.23	79 Robinson Road # 27-00 CPF Building 27th Floor Singapore 068897	SGD1,608	Investment and management of subsidiaries
Yes Logistics (Shanghai) Corp.	2004.12.08	Room 2705, Helen Center, Financial Street, No. 440 Hailun Road, Hongkou District, Shanghai	USD4,300	International forwarding agency
Golden Logistics USA Corporation	2007.01.04	3675 E. Huntington Drive Suite 210, Pasadena, CA 91107 USA	USD10	Trucking transportation
YES Logistics Europe GmbH	2002.12.12	Kleine Reichenstrasse 7 - 20457 Hamburg, Germany	EUR1,025	Forwarding agency
Yes Logistics Company Ltd.	2000.07.19	22/F., Ever Gain Plaza, Tower 1, 88 Container Port Rd., Kwai Chung, N.T., Hong Kong	HKD7,882	Forwarding agency
Yes Logistics Benelux B.V.	2007.07.01	Albert Plesmanweg 61D, 3088GB Rotterdam Netherlands	EUR18	Forwarding agency
YES MLC GmbH	2013.02.15	Georg-beatzel-Str.15, 55252 Mainz-Kastel, Germany	EUR805	Import and export business, storage and distribution and other warehousing services
Merlin Logistics GmbH	2003.06.06	Gluckgasse 3/15; 1010 Vienna, Austria	EUR35	Warehouse operation and logistics
YES Logistics Bulgaria Ltd.	2007.09.24	Dragan Tzankov Blvd 31A Office No. 11113 Sofia, Bulgaria	BGN5	Cargo consolidation service and forwarding agency
PT. YES Logistics Indonesia	2017.06.16	Cowell Tower 9th Floor Suite 901 JI. Senen Raya 135 Jakarta Indonesia 10410	USD1,000	Forwarding agency

8.1.3 Shareholders in Common of the Company and Its Affiliates with Deemed Control and Subordination: None.

8.1.4 The industries covered by the business operated by the affiliates overall :

Main business activities of the Company’s affiliates are transportation services, including forwarding agency, shipping agency, warehousing, chartering of ships, lease of containers and sales and purchase of ships and containers. Every affiliate endeavors to provide excellent service quality and maximize the synergy of the entire Yang Ming Group through the global transport network.

8.1.5 Rosters of Directors, Supervisors, and Presidents

As of December 31, 2018

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Director	Representative of Yang Ming Marine Transport Corp.: Chih-Chien Hsieh, Wen-Bor Lin, Shih-Chou Lee	10,351	100.00
Yang Ming Line (Singapore) Pte Ltd	Director	Representative of Yang Ming Marine Transport Corp.: Chih-Chien Hsieh, Wen-Bor Lin, Shih-Chou Lee, Baey Cheng Song	60,130,000	100.00
Ching Ming Investment Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Huo-Sheng Chen, Shih-Chou Lee, Chin-Hsin Liu	120,487,500	100.00
	Supervisor	Representative of Yang Ming Marine Transport Corp.: Yu-Wen Su	-	-
	General Manager	Huo-Sheng Chen	-	-
All Oceans Transportation Inc.	Director	Representative of Yang Ming Marine Transport Corp.: Yong-Shun He, Yi-Da Wu, Wen-Zao Huang	1,000	100.00
	General Manager	Yong-Shun Ho	-	-
YES Logistics Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Tsai-Ding Chou, Chih-Chien Tsao, Mei-Chi Shih, Kuen-Rong Pai, Ying-Tung LinTung	60,000,000	50.00
	Supervisor	Ching Ming Investment Corp.: Yu-Wen Su	55,630,977	46.36
	General Manager	Ying-Tung Lin	1,000	0.001
Kuang Ming Shipping Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Ching-Chang Wu, Yeoung-Shuenn Ho, Mei-Chi Shih, Chen-Huei Yeh, Chih-Cheng Kuo	295,557,949	98.52
	Supervisor	Shih-Chou Lee	2,550	-
	General Manager	Chih-Cheng Kuo	2,550	-
Hong Ming Terminal & Stevedoring Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Tsai-Ding Chou, Jen-Yu Ker, Jeng-Shong Jeng	7,916,908	79.17
	Supervisor	Ching Ming Investment Corp.: Yu-Wen Su	2,083,092	20.83
	General Manager	Kun-Chi Hsu	-	-

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Jing Ming Transportation Co., Ltd.	Director	Representative of Yang Ming Marine Transport Corp.: Tsai-Ding Chou, Jeng-Shong Jeng, Mei-Chi Shih, Yaung-Tai Lin	8,615,923	50.98
	Director	Zhong Yeh	2,138,058	12.65
	Director	Jin-Xing Wang	-	-
	Supervisor	Yi-Xing Juang	447,191	2.65
	Supervisor	Shih-Chou Lee	-	-
	General Manager	Yaung-Tai Lin	-	-
Yang Ming Line Holding Co.	Director	Representative of Yang Ming Marine Transport Corp.: Chih-Chien Hsieh, Wen-Bor Lin, Shih-Chou Lee	13,500	100.00
Yang Ming (Liberia) Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Yong-Shun He, Yi-Ta Wu, Wen-Zao Huang	1	100.00
Yang Ming (America) Corp.	Director	Representative of Yang Ming Line Holding Co.: Wen-Chung Yeh, Chih-Chien Tsao, Yung-Kai Wang	5,000	100.00
Triumph Logistics, Inc.	General Manager	Chih-Chien Tsao	-	-
	Director	Representative of Yang Ming Line Holding Co.: Stephen Hsu, Wen-Jin Lee, Pao-Lin Lee	200	100.00
	General Manager	Stephen Hsu	-	-
Topline Transportation, Inc.	Director	Representative of Yang Ming Line Holding Co.: Stephen Hsu, Wen-Jin Lee, Pao-Lin Lee	100	100.00
Transcont Intermodal Logistics, Inc.	General Manager	Stephen Hsu	-	-
	Director	Representative of Yang Ming Line Holding Co.: Wen-Jin Lee, Wen-Chung Yeh, Pao-Lin Lee	200	100.00
	General Manager	Wen-Jin Lee	-	-
Yang Ming Shipping (Canada) Ltd.	Director	Representative of Yang Ming Line Holding Co.: Chih-Chien Tsao, Wen-Chung Yeh, Mei-Chen Yang	1,000	100.00
Yang Ming Line N.V.	Director	Mei-Chen Yang	-	-
Yang Ming Line B.V.	Director	Representative of Yang Ming Line (B.V.I.) Holding Co., Ltd.: Shih-Chou Lee	1,500,000	100.00
Yang Ming (UK) Ltd.	Director	Representative of Yang Ming Line N.V.: Shih-Chou Lee, Wen-Tsao Huang, Wei-Chen Tien	2,500	100.00
	Director	Representative of Yang Ming Line B.V.: Chao-Feng Chang, Yi-Ta Wu, Hsien-Chien Chang	1,500,000	100.00
	General Manager	Hsien-Chien Chang	-	-
Yang Ming Shipping Europe GmbH	Director	Representative of Yang Ming Line B.V.: Shih-Fang Hsu, Chao-Feng Chang, Yung-Kai Wang	(Note 1)	100.00
	General Manager	Shih-Fang Hsu	-	-

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Yang Ming (Italy) S.p.A	Director	Representative of Yang Ming Line B.V.: Tien-Shun Wu, Chao-Feng Chang, Mei-Ying Yang	125,000	50.00
	Director	Finsea S.p.A.: Aldo Felice Negri, Ricci Francesco	125,000	50.00
	General Manager	Mei-Ying Yang	-	-
Yang Ming (Belgium) N.V.	Director	Representative of Yang Ming Line B.V.: Shih-Fang Hsu, Wei-Jen Tien	553	89.92
	Director	Representative of Yang Ming Line B.V.: Chao-Feng Chang	62	10.08
Yang Ming (Netherlands) B.V.	General Manager	Wei-Chen Tien	-	-
	Director	Representative of Yang Ming Line B.V.: Shih-Fang Hsu, Chao-Feng Chang, Wei-Chen Tien	400,000	100.00
	General Manager	Wei-Chen Tien	-	-
Yang Ming (Russia) LLC	Director	Representative of Yang Ming Line B.V.: Shih-Fang Hsu, Chao-Feng Chang, Ming-Chih Tseng	(Note 2)	60.00
	Director	Igor Sergeevich Luzinov		20.00
	Director	Aleksey Sergeevich Luzinov		20.00
	General Manager	Ming-Chih Tseng	-	-
Yang Ming (Spain), S.L.	Director	Representative of Yang Ming Line B.V.: Tien-Shun Wu, Chao-Feng Chang, Chih-Hung Liu	60,000	60.00
	Director	Representative of Catalana Del Mar, S.A.: Carlos Mestre López, Sergio Prat Artal	40,000	40.00
	General Manager	Chih-Hung Liu	-	-
Yang Ming (Mediterranean) Marine Services Single-member Limited Liability Company	General Manager	Representative of Yang Ming Line B.V.: Tien-Shun Wu	5,000	100.00
Yang Ming (Naples) S.r.l.	Director	Representative of Yang Ming (Italy) S.p.A.: Mei-Ying Yang, Ricci Francesco, Luigi Negri	(Note 3)	60.00
	Director	Marinter: Andrea Mastellone, Umberto Masucci	(Note 4)	40.00
Yangming (Japan) Co., Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Kuen-Rong Pai, Shih-Nan Huang, Shang-Chien Su	3,000	100.00
	Supervisor	Representative of Yang Ming Line (Singapore) Pte Ltd: Yu-Wen Su		
	General Manager	Shang-Chien Su	-	-
Yang Ming Shipping (B.V.I.) Inc.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Shih-Nan Huang, Sheng-Hsien WangHsten	1,000	100.00
Young-Carrier Company Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Chih-Chien Hsieh, Wen-Bor Lin, Ching-Chang Wu, Tair-Shing Chia	1,000,000	100.00
	General Manager	Tair-Shing Chia	-	-

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Yang Ming Line (Hong Kong) Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Tair-Shing Chia, Sheng-Hsien Wang, Shih-Nan Huang	1,000,000	100.00
	General Manager	Sheng-Hsien Wang	-	-
Yang Ming (Singapore) Pte. Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Kun-Ping Yi, Cheng-Hsing Yang	1,000,000	100.00
	General Manager	Cheng-Hsing Yang	-	-
Yang Ming Line (M) Sdn. Bhd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Kun-Ping Yi, Chu-Yieh Chao, Kuo-Hao Sun	1,000,000	100.00
	General Manager	Chu-Yieh Chao	-	-
Yang Ming Line (India) Pvt. Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Kuen-Rong Pai, Ching-Chang Wu, Hsi-Hung Chang	300,000	60.00
	Director	Marine Container Services (India) Pvt. Ltd.: Avinash Chander Batra · Somesh Chander Batra	190,000	38.00
	General Manager	Hsi-Hung Chang	-	-
	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Kuen-Rong Pai, Shih-Nan Huang, Chih-Yang Lung	60,000	60.00
Yang Ming (Korea) Co. Ltd.	Supervisor	Representative of Yang Ming Line (Singapore) Pte Ltd: Yu-Wen Su	-	-
	Director	Representative of Sebang Co., Ltd.: Bong-Sub Lee, Sang-Woong Lee	40,000	40.00
	Supervisor	Representative of Sebang Co., Ltd.: Ho-Cheol Jeong	-	-
	General Manager	Chih-Yang Lung	-	-
Sunbright Insurance Pte. Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Mei-Chi Shih, Sen-San Lai, Wen-Tsao Huang, Stuart Sidney Herbert	5,000,000	100.00
	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Chun-Feng Chen	50,000	50.00
Yang Ming Anatolia Shipping Agency S.A.	Director	Tien-Shun Wu	-	-
	Director	Chao-Feng Chang	-	-
	Director	Lucien Arkas	2,000	2.00
	Director	Bernard Lucien Marie Arkas	1,000	1.00
	General Manager	Chun-Feng Chen	-	-
Yang Ming Shipping (Vietnam) Co. Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Shih-Nan Huang, Yung-Kai Wang, Tsung-Yi Lin	(Note 5)	100.00
	General Manager	Tsung-Yi Lin	-	-

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Yang Ming Shipping Philippines, Inc.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Te-Hua Yi	99,995	100
	Director	Shih-Nan Huang	1	-
	Director	Yung-Kai Wang	1	-
	Director	Shih-Hao Wang	1	-
	Director	Balbin, Winbell Joey N.	1	-
	General Manager	Te-Hua Yi	1	-
Yang Ming (Latin America) Corp.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Shing-Jeng Ling, Kun-Ping Yi, Yung-Kai Wang	200	100
	General Manager	Shing-Jeng Ling	-	-
Yang Ming Line (Thailand) Co., Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Shih-Nan Huang, Chun-Yuan Chen, Boonrawd Leela-Amornvichet	3,920	49
	General Manager	Chun-Yuan Chen	-	-
Yang Ming Line Shipping (Thailand) Co., Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Shih-Nan Huang, Chun-Yuan Chen, Boonrawd Leela-Amornvichet	2,450	49
	General Manager	Chun-Yuan Chen	-	-
Karlman Properties Limited	Director	Representative of Yang Ming Shipping (B. V.I.) Inc. Sheng-Hsien Wang, Ping-Jen Tseng	24,000,000	100.00
Manwa Co., Ltd.	Director	Yangming (Japan) Co., Ltd.:		
	Supervisor	Chin-Lung Liu, Shang-Chien Su, Ryo Yonekura	200	100.00
Kuang Ming (Liberia) Corp.	Director	Yangming (Japan) Co., Ltd.: Hideo Maruoka		
	Director	Representative of Kuang Ming Shipping Corp.: Chih-Cheng Kuo, Kao-Chia Hung, Yun-Yu Chang, Sheng-Fa Lin	4	100.00
YES Logistics Corp. (USA)	Director	Representative of Yes Logistics Company Ltd.: Ying-Tung Lin, Pin-Yao Tseng, Helen Chao	2,173,411	100.00
YES Yangming Logistics (Singapore) Pte. Ltd.	Director	Representative of Yes Logistics Company Ltd.: Pu-Yin Chen, Cheng-Hsing Yang, Ying-Tung Lin	1,607,984	100.00
	General Manager	Cheng-Hsing Yang	-	-
	Director	Representative of YES Logistics Corp.(USA): Pu-Yin Chen, Pin-Yao Tseng		30.20
	Director	Representative of Yes Logistics Company Ltd.: Tair-Shing Chia, Ying-Tung Lin, Shih-Yih Yen	(Note 6)	69.80
	Supervisor	Representative of Yes Logistics Company Ltd.: Hung-Tzu Chen		
	General Manager	Shih- Yih Yen	-	-
Golden Logistics USA Corporation	Director	Representative of YES Logistics Corp.: Pu-Yin Chen, Pin-Yao Tseng, Cheng-Jung Fang	100	100.00
	General Manager	Pin-Yao Tseng	-	-
YES Logistics Europe GmbH	Director	Representative of YES Logistics Corp.: Ying-Tung Lin	(Note 7)	100.00

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Yes Logistics Company Ltd.	Director	Representative of Yes Logistics Company Ltd.: Ying-Tung Lin, Pu-Yin Chen	7,882,278	100.00
Yes Logistics Benelux B.V.	Director	Representative of Yes Logistics Company Ltd.: Kuen-Rong Pai, Huo-Sheng Chen, Peter Poots	12,600	70.00
	Director	Royal Burger Group: Eric Van Dam	5,400	30.00
	Director	Representative of Yes Logistics Company Ltd.: Kuo-Hsi Hsu, Yue-I Chu, Ying-Tung Lin	510,000	51.00
PT. YES Logistics Indonesia	Supervisor	Representative of Yes Logistics Company Ltd.: Wei-Nan Chen	490,000	49.00
	Director	LIO KURNIAWAN	-	-
	Director	HANDY KORNIWAN	-	-
	Supervisor	IRWANTO SALIM	-	-
	General Manager	Peter Poots	-	-
YES MLC GmbH	General Manager	Peter Poots	-	-
Merlin Logistics GmbH	General Manager	Peter Poots	-	-
YES Logistics Bulgaria Ltd.	General Manager	Peter Poots	-	-

Note 1. Yang Ming Line B.V held 100% shares, which amounted to EUR818,067.

Note 2. Investment of Yang Ming Line B.V. amounted to RUB6,000,000, investment of Igor Sergeevich Luzinov amounted to RUB2,000,000, and investment of Aleksey Sergeevich Luzinov amounted to RUB2,000,000.

Note 3. Yang Ming (Italy) S.p.A held 60% shares, which amounted to EUR6,000.

Note 4. Marinter held 40% shares, which amounted to EUR4,000.

Note 5. Yang Ming Line (Singapore) Pte Ltd held 100% shares, which amounted to USD300,000.

Note 6. YES Logistics Corp. (USA) held 100% shares, which amounted to USD5,000,000. Its capital decreased to USD1,300,000 in January 2016, and then Yes Logistics Corp. injected USD3,000,000 on February 17, 2017.

Note 7. YES Logistics Corp. held 100% shares, which amounted to EUR1,025,000

8.1.6 Operational Highlights of the Company's Affiliates

December 31, 2018

Unit: NT\$ 1,000, except EPS (NT\$)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income from Operation	Net Income (Loss)	Earnings (Loss) Per Share	Note
All Oceans Transportation Inc.	3,235	29,049,966	28,847,950	202,016	4,415,884	191,319	(487,240)	(487,240.00)	
Yang Ming (Liberia) Corp.	3,399	16,497	(625,766)	642,263	1,559,276	44,393	(83,473)	(83,473,000.00)	(Note 2)
Hong Ming Terminal & Stevedoring Corp.	100,000	409,324	258,484	150,840	777,594	32,720	26,994	2.70	
Jing Ming Transportation Co., Ltd.	169,006	480,792	233,425	247,367	899,094	14,239	11,797	0.70	
Ching Ming Investment Corp.	1,204,875	1,060,432	3,301	1,057,131	0	(13,831)	(28,868)	(0.24)	
Yang Ming Line (Singapore) Pte Ltd	1,351,226	2,281,808	9,721	2,272,087	0	(9,102)	519,611	8.64	
Yang Ming Line Holding Co.	138,240	2,122,779	124,999	1,997,780	0	(3,502)	143,600	10,637.04	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	3,179,675	6,144,912	3,006,385	3,138,527	181,639	(3,916)	(474,622)	(45,854.97)	
Kuang Ming Shipping Corp.	3,000,000	7,518,024	5,716,588	1,801,436	889,270	(170,049)	(612,313)	(2.04)	
YES Logistics Corp.	1,200,000	1,600,789	414,388	1,186,401	2,171,785	72,350	64,111	0.53	
Yang Ming Shipping (B.V.I.) Inc.	31	475,339	98,979	376,360	177,864	(12,787)	39,674	39,674.00	
Yang Ming Line (Hong Kong) Ltd.	3,923	224,473	490,613	(266,140)	169,497	(34,761)	(27,104)	(27.10)	
Karlman Properties Limited	94,147	89,584	1,246	88,338	0	(8,844)	824	0.03	
Yang Ming Line (India) Pvt. Ltd.	2,193	354,557	272,241	82,316	225,616	110,270	83,001	166.00	
Yang Ming (Korea) Co. Ltd.	13,760	96,816	31,432	65,384	198,251	15,647	14,536	145.36	
Young-Carrier Company Ltd.	3,923	1,435,411	1,197,880	237,531	1,071,962	86,109	72,425	72.43	
Yangming (Japan) Co., Ltd.	41,713	444,818	441,969	2,849	293,059	50,200	31,221	10,407.00	
Manwa Co., Ltd.	2,781	7,760	5,023	2,737	694	70	51	255.00	
Yang Ming (Singapore) Pte. Ltd.	22,472	237,998	130,230	107,768	164,575	40,309	35,366	35.37	
Yang Ming Line (M) Sdn. Bhd.	7,388	144,169	97,799	46,370	70,234	6,347	5,067	5.07	
Sunbright Insurance Pte. Ltd.	153,600	529,498	285,044	244,454	38,149	31,700	35,301	7.06	
Yang Ming Shipping (Vietnam) Co. Ltd.	9,216	269,567	228,972	40,595	94,773	25,967	23,429	-	(Note 1)
Yang Ming Anatolia Shipping Agency S.A.	583	486,204	265,871	220,333	1,226,732	374,175	369,845	3,698.45	
Yang Ming Shipping Philippines, Inc.	5,832	97,896	107,659	(9,763)	41,994	(151)	211	2.11	
Yang Ming (Latin America) Corp.	6,144	9,844	2,796	7,048	26,985	556	587	2,935.00	
Yang Ming Line (Thailand) Co., Ltd.	7,569	205,329	191,115	14,214	96,628	7,188	7,586	948.25	
Yang Ming Line Shipping (Thailand) Co., Ltd.	4,731	10,270	1,986	8,284	8,419	536	3,747	749.40	
Yang Ming (America) Corp.	15,360	686,757	467,709	219,048	1,209,812	31,399	4,646	929.20	

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income from Operation	Net Income (Loss)	Earnings (Loss) Per Share	Note
Triumph Logistics Inc.	1,536	31,284	29,258	2,026	197,480	12,694	12,025	60,125.00	
Topline Transportation Inc.	4,608	16,218	4,960	11,258	76,545	2,531	2,531	25,310.00	
Transcont intermodal Logistics, Inc.	2,304	7,740	0	7,740	20,360	18	18	90.00	
Yang Ming Shipping (Canada) Ltd.	2,257	23,183	121	23,062	38,544	1,081	167	167.00	
Yang Ming Line N.V.	46,080	(2,747,379)	3,637	(2,751,016)	0	(163)	(467,229)	(311.49)	
Yang Ming Line B.V.	39,919	(2,747,379)	4,217	(2,751,596)	0	(731)	(466,882)	(186,752.80)	
Yang Ming (Belgium) N.V.	2,164	156,835	128,765	28,070	130,895	9,914	6,244	10,152.85	
Yang Ming (Netherlands) B.V.	14,075	302,439	189,402	113,037	179,616	79,137	86,505	216.26	
Yang Ming (Italy) S.p.A	8,797	499,711	402,387	97,324	306,180	79,109	55,316	221.26	
Yang Ming (Naples) S.r.l.	352	21,848	20,298	1,550	19,649	(2,663)	(1,638)	-	(Note 1)
Yang Ming (UK) Ltd.	58,298	6,534,369	10,181,708	(3,647,339)	14,026,177	(353,197)	(660,533)	(440.36)	
Yang Ming Shipping Europe GmbH	28,786	359,956	192,978	166,978	315,955	(16,056)	3,164	-	(Note 1)
Yang Ming (Russia) LLC	4,422	47,816	28,302	19,514	53,814	18,502	16,412	-	(Note 1)
Yang Ming (Spain), S.L.	3,519	271,888	172,397	99,491	161,838	91,766	67,615	676.15	
Yang Ming (Mediterranean) Marine Services Single-member Limited Liability Company	17,594	23,564	5,596	17,968	31,871	897	379	75.80	
Kuang Ming (Liberia) Corp.	3,369,715	5,752,471	3,322,264	2,430,207	2,463,518	(220,054)	(279,742)	(69,935,500.00)	(Note 3)
YES Logistics Europe GmbH	36,068	99,634	200,295	(100,661)	583,893	(19,090)	(21,876)	-	(Note 1)
YES Logistics Corp.	66,767	60,909	88,057	(27,148)	452,609	1,062	(14,497)	(6.67)	
YES Yangming Logistics (Singapore) Pte. Ltd.	36,134	24,206	0	24,206	0	(183)	(779)	(0.48)	
Yes Logistics Company Ltd.	30,921	44,956	17,983	26,973	13,912	(2,220)	(2,327)	(0.30)	
Yes Logistics Benelux B.V.	633	33,874	43,828	(9,954)	160,444	3,043	2,959	164.39	
Yes Logistics (Shanghai) Corp.	132,096	543,538	411,637	131,901	1,874,234	22,020	17,543	-	(Note 1)
Golden Logistics USA Corporation	307	16,070	5,110	10,960	60,465	2,609	1,853	18,530.00	
YES MLC GmbH	28,330	45,134	102,391	(57,257)	236,723	(4,122)	(4,353)	-	(Note 1)
Merlin Logistics GmbH	1,232	2,077	(47)	2,124	0	0	(1,035)	-	(Note 1)
YES Logistics Bulgaria Ltd.	94	1,700	4,212	(2,512)	9,176	(1,036)	(1,083)	(2,166.00)	
PT YES Logistics Indonesia	30,720	26,305	1,572	24,733	12,874	(5,014)	(3,330)	(3.33)	

Note 1: Unissued shares

Note 2: Issued one share

Note 3: Issued four shares

8.1.7 Declaration of Consolidated of Financial Statements of Affiliates

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies as of and for the year ended December 31, 2018. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

YANG MING MARINE TRANSPORT CORP.

By:



CHIH-CHIEN HSIEH

March 25, 2019

8.2 Private Securities in the past year and as of the Date of Publication of the Annual Report: None

8.3 Holding or Disposal of the Company's Shares by Affiliates in the past year and as of the Date of Publication of the Annual Report: None.

8.4 Other necessary supplementary notes: None.

8.5 Matters in the past year and as of the Date of Publication of the Annual Report which have a substantial impact on Owners' Equity as stipulated in Item 2, Paragraph 3 of Article 36 of the Securities and Exchange Act: None.

Yang Ming Marine Transport Corp.



Chairman: Hsieh Chih-Chien

A handwritten signature in black ink, written in a cursive style. The signature is fluid and appears to be the name of the chairman, Hsieh Chih-Chien.



20646 基隆市七堵區明德一路271號
No.271 Ming De 1st Road, Cidu District, Keelung 20646 Taiwan (R.O.C.)
Tel: 886-2-2455-9988 / Fax: 886-2-2455-9958
<http://www.yangming.com>