

2019



2019 ANNUAL REPORT



2019

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All-time excellence
Ecological protection
Refined technology



I Letter to Shareholders

The global container shipping industry remained in an oversupply situation in 2019 due to weak market demand. At the same time, carriers continued to face challenges of increased operating costs with the advent of IMO 2020 regulations. Yang Ming will respond prudently to future industrial development and continue to provide the best service as the highest principle by implementing the business philosophy of “teamwork, innovation, integrity, and pragmatism” to improve operating efficiency and endeavor 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 2019 annual business report:

1.1.1 Operational Profile

External environment change

1. Overall Economic Prosperity

According to the World Bank and the International Monetary Fund (IMF), global GDP growth rates in 2019 were 2.4% and 2.9% respectively. According to the IMF, the Global Insight, and the World Bank, the growth rate of trade volume in 2019 was between 1.0% and 1.4%, which shows trade and geopolitical uncertainty worsened by rising international trade barriers, slowing economic growth momentum in Europe and the U.S., as well as the Brexit turmoil, have impacted global economic and trade. International crude oil prices in 2019, affected by OPEC’s production reduction measures, the U.S. sanctions on Iran, and the tense situation in the Middle East, ranged 57-64 US dollars per barrel, showing fluctuation with a downward trend.

2. Industry Supply and Demand

According to Alphaliner, a professional shipping consultancy, the growth rate of container shipping demand in 2019 was 2.6%, which was 2.6 percentage points lower than the 5.2% in 2018. In terms of capacity supply, the 2019 growth rate was 4.0%, declining 1.8 percentage points compared with 5.8% in 2018. Although vessels retrofitting during the second half of 2019 in complying with the IMO 2020 mandate offered some ease in supply growth, the overall market was still in supply-demand imbalance situation. In the dry bulk market, the average BDI in 2019 was 1,353 points, same as 2018. According to Clarkson’s latest report, the demand growth rate of bulk shipping in 2019 was 0.7%, and the supply growth rate was 3.9%, indicating that the market remained oversupply.

1.1.2 Implementation Results of Business Plans

In 2019, against the backdrop of slowdown in global economy and imbalance between supply and demand in the market, the volume of operations has reached 5.43 million TEUs, which was about 4% higher than the 5.23 million TEUs in 2018, driven by the active efforts to enhance utilization and expand customer base. The overall average freight rate slightly improved from 2018. The net loss after tax was NT\$4.31 billion and the loss per share was NT\$1.66.

1.1.3 Implementation Status of Operating Income and Expenses

1. Operating Revenue

By actively implementing various business strategies, the overall operating income has grown further. The consolidated operating income for 2019 was NT\$149.181 billion, an increase of NT\$7.348 billion or 5.18% from NT\$141.833 billion in 2018.

2. Operating Cost and Expenses

The growth of cargo volume led to an increase in related operating costs such as terminal, container reposition and storage fees. The consolidated operating expenses for 2019 was NT\$149.721 billion, an increase of NT\$1.794 billion or 1.21% from NT\$147.927 billion in 2018.

1.1.4 Profitability Analysis

Although negatively affected by macroeconomic factors such as the U.S.-China trade war, the Company continued to enhance service competitiveness through fleet optimization and alliance cooperation to improve performance. The operating result was a net loss of NT\$4.31 billion after tax, an improvement of NT\$2.281 billion from 2018.

1.1.5 Research and Development Status

1. Digital Development Strategy

- (1) Yang Ming has adhered to the concept of advancing with the times and continued to pay attention to the use of innovative technologies to promote management and service upgrades. In terms of digital development, we will firstly establish the customer-oriented service strategy and implement customer focus and centralization. Secondly, we will promote direct and digital introduction of customer service and develop an easy-to-use information system (Electronic & Easy to use). In view of the rapid development of e-commerce in recent years, in order to provide customers with convenient and efficient services, we joined Digital Container Shipping Association (DCSA) in the second quarter of 2019. By cooperating with international container carriers through this platform, it's expected we can promote digitalization, standardization, the use of innovative technologies and optimize the operating mode of supply chain of the container shipping industry. It enables related parties to interact information more efficiently and provide more convenient and consistent services so that innovation and digital transformation of the container shipping industry can be achieved. In addition, the Company plans to develop shipment overview platform and provide integrated services, facilitate customers to track cargo information and develop online booking and quotation services. Also, we consider cooperating with third-party platform companies to provide comprehensive value-added services such as financing, insurance, customs declaration, and trailers services to connect logistic supply chain activities.
- (2) In terms of technology introduction, RPA (Robot Process Automation) project began at the end of 2019 and will be used for import and export document operations in Taiwan. It's expected to reduce personnel repetitive work and improve documentation efficiency and work value. As far as IOT (Internet of Things) is concerned, we use ship's existing equipment to track and control refrigerated containers at sea, in coordination with DCSA's recommendations, and continue to work with manufacturers to develop more advanced monitoring technology on reefer containers. For the smart ship project, we continue to implement the ship broad-band network with secured cyber security system, combined with weather navigation for voyage planning simulation and fuel cost cross-comparison with actual data, to save costs.
- (3) To popularize professional knowledge, internal training on new-generation data analysis tools was conducted at the end of 2019, with the aim of making it easier for employees to equip with professional skills in technology and improve work value.

2. Environment-friendly Fleet

(1) Environment-friendly fleet expansion plan

In 2019, two new 14,000 TEU-class vessels “YM Warranty” and “YM Wellspring” joined the fleet. Yang Ming’s fleet consists of twenty 14,000 TEU mega container vessels and ten 2,800 TEU-class vessels along with fourteen 11,000 TEU-class vessels. These energy-saving and environment-friendly ships are scheduled for delivery starting from 2020. New ships with higher efficiency are expected to reduce NO_x and CO₂ emissions to meet the latest energy efficiency (EEDI) standards of the International Maritime Organization (IMO) and to reduce operating costs.

(2) Smart Ship Notations for 2,800 TEU Vessels

- a. Yang Ming’s 2,800 TEU vessels, “YM Celebrity,” “YM Continent,” “YM Certainty,” “YM Credibility,” and “YM Continuity” will be the first batch of vessels to be awarded ABS Smart notations in the world. The notations include Smart INF (Data INFrastructure for Smart Function implementation) & Smart SHM (Structural Health Monitoring). The recognition denotes that these vessels are equipped with smart information infrastructure of big data acquisition and cloud transmission which enables the ships to be monitored their structure endurance and future structural health awareness through ABS’s customized analysis program to ensure sailing safety.
- b. In addition to these intelligent vessels, their sister vessels - “YM Centennial,” “YM Capacity” and “YM Cooperation” - will be the first ones to receive DNV GL SmartShip notations in Taiwan. The notations, including SmartShip OE (Operating Enhancement) and PE (Performance Enhancement), mean that these vessels are equipped with advanced technologies such as improved container load flexibility with route specific container stowage and fuel saving with trim optimization. The technologies will greatly enhance vessel performance and effectively reduce GHG (GreenHouse Gas).

(3) Systematic Phase: Yang Ming is determined to strengthen the ship safety and environmental management system. It’s our mission to achieve safety for ships, crew, cargoes and environment.

(4) Operational Phase: The Company promoted the implementation of Ship Energy Efficiency Management Plan (SEEMP) and Energy Efficiency Operational Indicator (EEOI) on operating fleet. We 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 large vessels. This is to observe the energy saving effect for timely operation improvement. Meanwhile, we cooperated with WNI Company to develop a fuel efficiency management system and establish schedule monitoring module to reduce greenhouse gas emissions and waste.

3. Awards & Performance

Yang Ming is committed to the pursuit of the sustainability of the Company. We continuously optimize our service network and fleet management. We adhere to the excelsior and constantly refine our services in local markets to better serve clients globally. To fulfill our responsibility as an Earth citizen, we strictly comply with the international environmental laws and regulations in hopes of contributing to marine environmental protection and achieving our corporate social responsibility goals.

(1) Selected the best shipping line for intra-Asia service

Yang Ming is once again selected as the “Best Shipping Line - Intra-Asia” by the readers of Asia Cargo News, a well-known shipping media company. The award was presented at the “2019 Asian Freight, Logistics & Supply Chain Awards” (AFLAS). Yang Ming has been continuously honored with the award since 2016 which affirms its efforts to enhance intra-Asia service network.

(2) Received the recognition from the U.S. Coast Guard for participating in AMVER program

Yang Ming received the recognition from the U.S. Coast Guard for its vessels “YM MANDATE” & “YM MILESTONE” participating in Automated Mutual Assistance Vessel Rescue (AMVER) program. The award highlights Yang Ming’s commitment to safety at sea as well its willing to offer emergency assistance to the ships in need.

(3) Awarded appreciation plaque from Liberian Registry for YM EXCELLENCE’s rescue operation

On May 19th, 2019, Yang Ming’s containership “YM EXCELLENCE” successfully rescued two Australians who were spotted fleeing out of a flaming yacht. Liberian Registry presented Yang Ming and the captain of YM EXCELLENCE with the appreciation plaque to acknowledge the vessel’s swift rescue operation as well as Yang Ming’s commitment to compliance with regulations and humanitarian assistance.

1.2 2020 Annual Business Plan

1. Overall economic environment

Looking ahead to 2020, while global GDP shows moderate and stable growth compared with 2019, there are still concerns over slowdown in global economic growth. 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 soften to 3.2% and 2.5%, and the global trade growth rate is 2.9% and 3.0%. Rising protectionism, concerns over increasing downward pressure in China, the subsequent impact after Brexit, and the coronavirus outbreak are expected to become uncertain factors affecting global economy and trade development.

2. Industry environment

According to Alphaliner’s latest forecast, in 2020 the container shipping demand growth rate and the supply growth rate will be 1.5% and 3.1% respectively. Although the supply chain and the supply growth rate are affected by coronavirus outbreak which weakens market demand in the short-term, the supply-demand gap is expected to narrow down as a large number of ships undergo scrubber installation. In the dry bulk market segment, Clarksons projected in its latest report that in 2020 the demand growth rate is 2.5%, the supply growth rate is 3.4%, and the market is expected to gradually recover. Furthermore, considering that the environmental issues in shipping industry is drawing more attention from the international community, and the EU and U.S. regulators have become more conservative about alliances, the container shipping market remains challenging.

In order to cope with the more competitive industrial environment and enhance the overall strength, Yang Ming’s main development plans are summarized as follows:

- (1) Stable and conservative principle for service planning with fleet renewal to enhance competitiveness
 - a. East-west alliance network: Strengthen the competitiveness through close cooperation within THE Alliance with a 10 year term as HMM becomes a member partner from April of 2020.
 - b. East-west non-alliance network: Cooperate with non-alliance carriers to develop niche markets (India / Northwest Europe and Eastern Mediterranean / US East Coast) in response to the Sino-US trade war and a shift in supply chain.
 - c. North-south network: Reduce the scale of under-performing services (India, Pakistan and Australia) and reinforce the market position in South America.
 - d. Intra-Asia network: Upgrade Intra-Asia services and accelerate regional network layout to cope with the delivery of 2,800 TEU new buildings.
- (2) Operational process improvement: Employ customer-oriented service strategy to improve value and productivity.
- (3) Information system integration and upgrade: Promote IT application considering the trend of digitalization.
- (4) Centralized management of the group:
 - a. Establish own agencies and plan to increase its equity in joint ventures to improve management control.
 - b. Evaluate and adjust the structure of holding company in order to reduce tax and streamline organization structure.
- (5) Investment strategy and application
 - a. Focus on the maritime industry for vertical integration, and comprehensively review and track the performance of the reinvestment business.
 - b. Increase the equity in operated agencies to enhance management control and competitiveness, with a view to achieving profitability and disperse the risks of the maritime industry.
- (6) Operating cost control: Explicitly set targets for all agencies and evaluate group performance on a monthly basis.

Looking back at the past year, with the development in international political and economic situations, the shipping market was faced with uncertainties that created operational challenges. We've seen so many accomplishments within the Company by implementing strategies to strengthen our cost structure and reduce operating expenses. Moving forward into 2020, the global shipping industry continues to face various challenges as well as opportunities. All colleagues of Yang Ming will navigate any challenge, strive for greatness, and deliver better result to fulfil the trust 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).
- 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).
- Assigns, after Straits Exchange Foundation and Association for Relations Across the Taiwan Straits signed an agreement on cross-strait direct shipping link, 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 self-owned 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.
- Creates a new partnership, "THE Alliance," with Hapag-Lloyd, Hanjin, "K"Line, Mitsui O.S.K. Lines, and Nippon Yusen Kaisha.

- Signs letter of cooperation with National Tung Kang Maritime & Fishery Vocational high school to cultivated professional 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 by upgrading 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 the 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 network enhancements for 2018.
- Launches Korea–Vietnam/Thailand and Japan–Malaysia-Vietnam services to provide more convenient and reliable intra-Asian services.
- Returns to profitability in 2017.
- Sets up regional center in the Mediterranean.
- Officially opens, in Indonesia, PT Formosa Sejati Logistics, a joint venture between Yang Ming and Taiwan International Ports Corporation, Ltd. (TIPC) and Indonesian investors.
- 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 Shoen 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 announces further network enhancements for 2019.

2019

- THE Alliance unveils enhanced service network for 2019 and announces Hyundai Merchant Marine (HMM) will join THE Alliance as a full member.
- Holds the naming ceremony for two 14,000 TEU full-container vessels, YM Warranty and YM Wellspring.
- Launches new intra-Asia services, i.e., China-Malaysia service, Korea-Vietnam and Malaysia service, China-Thailand direct service, Thailand-Indonesia express service, Japan-Thailand service, China-Vietnam-Cambodia service, Indonesia-Singapore/Malaysia-Thailand service, Singapore-Philippines express service and Malaysia-Yangon express service to further optimize business in Asia.
- Launches India-Europe direct service to enhance Europe service network.
- Signs charter agreements for four 11,000 TEU containerships with Shoeni Kisen Kaisha Ltd.
- Forms a new subsidiary in Indonesia to strengthen Southeast Asia services.
- Joins DCSA(Digital Container Shipping Alliance) to advance digitalization in shipping industry.
- Establishes new subsidiary Huan Ming (Shanghai) International Shipping Agency Co. to act as Yang Ming's general agent in China.
- Receives recognition plaques from Liberian Registry to YM EXCELLENCE and Yang Ming for successfully conduct a rescue operation.
- Receives Automated Mutual Assistance Vessel Rescue System (AMVER) award from The U.S. Coast Guard to YM MANDATE & YM MILESTONE.
- Wins Best Shipping Line-Intra-Asia Award by Asia Cargo News readers.

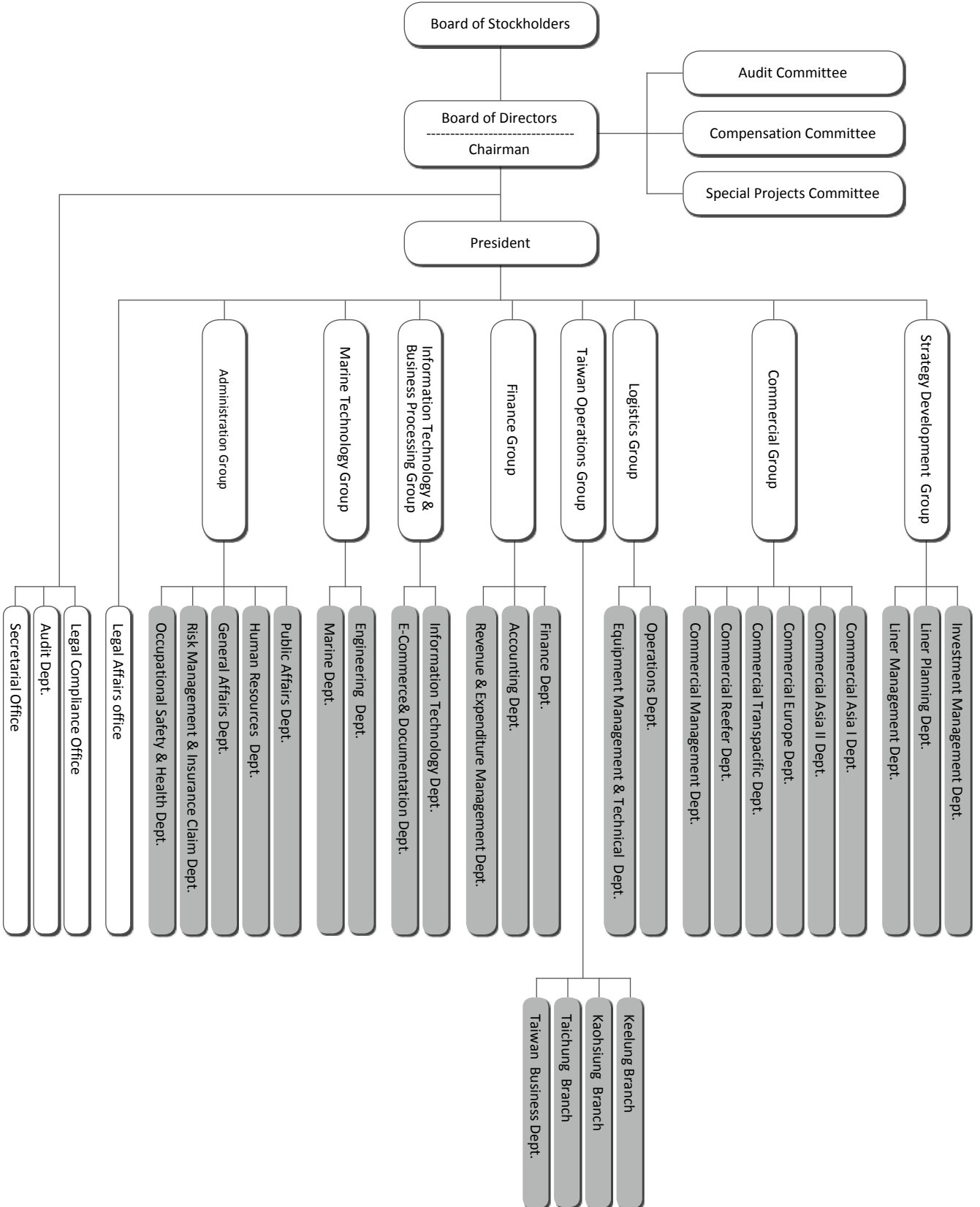
2020

- Launches Taiwan-Japan service to enhance Intra-Asia service network.
- THE Alliance Unveils Expanded Service Network for 2020.
- Successfully delivers the first container of Taiwan guavas to the United States.
- Launches new East Mediterranean - America Service to deliver more efficient and comprehensive service in the Mediterranean region.

 Corporate Governance Report

3.1 Organizational System

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 Compliance Office		<ul style="list-style-type: none"> · Develops, manages and implements compliance policies related to competition laws · Reviews group's existing regulations and procedures to ensure compliance, and provides compliance advices
Legal Affairs Office		<ul style="list-style-type: none"> · Process and assist group's legal affairs · Provide reviews of company's regulations and internal protocols, and those of external contracts · Collection, analysis and application of group's legal cases
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 Reefer 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 (Note1)	Birthplace or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholdings When Elected		Current Shareholdings	
							Shares	%	Shares	%
Chairman (Corporate Representative of the MOTC)	ROC	Chih-Chien Hsieh	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	As the chairman of this company since June 23 th , 2016				
Director (Corporate Representative of the MOTC)	ROC	Kun-Ching Liao	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	June 22 th , 2018	Directors herein as the corporate representatives of the 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 the MOTC, holding a total of 467,682,372 shares	Which represent 17.97% of the company's shares
Director (Corporate Representative of the MOTC)	ROC	Ping-Jen Tseng	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	June 22 th , 2016				
Director (Corporate Representative of the NDF)	ROC	Cheng- mount Cheng	Male	August 17 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	August 17 th , 2018				
Director (Corporate Representative of the NDF)	ROC	Chien-Yi Chang	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	June 22 th , 2018	Directors herein as the corporate representatives of the NDF, holding a total of 460,000,000 shares	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 shares	Which represent 17.68% of the company's shares
Director (Corporate Representative of the NDF)	ROC	Shao-Yuan Chang	Male	April 29 th , 2019	May be eligible for re- election and consecutive appointment within 3 years	April 29 th , 2019				
Director (Corporate Representative of the TIPC)	ROC	(left vacant for the time)			May be eligible for re- election and consecutive appointment within 3 years		Directors herein as the corporate representatives of the NDF, holding a total of 119,514,708 shares	Which represent 5.14% of the company's shares	Directors herein as the corporate representatives of the NDF, holding a total of 311,453,287 shares	Which represent 11.97% of the company's shares
Director (Corporate Representative of the TNC)	ROC	Wen-Ching Liu	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	June 22 th , 2018	Directors herein as the corporate representatives of the TNC, holding a total of 32,292,930 shares	Which represent 1.39% of the company's shares	Directors herein as the corporate representatives of the TNC, holding a total of 41,889,858 shares	Which represent 1.61% of the company's shares

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	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			Note
	Shares	%	Shares	%			Position	Name	Relation	
	0	0	0	0	<ul style="list-style-type: none"> · Deputy President of Evergreen Group · Chairman of Evergreen International Corp. · Chairman of Evergreen Marine Corp. Ltd. · Director of National Associate of Chinese Ship-owners · Honorary doctorate, National Taiwan Ocean University · Business management Dept. of Tamsui Institute of Business Administration 	<ul style="list-style-type: none"> · Chairman of Kao Ming Container Terminal Corp. · Director of Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line (Singapore) Pte. Ltd, Young-Carrier Company Ltd., Yang Ming Line Holding Co., Yang Ming (America) Corp. 	-	-	-	Note2
	0	0	0	0	<ul style="list-style-type: none"> · Retired as the Professor of National Taiwan Ocean University · Department Chairman and Full-Time Professor of Science of the NTOU's Dept. of Transportation · Associate Professor of National Kaohsiung Marine University · Deck Officer of Chinese Maritime Transport Ltd. · Master of Tokyo University of Mercantile Marine's Dept. of Transportation Engineering · Bachelor of the NTOU's Dept. of Navigation 	-	-	-	-	
	1,028 shares	0	0	0	<ul style="list-style-type: none"> · Associate Vice President of our company · Bachelor of Shih Chien University's Dept. of International Trade 	<ul style="list-style-type: none"> · Director of Yang Ming Culture Foundation, Karlman Properties Limited, Formosa International Development Corporation 	-	-	-	
	0	0	0	0	<ul style="list-style-type: none"> · Vice Chairman of National Development Council · Vice Chairman of Financial Supervisory Commission R.O.C · General Manager of Agriculture Bank of Taiwan · President of Taiwan Academy of Banking and Finance · Adjunct Associate Professor of National Chengchi University's Dept. of Finance · Chief Economist of CITIBANK Taiwan · Assistant Researcher of Taiwan Institute of Economy Research · Master in Economics of University of Wisconsin-Madison · Bachelor of National Taiwan University's Dept. of Economics 	<ul style="list-style-type: none"> · Director of Mega Financial Holding Company Ltd. 	-	-	-	
	0	0	0	0	<ul style="list-style-type: none"> · President of Taiwan Institute of Economic Research · Director of Taiwan Institute of Economic Research's Research Division II · Vice Executive Secretary of Industrial Development Advisory Council of Ministry of Economic Affairs ROC · Vice Executive Secretary of Commercial Development Advisory Council of Ministry of Economic Affairs ROC · Vice Chairman of Policy Research Commission of the Economic and Trade in ROCCOC · Adjunct Associate Professor of Soochow University's Dept. of National Business · Doctor of National Taipei University's Dept. of Economics 	<ul style="list-style-type: none"> · Director of Chang Hwa Bank, Asia Global Venture Capital II Co. · Member of Wholesaler&Retailer Committee in TWCSI · Director of Central Bank 	-	-	-	
	0	0	0	0	<ul style="list-style-type: none"> · Deputy Mayor of Tainan City (retired) · Director of Finance and Local Tax Bureau of Tainan City · Director of Finance Department of Tainan City · Director of Finance Department of Tainan County · Master of National Chengchi University's Dept of Land Economics · Bachelor of National Chung Hsing University's Dept of Land Economics 	<ul style="list-style-type: none"> · Director of iPASS Corporation 	-	-	-	
							-	-	-	
	0	0	0	0	<ul style="list-style-type: none"> · Chairman of Taiwan Navigation Company · Chairman of Kaohsiung Ammonium Sulfate Co., Ltd. · Chairman of the CSLC · Senior Consultant of CPC Corporation, Taiwan · Master of The Hong Kong Polytechnic University's Dept. of Applied Biology and Chemical Technology · Bachelor of National Chung Hsing University's Dept. of Chemistry 	<ul style="list-style-type: none"> · Chairman of Taishing Maritime Co.S.A, Shinwang Maritime Inc. · Independent Director of Transart Graphics Co.,Ltd 	-	-	-	

Title (Note1)	Birthplace or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholdings When Elected		Current Shareholdings	
							Shares	%	Shares	%
Independent Director	ROC	Ming-Sheu Tsai	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	June 22 th , 2017	154,777 shares	0	154,777 shares	0
Independent Director	ROC	Tar-Shing Tang	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	June 22 th , 2018	0	0	0	0
Independent Director	ROC	Tze-Chun Wang	Male	June 22 th , 2018	May be eligible for re- election and consecutive appointment within 3 years	June 22 th , 2018	0	0	0	0

Note1: The seat of Chan-Te Ho in Corporate Representative of the NDF is changed into Shao-Yuan Chang on April 29th, 2019 to serve as. The seat of the Corporate Representative of TIPC was left vacant since June 17th, 2019.

Note2: The position of the Chairman and the Chief Executive Officer (the highest manager) of the Company is measured for organization function by the Board of Directors and is appointed in accordance with the resolutions of the Company's Articles of Incorporation. In order to uphold the resolutions of the Board of Directors, to be responsible for the major decisions of the Company and the group business, to represent Yangming Shipping Group externally and to lead and command the Group's operating policy as a highest manager. Hoping to participate in the operation and management of the Company in a more pragmatic manner, to concentrate its powers, to exert efficiency and operational benefits, and to achieve the mission of implementing the resolutions of the Board of Directors. In addition, in order to achieve the goal of improving the company's system and implementing corporate governance, the company will make necessary adjustments within the prescribed period in accordance with the provisions of the Board of Directors of Pulic Company and Compliance Rule of exercise powers issued by the Taiwan Stock Exchange Co., Ltd.

Note3: The Independent Director Ming-Sheu Tsai Resigned on April 16th, 2020.

	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			Note
	Shares	%	Shares	%			Position	Name	Relation	
	0	0	0	0	<ul style="list-style-type: none"> · Independent Director of T3EX Global Holdings Corp. · Chairman of Kuang Ming Shipping Corp. · General Manager of Yang Ming Marine Transport Corporation China Area, Senior Executive Vice President and Chief Secretary of Yang Ming Marine Transport Corporation · Master of National Chengchi University's Dept. of Public Administration · Bachelor of National Chung Hsing University's Dept. of Public Administration 	<ul style="list-style-type: none"> · Independent Director of T3EX Global Holdings Corp. 	-	-	-	(Note 3)
	0	0	0	0	<ul style="list-style-type: none"> · Attorney-in-Charge of Tar-Shing Tang Law Office · Qualification in Bar Examination · Completion in The Training Institute of Ministry of Finance · Qualification in Senior Examination of Finance · Bachelor of National Taiwan University's Dept. of Economics, Minor in Law 	<ul style="list-style-type: none"> · Independent Director of EverFocus Co., Ltd. 	-	-	-	
	0	0	0	0	<ul style="list-style-type: none"> · Chairman of Sirtec International Co., Ltd · Representative of Navigator Investment Co., Ltd. · CPA of Deloitte · Teaching Assistant in National Taiwan University · Bachelor of National Taiwan University's Dept. of Agriculture Economics 	<ul style="list-style-type: none"> · Independent Director of Huaku Development Co., Ltd. · Chairman of Sirtec (Dong Guan) Plastics & Electronics Co., Ltd, Dongguan Shey Sun Plastics & Electronics Co., Ltd, Dongguan Sirtec Image Co., Ltd., Sirtec (Zhuhai) Plastics & Electronics Co., Ltd · Supervisor of Duen-Mou Committee of Taiwan, Mercy Social Welfare Fund, Christian Faith/Hope/Love Trust Fund, Love of God Social Welfare Fund, Boyo Social Welfare Foundation · Director of 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) Sales Service Co., Ltd., Heyun International Logistics Corp 	-	-	-	

1. Major shareholders of corporate shareholders

Mar. 31, 2020

Name of corporate shareholders	Major shareholders of corporate shareholders
The MOTC	Government of the R.O.C(100%)
The NDF	Government of the R.O.C(100%)
The TIPC	The MOTC(100%)
The TNC	The MOTC (26.46%), Yang Ming (16.96%), The CMT (7.46%), Fortune Investment(2.95%), Yunwang Investment(2.42%), Yongyuxing Enterprise(2.29%), China Trust Bank trust account held by The TNC employees(1.35%), Jackia Investment(1.36%), Chen Chang-hong(0.65%), Su Xing-gan(0.61%)

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

As of the date of publication, the last time to stop the transfer: April 27, 2019

Name of the juridical person	Major shareholders of the juridical person(Note1)
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%), The TIP (5.14%), Mercuries Life (3.49%), Chao-Shun Hung (3%),The TNC (1.39%), Chinachem Company in Taiwan (1.28%), Mega International Commercial Bank Estate Account-ESOT of Yang Ming (0.91%),T3EX Global Holdings(0.74%), Morgan Bank Taipei Branch hosts Vanguard stock index account(0.65%)
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(0.49%)
Fuwang Investment Co. Ltd.	The CMT(100%)
Yunn Wang Investment Co. Ltd.	Yang Ming (49.75%), The TN (49.75%),Fulirong Investment(0.50%)
Yongyuxing Enterprise	Lin Yuqin(100%)
China Trust Bank trust account held by The TNC employees	Inapplicable
Jackia Investment Ltd. (Note2)	Tsai Shiyong(50%)

Note1: Name of major shareholders of the juridical person (Top 10 shareholders).

Note2: Due to the non-public offering, the detailed shareholding ratio of all major shareholders cannot be obtained.

3. Information of Director (Including Independent Director)

Mar. 31, 2020

Name	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)	(11)	(12)	
Chih-Chien Hsieh				✓			✓	✓	✓	✓		✓	✓	✓	✓		0
Kun-Ching Liao	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Ping-Jen Tseng				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chien-Yi Chang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Cheng-mount Cheng	✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓			0
Shao-Yuan Chang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		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 the term of office.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the managers specified in preceding criteria 1 and of the persons specified in preceding criteria 2 to 3.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, and ranks in the top 5 in shareholdings or appointed as representative pursuant to Item 1 or 2 of Article 27 of the Company Act. This does not apply in cases where the person is an independent director of the company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (6) Not a director, supervisor or employee of other company who controls more than 50% of the seats of company's director or the voting shares. This does not apply in cases where the person is an independent director of the company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (7) Not a director, supervisor or employee of other company or institution who are the same person or spouse with the chairman, the president, or equivalent. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (8) Not a director, supervisor, manager, or shareholder holding more than 5% outstanding shares of a company or institute that has baseness or financial relationship with the Company. This does not apply to some specific companies or institutes which hold more than 20% less than 50% shares of the total issued shares of the Company and in cases where the person is an independent director of the company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (9) Not an owner, partner, director, supervisor, a manager or spouse of any of professional, sole proprietorship, partnership, company, or institution that provides audit or commercial, legal, financial, accounting services with remuneration less than NTD500,000 in 2 years to the Company or its affiliate. Except for member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security Exchange Act or to the Business Mergers and Acquisitions Act or related laws.
- (10) Not a spouse or relative within second degree of kinship to any others directors of the Company.
- (11) Not under any of the circumstances set forth in Article 30 of the Company Act.
- (12) Not a governmental, or an institutional shareholder or its representative elected pursuant to Article 27 of the Company Act.

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

4. The successional plan of the member of the Board

- (1) The term of office of the 19th Board of the Company is 3 years, from June 22th, 2018 to June 21th, 2021. Except as otherwise provided by acts and regulations, the election of directors of the Company shall be carried out in accordance with the “Procedures for Election of Directors” of the Company and be compatible with the diversity of the Board of the Company in terms of development of the Company, major shareholders’ holdings, and practical operation. The deployment of board members also takes capability of the Board and the results of the annual performance evaluation of the board in account.
- (2) The Board of the Company should instruct the strategies, supervise the management, and be accountable to the company and shareholders. Members of the Board should have the knowledge, skills and accomplishments which are necessary to achieve the goal of corporate governance, the board should have theabilities as follows:
 - i. The ability of operational judgment
 - ii. The ability of accounting and financial analysis
 - iii. The ability of management
 - iv. The ability of crisis management
 - v. Knowledge of the industry
 - vi. Vision of international market
 - vii. The ability of leadership
 - viii. The ability of decision-making
 - ix. The knowledge andabilities of risk management
- (3) The company continues formulating appropriate diversified policies of the Board in accordance with practical operating types and the need of development, including but not limited to the following standards:
 - i. Basic conditions and values: gender, age, nationality and culture...etc.
 - ii. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience...etc.
 - iii. Implementation of diversified policies of the Board:

The current Boardmember of the Company is composed of 11 directors (the representative of TIPC is temporarily absent), including 3 independent directors, and members of the Board of Directors have experience and profession of various fields such as shipping, international economy, finance, accounting, law and management. 18% of total number of directors with employee status ; 27% of total number of directors are independent directors , all independent directors have a term of service less than 3 years; 1 director is over 71 years old , 6 directors are aged between 61 and 70, and 3 directors are under 60; the relevant implementation is as follows:

Name	The core projects of diversification													
	The basic condition						Capabilities			Profession				
	Gender	Nationality	Adjunct the employee of the company	Age			Seniority of independent directors	Management	Leadership and decision	Experience of the industry	International economics	Accounting and finance	Business and marketing	Legal practice
				51-60 years old	61-70 years old	Over 71 years old								
Chih-Chien Hsieh	Male	ROC	✓		✓			✓	✓	✓			✓	
Kun-Ching Liao	Male	ROC				✓				✓				
Ping-Jen Tseng	Male	ROC	✓	✓				✓	✓	✓			✓	
Cheng-mount Cheng	Male	ROC		✓				✓	✓		✓	✓		
Chien-Yi Chang	Male	ROC		✓				✓	✓		✓			
Shao-Yuan Chang	Male	ROC			✓			✓	✓			✓		
Wen-Ching Liu	Male	ROC			✓			✓	✓	✓			✓	
Ming-Sheu Tsai	Male	ROC			✓		Less than 3 years	✓	✓	✓			✓	
Tar-Shing Tang	Male	ROC			✓		Less than 3 years	✓	✓					✓
Tze-Chun Wang	Male	ROC			✓		Less than 3 years	✓	✓			✓		

(4) In order to maintain the profession of the members of the Board of Directors and pass down the experience, the company has established a director successional plan through the following methods:

- i. Take the candidates of directors recommended by shareholders in account.
- ii. Invite current directors to recommend candidates.
- iii. Use the results of the annual performance evaluation of Board of Directors as the reference basis for re-appointment of nominated directors.

The list of candidates for directors obtained through the previous disclosure method shall be submitted to the Board of Directors of the Company for consideration in a timely manner as a reference of directors' successional plan.

(5) With reference to changes of the external industry environment and internal conditions and development needs of the Company, the Company plans on annual advanced courses for directors (new or reappointed) to enhance the expertise and strengthen the functions of the Board of Directors.

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

Title	Nationality	Name	Gender	Inauguration Date	Shareholdings		Spouse & Minor Shareholding		Current Shareholding in the name of others	
					Shares	%	Shares	%	Shares	%
Chief Operation Officer	ROC	Chih-Chien Hsieh	Male	2018.06.22	97,400	0	0	0	0	0
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	Shih-Fang Hsu	Male	2019.10.01	90,823	0	0	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 Marine Technology Officer & Senior Vice President	ROC	Yeoung-Shuenn Ho	Male	2018.06.01	35,137	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
Chief Strategy Officer & Senior Vice President	ROC	Shu-Chin Du	Male	2020.02.03	0	0	0	0	0	0
Chief Commercial Officer / Chief Taiwan Operations Officer & Senior Vice President	ROC	Chao-Feng Chang	Male	2020.02.03	65,486	0	0	0	0	0
Chief Financial Officer & Senior Vice President	ROC	Hsiu-Chi Ho	Female	2020.02.03	76,162	0	2,569	0	0	0
Senior Vice President	ROC	Jia-Lin Wu	Male	2006.04.01	0	0	0	0	0	0

Mar. 31. 2020

	Experience(Education)	Current position at other companies	Managers who are spouse or within two degree of kinship			Note
			Title	Name	Relationship	
	<ul style="list-style-type: none"> ·Deputy President of Evergreen Group ·Chairman of Evergreen International Corp. ·Chairman of Evergreen Marine Corp. Ltd. ·Director of National Associate of Chinese Ship-owners ·Honorary doctorate, National Taiwan Ocean University ·Business management Dept. of Tamsui Institute of Business Administration 	<ul style="list-style-type: none"> ·Chairman of Kao Ming Container Terminal Corp. ·Director of Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line (Singapore) Pte. Ltd., Young-Carrier Company Ltd., Yang Ming Line Holding Co., Yang Ming (America) Corp. 	-	-	-	Note 1
	<ul style="list-style-type: none"> ·Executive Vice President of this company ·Chairman of YES ·Master of National Chiao Tung University 	Director of Kuang Ming Shipping Corp.	-	-	-	
	<ul style="list-style-type: none"> ·Senior Vice President of this company ·Tamsui Institute of Industrial & Business Administration 	Director of LogiTrans Technology	-	-	-	
	<ul style="list-style-type: none"> ·Senior Vice President of this company ·M.D of YM (ERO) and YM (UK) ·Master of National Chiao Tung University 	-	-	-		
	<ul style="list-style-type: none"> ·Vice President of this company ·President of YM(SG) ·Master of Tamkang University 	<ul style="list-style-type: none"> ·Chairman of Yang Ming Culture Foundation, Director of Kuang Ming Shipping Corp., YES Logistics Corp., Jing Ming Transportation Co., Ltd., Sunbright Insurance Pte. Ltd., Yang Ming Insurance Co. Ltd., Huan Ming (Shanghai) International Shipping Agency Co. Ltd. 	-	-	-	
	<ul style="list-style-type: none"> ·Vice President of this company ·Master of National Taiwan Ocean University 	<ul style="list-style-type: none"> ·Director of Kuang Ming Shipping Corp. ·Chairman&President of All Oceans Transportation Inc. 	-	-	-	
	<ul style="list-style-type: none"> ·Vice President of this company ·Master of National Taiwan Ocean University 	<ul style="list-style-type: none"> ·Director of West Basin Container Terminal LLC, United Terminal Leasing LLC, Taipei Port Container Terminal Corp., United Stevedoring Corp., Kao Ming Container Terminal Corp. 	-	-	-	
	<ul style="list-style-type: none"> ·Vice President of this company ·President of YM (HK) ·Master of National Taiwan University 	<ul style="list-style-type: none"> ·Director of Yang Ming (U.A.E.) LLC, Yang Ming Line (India) PVT. Ltd., Huan Ming (Shanghai) International Shipping Agency Co. Ltd., Kao Ming Container Terminal Corp., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yes Logistics Corp., Taiwan Foundation International Pte. Ltd. 	-	-	-	
	<ul style="list-style-type: none"> ·Vice President of this company ·Bachelor of National Taiwan Ocean University 	<ul style="list-style-type: none"> ·Director of Yang Ming (Japan) Co. Ltd., Yang Ming (Korea) Co. Ltd., Yang Ming Line (India) PVT. Ltd., Young-Carrier Company Ltd., Yang Ming (Latin America) Co., 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 (Australia) Pty. Ltd., Huan Ming (Shanghai) International Shipping Agency Co. Ltd., Yang Ming Anatolia Shipping Agency S.A., Hong Ming Terminal & Stevedoring Corp., Jing Ming Transportation Co. Ltd., Kao Ming Container Terminal Corp., Yes Logistics Corp. 	-	-	-	
	<ul style="list-style-type: none"> ·Vice President of this company ·Master of Tamkang University 	<ul style="list-style-type: none"> ·Director of Yang Ming Line Holding Co., Yang Ming Line (Singapore) Pte Ltd., Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line N.V., Yang Ming Line B.V., Ching Ming Investment Corp., Yunn Wang Investment Co., Ltd., Taiwan Foundation International Pte. Ltd. ·Supervisor of Huan Ming (Shanghai) International Shipping Agency Co. Ltd. 	-	-	-	
	<ul style="list-style-type: none"> ·Vice President of this company ·President of YM (UK) ·Master of National Cheng Kung University 	-	-	-		

Title	Nationality	Name	Gender	Inauguration Date	Shareholdings		Spouse & Minor Shareholding		Current Shareholding in the name of others	
					Shares	%	Shares	%	Shares	%
Senior Vice President	ROC	Jie-Li Zhu	Male	2011.12.16	83,592	0	713	0	0	0
Senior Vice President	ROC	Shi-Nan Huang	Male	2019.01.01	10,000	0	0	0	0	0
Senior Vice President	ROC	Yi-Da Wu	Male	2019.07.01	0	0	9,345	0	0	0
Senior Vice President	ROC	Chien-Chang Tzeng	Male	2019.07.01	0	0	0	0	0	0
Vice President	ROC	Dong-Hai Chen	Male	2012.12.01	66,078	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	Zeng-Yu Qiu	Female	2016.10.01	18,596	0	0	0	0	0
Vice President	ROC	Yung-Kai Wang	Male	2017.02.13	113,968	0	0	0	0	0
Vice President	ROC	Leng-Hui Wang	Male	2018.02.01	0	0	0	0	0	0
Vice President (Accounting Supervisor)	ROC	Yu-Wen Su	Male	2018.02.01	0	0	0	0	0	0
Vice President	ROC	Jia-Ting Dong	Male	2018.03.01	25,587	0	0	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	Chun-Jie Lu	Male	2018.05.01	0	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

	Experience(Education)	Current position at other companies	Managers who are spouse or within two degree of kinship			Note
			Title	Name	Relationship	
	· Vice President of this company · President of YM (NL) and YM (IT) · Master of National ChengChi University	-	-	-	-	
	· 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., PT Yang Ming Shipping Indonesia.	-	-	-	
	· Vice President of this company · President of YM (Australia) · Master of Royal Melbourne Institute of Technology	· Director of Yang Ming (UK) Ltd., All Oceans Transportation Inc.	Vice President	Bao-lin Li	Spouse	
	· Vice President of this company · Bachelor of Fu Jen Catholic University	-	-	-	-	
	· Deputy Vice President of this company · Master of National ChengChi University	· Director of Yang Ming Culture Foundation	-	-	-	
	· Deputy Vice President of this company · Master of Tamkang University	· Director of Yang Ming (Singapore) Pte. Ltd., Yang Ming Line (M) Sdn. Bhd., Yang Ming (Latin America) Co.	-	-	-	
	· 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 Culture Foundation, Karlman Properties Limited, Formosa International Development Corporation	-	-	-	
	· Deputy Vice President of this company · Master of Chinese Culture University	· Director of Yang Ming Culture Foundation	-	-	-	
	· Deputy Vice President of this company · President of YM (TR) · President of YM (NL) · Bachelor of Chinese Culture University	· Director of Yang Ming Shipping (Vietnam) Co, Ltd., Yang Ming Shipping Philippines, Inc., PT. Formosa Sejati Logistics · Managing Director of Taiwan Fundation Internatioanl Pte, Ltd	-	-	-	
	· Deputy Vice President of this company · President of YM (JP) · 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., Yang Ming (Korea) Co. Ltd., Yangming (Japan) Co., Ltd., PT Yang Ming Shipping Indonesia., Jing Ming Transportation 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., Topline Transportation, Transcont Intermodal Logistics	Senior Vice President	Yi-Ta Wu	Spouse	
	· Deputy Vice President of this company · Bachelor of National Cheng Kung University	-	-	-	-	
	· Deputy Vice President of this company · Bachelor of National Chung Hsing University	· Director of Yang Ming (America) Corp., Transcont Intermodal Logistics./Yang Ming Shipping (Canada)	-	-	-	
	· Deputy Vice President of this company · Bachelor of National Chung Hsing University	-	-	-	-	

Title	Nationality	Name	Gender	Inauguration Date	Shareholdings		Spouse & Minor Shareholding		Current Shareholding in the name of others	
					Shares	%	Shares	%	Shares	%
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
Vice President	ROC	Men-Huo Tsai	Male	2019.05.16	0	0	0	0	0	0
Vice President	ROC	Li-Wen Liu	Female	2020.02.04	45,474	0	0	0	0	0
Corporate Governance Supervisor	ROC	Ting-Yu Lu	Female	2019.01.25	20,000	0	0	0	0	0
Finance Supervisor	ROC	Shu-Hui Ou	Female	2020.01.21	1,229	0	0	0	0	0

Note1: The position of the Chairman and the Chief Executive Officer (the highest manager) of the Company is measured for organization function by the Board of Directors and is appointed in accordance with the resolutions of the Company's Articles of Incorporation. In order to uphold the resolutions of the Board of Directors, to be responsible for the major decisions of the Company and the group business, to represent Yangming Shipping Group externally and to lead and command the Group's operating policy as a highest manager. Hoping to participate in the operation and management of the Company in a more pragmatic manner, to concentrate its powers, to exert efficiency and operational benefits, and to achieve the mission of implementing the resolutions of the Board of Directors. In addition, in order to achieve the goal of improving the company's system and implementing corporate governance, the company will make necessary adjustments within the prescribed period in accordance with the provisions of the Board of Directors of Public Company and Compliance Rule of exercise powers issued by the Taiwan Stock Exchange Co., Ltd..

	Experience(Education)	Current position at other companies	Managers who are spouse or within two degree of kinship			Note
			Title	Name	Relationship	
	·Deputy Vice President of this company ·Bachelor of China Maritime College (Renamed as Taipei University of Marine Technology)	-	-	-	-	
	·Deputy Vice President of this company ·Bachelor of National Taiwan Ocean University	·Director of Hong ming Terminal & Stevedoring Corp., Jing Ming Transportation Co. Ltd.	-	-	-	
	·Finance& Administration Manager of YM (NL) ·Master of Rotterdam School of Management, Erasmus University	-	-	-	-	
	·Deputy Vice president of this company ·Master of National Taiwan University	·Director of Yang Ming Culture Foundation	-	-	-	
	·Deputy Vice president of this company ·Bachelor of National Taiwan Ocean University	-	-	-	-	
	·Deputy Vice president of this company ·Master of National Cheng Kung University	·Director of All Oceans Transportation Inc./ Yang Ming Line B.V./ Sunbright Insurance Pte. Ltd./ Yang Ming Insurance Co., Ltd. ·Supervisor of Pt. Formosa Sejati Logistics	-	-	-	

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	102	102	0	0	0	0	0	0
Director	Shao-Yuan Chang, Corporate Representative of the NDF	69	69	0	0	0	0	0	0
Director	Cheng-mount Cheng, Corporate Representative of The NDF	102	102	0	0	0	0	0	0
Director	Chuan-Te Ho, Corporate Representative of The NDF	33	33	0	0	0	0	0	0
Director	Chien-Yi Chang, Corporate Representative of The NDF	102	102	0	0	0	0	0	0
Director	Shao-liang Chen, Corporate Representative of The TIP	47	47	0	0	0	0	0	0
Director	Wen-Ching Liu, Corporate Representative of The TNC	360	360	0	0	0	0	0	0
Independent Director	Ming-Sheu Tsai	720	720	0	0	0	0	0	0
Independent Director	Tar-Shing Tang	720	720	0	0	0	0	0	0
Independent Director	Tze-Chun Wang	720	720	0	0	0	0	0	0

Note1: The seat of Chuan-Te Ho in Corporate Representative of the NDF is changed into Shao-Yuan Chang on 2019.04.29 to serve as, and the Corporate Representative of the TIP is temporarily vacant as of 2019.06.17.

Note2: Compensations in 2019. The chairman and CEO, Bronson 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 2019 in this company.

Note4: No director of this company receiving the relevant allowance in 2019.

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\$673 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 2019 in this company.

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 profit after tax of financial statement in 2019.

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.

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%	4,432	4,432	0	0	0	0	0	0	-0.103%	-0.103%	-
	0.00%	0.00%	2,282	2,282	0	0	0	0	0	0	-0.053%	-0.053%	-
	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	-
	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	-
	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	-
	-0.001%	-0.001%	0	0	0	0	0	0	0	0	-0.001%	-0.001%	-
	-0.002%	-0.002%	0	0	0	0	0	0	0	0	-0.002%	-0.002%	-
	-0.001%	-0.001%	0	0	0	0	0	0	0	0	-0.001%	-0.001%	-
	-0.008%	-0.008%	0	0	0	0	0	0	0	0	-0.008%	-0.008%	-
	-0.017%	-0.017%	0	0	0	0	0	0	0	0	-0.017%	-0.017%	-
	-0.017%	-0.017%	0	0	0	0	0	0	0	0	-0.017%	-0.017%	-
	-0.017%	-0.017%	0	0	0	0	0	0	0	0	-0.017%	-0.017%	-

3.3.2 Remuneration of President and Executive Vice Presidents

Title	Name	Salary(A) (Note5)		Separation Pay(B)	
		The Company	All companies in the consolidated financial statement (Note8)	The Company	All companies in the consolidated financial statement (Note8)
Chairman & CEO	Chih-Chien Hsieh	21,056	21,066	18,736	19,993
President&COO (Note1)	Wen-Bor Lin				
CSO&Senior Executive Vice President(Note2)	Ching-Chang Wu				
Chief Taiwan Operations Officer & Senior Executive Vice Presiden (Note3)	Tsai-Ding Chou				
Chief Auditor & Executive Vice President (Note4)	Fu-Tien Lin				
CFO& Executive Vice President (Note 5)	Shih-Chou Lee				
CSO & Senior Executive Vice President (Note 6)	Kun-Rong Pai				
Chief Auditor&Executive Vice President (Note 7)	Shih-Fang Hsu				
CIO& Executive Vice President	Der-Shi Tsao				

Range of Remuneration

Range of remuneration paid to President and Executive Vice Presidents	Names of President and Executive Vice Presidents	
	The company(Note12)	All companies in the consolidated financial statement (Note13)
Under NT\$1,000,000	-	-
NT\$1,000,000(included)~NT\$2,000,000(excluded)	Tsai-Ding Chou, Shih-Fang Hsu	Tsai-Ding Chou, Shih-Fang Hsu
NT\$2,000,000(included)~NT\$3,500,000(excluded)	Shih-Chou Lee,Kun-Rong Pai, Der-Shi Tsao	Shih-Chou Lee,Kun-Rong Pai, Der-Shi Tsao
NT\$3,500,000(included)~NT\$5,000,000(excluded)	Chih-Chien Hsieh,Wen-Bor Lin	Chih-Chien Hsieh,Wen-Bor Lin
NT\$5,000,000(included)~NT\$10,000,000(excluded)	Ching-Chang Wu	-
NT\$10,000,000(included)~NT\$15,000,000(excluded)	Fu-Tien Lin	Fu-Tien Lin, Ching-Chang Wu
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	9	9

Note1: Wen-Bor Lin, Former President & Chief Operation Officer retired since 2020.02.16.

Note2: Ching-Chang Wu, Former Senior Executive Vice President & Chief Strategy Officer retired since 2019.01.01, the remuneration is inclusive of separation pay.

Note3: Tsai-Ding Chou, Former Chief Taiwan Operations Officer & Senior Executive Vice President transferred to Yang Ming (Europe) Corp. on 2019.07.01

Note4: Fu-Tien Lin, Former Chief Auditor & Executive Vice President retired since 2019.10.01, the remuneration is inclusive of separation pay.

Note5: Shih-Chou Lee, Former Senior Vice President & Chief Financial Officer promoted to Executive Vice President & Chief Financial Officer on 2019.01.01 and then transferred to Executive Vice President on 2019.01.21.

Note6: Kun-Rong Pai, Former Chief Strategy Officer & Senior Executive Vice President transferred to Senior Executive Vice President on 2020.1.21.

Note7: Shih-Fang Hsu, Former Executive Vice President of Yang Ming (Europe) Corp. transferred to Chief Taiwan Operations Officer & Executive Vice President on 2019.07.16, then transferred to Chief Auditor & Executive Vice President on 2019.10.01.

Unit: NT\$Thousand

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 (Note15)
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			
1,672	1,672	0	0	0	0	-0.962%	-0.991%	-

Note8: Salaries and allowances to this company's President, and EVPs in 2019.

Note9: 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\$673 and NT\$882 thousand paid to two 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.

Note10: No employee compensation in 2019 in this company.

Note11: The disclosure of total amounts of President's and EVPs' compensations paid by all companies (including this company) listed in this consolidation.

Note12: The President and EVPs who receiving compensations paid by this company, their name is disclosed in the attributed bracket.

Note13: 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.

Note14: The net profit after tax of financial statement in 2019.

Note15: 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.

The top five highest paid of Executive Vice presidents (disclosure with names and remuneration amount)

Title	Name	Base Compensation(A) (Note 1)		Separation pay(B)		Bonus and Allowances etc.(C) (Note2)	
		The Company	All companies in the consolidated financial statement (Note 4)	The Company	All companies in the consolidated financial statement (Note 4)	The Company	All companies in the consolidated financial statement (Note 4)
Executive Vice President	Fu-Tien Lin	2,591	2,591	9,187	9,187	227	227
Senior Executive Vice President	ChingChang Wu	156	156	9,549	10,806	226	226
Chairman & CEO	Chih-Chien Hsieh	4,105	4,105	0	0	327	327
President	Wen-Bor Lin	3,862	3,862	0	0	300	300
Executive Vice President	Der-Shi Tsao	2,909	2,909	0	0	207	207

Note 1: The salary, allowance and severance pay of top five highest paid Executive Vice presidents in 2019.

Note 2: Compensations including salaries, allowance, separation pay, bonus, incentives, special disbursements, perquisites, accommodation, company cars, and other provided objects, received by Executive Vice presidents who are employees of this company and top five highest paid in 2019, but relevant compensations NTD\$673 and NTD\$882 thousand paid to two drivers are excluded.

Note 3: No employee compensation in 2019 in this company.

Note 4: It's disclose total amounts of top five highest paid Executive Vice presidents' compensations which paid by all companies (including this company listed in this consolidation).

Note 5: The net loss after tax of financial statement in 2019.

Note 6: The managers on the list didn't receive the relevant compensations of others reinvested business which isn't under the subsidiaries.

*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

3.3.3 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 2018	Year 2019	Year 2018	Year 2019
Director	-0.2%	-0.2%	-0.2%	-0.2%
President and EVP	-0.5%	-0.9%	-0.5%	-0.9%

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

Unit: NT\$Thousand

	Employee Compensation(D) (Note3)				Ratio of total remuneration(A+B+C+D) to net loss %(Note5)		Compensation from an invested company other than the company's subsidiary (Note 6)
	The Company		All companies in the consolidated financial statement (Note 4)		The Company	All companies in the consolidated financial statement (Note 4)	
	Cash	share	Cash	share			
	0	0	0	0	-0.279%	-0.279%	None
	0	0	0	0	-0.230%	-0.260%	None
	0	0	0	0	-0.103%	-0.103%	None
	0	0	0	0	-0.097%	-0.097%	None
	0	0	0	0	-0.072%	-0.072%	None

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 director

Seven meetings (A) were held by the Board of Director in the 2019, the attendance status is as follow.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Chairman	Chih-Chien Hsieh, the Representative authorized by the MOTC	7	0	100	Assumed office on June 23 th , 2016.
Director	Kun-Ching Liao, the Representative authorized by the MOTC	7	0	100	Assumed office on June 22 th , 2018, after the re-election of directors on annual shareholders' meeting.
Director	Ping-Jen Tseng, the Representative authorized by the MOTC	7	0	100	Assumed office on June 22 th , 2016, after the re-election of directors on annual shareholders' meeting.
Director	Cheng-Mount Cheng, the Representative authorized by the NDF	6	1	85.7	Assumed office on August 17 th , 2018.
Director	Chuan-Te Ho, the Representative authorized by the NDF	2	0	100	Assumed office on June 22 th , 2018, after the re-election of directors by on annual shareholders' meeting, left office on April 29 th 2019, he should attend the meetings of the board of directors twice in 2019.
Director	Chien-Yi Chang, the Representative authorized by the NDF	6	1	85.7	Assumed office on June 22 th 2018, after the re-election of directors on annual shareholders' meeting.
Director	Shao-Yuan Chang, the Representative authorized by the NDF	5	0	100	Assumed office on April 29 th 2019, he should attend the meetings of the board of directors five times in 2019.
Director	Shao-liang Chen, the Representative authorized by the TIPC	3	0	100	Assumed office on June 22 th 2018, after the re-election of directors on annual shareholders' meeting, left office on June 17 th 2019, he should attend the meetings of the board of directors three times in 2019.
Director	Wen-Ching Liu, the Representative authorized by the TNC	7	0	100	Assumed office on June 22 th 2018, after the re-election of directors on annual shareholders' meeting.
Independent Director	Ming-Sheu Tsai	7	0	100	Assumed office on June 22 th 2017 on annual of shareholders' meeting for electing succeeding directors.
Independent Director	Tar-Shing Tang	7	0	100	Assumed office on June 22 th 2018, after the re-election of directors on annual shareholders' meeting.
Independent Director	Tze-Chun Wang	7	0	100	Assumed office on June 22 th 2018, after the re-election of directors on annual shareholders' meeting.

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.

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
<p>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.</p> <p>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:</p> <p>(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.</p> <p>(2) Advanced education for Directors: Directors of the Company participate the trainings that is according to the policies on "Advanced education for Directors and Supervisors of TWSE-Listed and TPEX-Listed Companies", the advanced education courses and hours were uploaded on Market Observation Post System. Directors' and Independent Directors' CPE hours in 2019 were 66 hours standing on the policy, the actual total CPE hours reached 104 hours.</p> <p>4. Enhanced disclosure: The expected attendance for all independent directors was 21 times, there were 0 times by proxy, no authorized absence, the attendance rate is 100%. 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.</p> <p>5. In order to implement corporate governance and enhance the functions of the Board of Directors, the Company sets up a target of performance assessment to enhance the efficiency of the Board and establishes regulations governing the Board performance evaluation. The following is the information of performance assessment of the Board of Directors of 2019. Please read (VI) for the results of performance assessment.</p>					
Frequency	Period	Range	Methods	Contents	
Once a year	2019	Board of Directors, individual directors and functional committees	Internal self-evaluation by the Board of Directors and its members.	<p>1. The performance assessment of the board of directors includes the participation in operations of the Company, the quality improvement of the Board decisions, the composition and structure of the board of directors, the selection and continuous training of directors, and internal control, and so on.</p> <p>2. The performance assessment of individual director members includes the grasp of company goals and tasks, the director's responsibilities, the participation in the company's operations, the management and communication of internal relations, the professional and continuous training of directors, and internal control, and so on.</p> <p>3. The performance assessment of the functional committee includes the participation in the company's operations, the functional committee's responsibilities, the quality of the functional committee's decision-making, the functional committee's composition and selection of members, and internal control, and so on.</p>	

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 financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the Chairman, managerial officer, and accounting officer.
- (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 seven meetings (A) in 2019, the attendance status of Independent Directors is as below:

Title	Name	In-Person Attendance (B)	By Proxy	In-person Attendance Rate (%) (B/A)	Remarks
Independent Director	Ming-Sheu Tsai	7	0	100	Assumed office on June 22 th 2017 on annual shareholders' meeting for electing succeeding directors.
Independent Director	Tar-Shing Tang	7	0	100	Assumed office on June 22 th 2018.
Independent Director	Tze-Chun Wang	7	0	100	Assumed office on June 22 th 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. 335 January 25 th , 2019	1. Announcement to ship-owners the option of long-term chartered ship.	V	None
	2. Short-term chartered ships .	V	None
	3. The Company participate the subscription of subsidiary's cash injection.	V	None
	4. Endorsement and provision of guarantee for the Company's subsidiaries.	V	None
	The resolution of the 39 th Audit Committee (January 11 st , 2019): 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 March 25 th , 2019	1. The financial statement in 2018 fiscal year.	V	None
	2. Self-assessment audit report of Internal Control System and Internal Control System Statements in 2018 fiscal year.	V	None
	3. Endorsement and provision of guarantee for the Company's subsidiaries.	V	None
	4. Amendment to the Company's Handling Procedure for Acquisition or Disposal of assets.	V	None
	The resolution of the 40 th Audit Committee (Marth 14 th , 2019): 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. 337 May 14 th , 2019	1. Handling bulk ship of subsidiary.	V	None
	2. Providing endorsement and guarantee for subsidiaries.	V	None
	3. Amendment to the Principles for Loaning of Funds to Others.	V	None
	4. Amendment to the Procedures Governing Endorsements and Guarantees.	V	None
	5. Professional fees of Certified Public Accountant in 2019.	V	None
The resolution of the 41 th Audit Committee (April 30 th , 2019): 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. 338 August 13 th , 2019	1. Investment of a joint venture shipping company by subsidiary.	V	None
	2. Disposal and sale of ultra-high reefer container.	V	None
	3. Purchasing of reefer container.	V	None
	4. Development (disposal) of the company's land by joint construction and separate sale.	V	None
	5. Handle the change of the Company's paid-in capital that cooperate with the Company exercising maturity conversion rights for the first domestic private placement of guaranteed forced conversion corporate bonds.	V	None
	6. Providing endorsement and guarantee for subsidiaries.	V	None
	7. Adjustment of the Chief Accounting Officer of the Company.	V	None
	8. Adjustment of the Chief Financial Officer of the Company.	V	None
The resolution of the 42 th Audit Committee (July 30 th , 2019): 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. 339 September 24 th , 2019	1. Reducing the quota of loaning of funds to subsidiaries.	V	None
	2. Adding the quota of loaning of funds to subsidiaries.	V	None
	3. Adjustment of the Chief Audit Officer of the Company.	V	None
The resolution of the 43 th Audit Committee (September 24 th , 2019): 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. 340 November 13 th , 2019	1. Renewing the lease of container yard at the rear line of Keelung Port terminal and submit related party transaction evaluation report as required.	V	None
	2. Related party evaluation report of subcontracted transaction to subsidiary for the container yard of the Keelung Port terminal.	V	None
	3. Investment for lease renewal of State-owned Land in Taipei.	V	None
	4. Installing open open loop scrubber for 8,000TEU segment vessel.	V	None
	5. Adding the quota of loaning of funds to subsidiaries.	V	None
	6. Providing endorsement and guarantee for subsidiaries.	V	None
The resolution of the 44 th Audit Committee (November 1 st , 2019): 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. 341 December 9 th , 2019	1. Maturity disposal plan of container ship sale and leaseback.	V	None
	The resolution of the 44 th Audit Committee (November 1 st , 2019): Except for the objection expressed by Independent Director Tar-Shing Tang, the other members of the Audit Committee gave the approval. The Independent Director Tar-Shing Tang considers the highest loss of this issue shall not exceed the refundable deposit. However, the possible loss of the two proposals the Company raised are higher than the refundable deposit. Besides, the second proposal could not avoid the risk of vessel price depreciation in the future. Thus, the Independent Director Tar-Shing Tang gives an objection to this issue. The resolution of the 45 th Audit Committee (December 9 th , 2019): 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. 342 January 21 st , 2020	1. Disposal and sale of the ship aged 20 which needs dry-dock repair.	V	None
	2. Purchasing dry containers and reefer containers.	V	None
	3. Continuously participate in the Taipei Urban Land Renewal.	V	None
	4. Capital reduction and liquidation of the Company's subsidiaries.	V	None
	5. Adding the quota of loaning of funds to subsidiaries.	V	None
	6. Providing endorsement and guarantee for subsidiaries.	V	None
	7. Adjustment of the Chief Financial Officer of the Company.	V	None
The resolution of the 46 th Audit Committee (January 10 th , 2020) and 47 th Audit Committee (January 21 st , 2020): 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. 344 March 26 th , 2020	1. The financial statement in 2019 fiscal year.	V	None
	2. Self-assessment audit report of Internal Control System and Internal Control System Statements in 2019 fiscal year.	V	None
	3. Liquidation of the Company's subsidiaries.	V	None
	4. Land Development in Taipei.	V	None
	5. Adding the quota of loaning of funds to subsidiaries.	V	None
	6. Providing endorsement and guarantee for subsidiaries.	V	None
	7. Professional fees of Certified Public Accountant in 2020.	V	None
	8. Amendment to the Company's Handling Procedure for Acquisition or Disposal of assets.	V	None
	9. Amendment of the Company's Internal Control System.	V	None
The resolution of the 48 th Audit Committee (March 13 th , 2020): 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 2019 fiscal year is the following extracts:

Date	Methods	Matters	Results
January 25 th , 2019	The 4 th of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report Q3, 2018.	Independent directors were no objection.
March 14 th , 2019	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, 2018.	Independent directors were no objection.
March 25 th , 2019	The 5 th of the 19 th Term of Board of Director's Meeting		
May 14 th , 2019,	The 6 th of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report Q4, 2018.	Independent directors were no objection.
August 13 th , 2019	The 7 th of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report Q1, 2019.	Independent directors were no objection.
September 24 th , 2019	The informal discussion between internal audit officials and independent directors(individual communication)	Audit report of 2019.	Independent directors were no objection.
November 1 st , 2019	The 8 th of the 3 rd Term of Audit Committee's Meeting	Formulation of internal audit plan of 2020.	Independent directors were no objection.
November 13 th , 2019	The 9 th of the 19 th Term of Board of Director's Meeting		Independent directors were no objection.
November 13 th , 2019	The 9 th of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report Q2, 2019.	Independent directors were no objection.
January 21 st , 2020	The 11 th of the 19 th Term of Board of Director's Meeting	Internal audit follow-up report Q3, 2019.	Independent directors were no objection.
March 13 th , 2020	The 12 th of the 3 rd Term of Audit Committee's Meeting	Self-assessment audit report of Internal Control System and Internal Control System Statements, 2019.	Independent directors were no objection.
March 26 th , 2020	The 13 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 2019 are the following extracts:

Date	Methods	Matters	Results
January 11 th , 2019	The informal discussion between independent directors and CPAs(individual communication)	Topic for IFRS16 and the key audit matters of the year.	Independent directors were no objection.
March 14 th , 2019	The informal discussion between independent directors and CPAs(individual communication)	The audit matters of Financial Statement of 2018.	Independent directors were no objection.

Date	Methods	Matters	Results
March 14 th , 2019	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.
March 25 th , 2019	The 5 th of the 19 th Term of Board of Director's Meeting		
May 14 th , 2019	The informal discussion between independent directors and CPAs(individual communication)	Review of Q1 Financial Statements of 2019.	Independent directors were no objection.
May 14 th , 2019	The 6 th of the 19 th Term of Board of Director's Meeting		
July 30 th , 2019	The 6 th of the 3 rd Term of Audit Committee's Meeting	Review of Q2 Financial Statements of 2019.	Independent directors were no objection.
August 13 th , 2019	The informal discussion between independent directors and CPAs(individual communication)	Impairment assessment of tangible assets (excluding investment real estate) and intangible assets and review of Q2 Financial Statements of 2019.	Independent directors were no objection.
August 13 th , 2019	The 7 th of the 19 th Term of Board of Director's Meeting		
October 4 th , 2019	The informal discussion between independent directors and CPAs(individual communication)	Accounting treatment of container ship sale and leaseback and its impact on future Financial Statements.	Independent directors were no objection.
November 11 th , 2019	The informal discussion between independent directors and CPAs(individual communication)	Container ship sale and leaseback case disclosed in the Q3 of 2019 Financial Statements.	Independent directors were no objection.
November 13 th , 2019	The informal discussion between independent directors and CPAs(individual communication)	Review of Q3 Financial Statements of 2019.	Independent directors were no objection.
November 13 th , 2019	The 9 th of the 19 th Term of Board of Director's Meeting		
March 13 th , 2020	The informal discussion between independent directors and CPAs(individual communication)	The audit matters of Financial Statement of 2019.	Independent directors were no objection.
March 13 th , 2020	The 12 th of the 3 rd Term of Audit Committee's Meeting	2019 Financial Statement, key audit matters and laws updating.	Independent directors were no objection.
March 26 th , 2020	The 13 th of the 19 th Term of Board of Director's Meeting		

3. The state of participation in board meetings by the supervisors: This 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 Composition, Duties, and Operation of the Compensation Committee

This company passed the establishment of the Compensation Committee on July 6th, 2011, 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: periodically reviewing the Charter of the Compensation Committee and making recommendations for amendments; establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of the Company; periodically assessing the degree to which performance goals for the directors, and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

1. Information on members of the Compensation Committee

Identity (Note1)	Condition Name	Have at least 5-year experience together with the following professional qualification requirement			Independence Attribute(Note2)										Number of serving as a member of Compensation Committee of other Public Issued Company	Note		
		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				
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“✓”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 the Company and its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with the Act or with the laws of the country.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in shareholdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the managers specified in preceding criteria 1 and and of the persons specified in preceding criteria 2 to 3.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company and ranks among the top 5 in shareholdings or appointed as representative pursuant to Item 1 or 2 of Article 27 of the Company Act. This does not apply in chases where the person is an independent director of the company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (6) Not a director, supervisor or employee of other company who controls more than 50% of the seats of company's director or the voting shares. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (7) Not a director, supervisor or employee of other company or institution who are the same person or spouse with the chairman, the president, or equivalent. This does not apply in cases where the person is an independent director of the Company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (8) Not a director, supervisor, manager, or shareholder holding more than 5% outstanding shares of a company or institute hat has baseness or financial relationship with the Company. This does not apply to some specific companies or institutes which hold more than 20 % and less than 50 % shares of the total issued shares of the Company and in cases where the person is an independent director of the company, its parent company, or any subsidiary belongs to the same parent company, as appointed in accordance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or with the laws of the country.
- (9) Not an owner, partner, director, supervisor, a manager or spouse of any of professional, sole proprietorship, partnership, company, or institution that provides audit or commercial, legal, financial, accounting services with remuneration less than NTD 500,000 in 2 years to the Company or its affiliate . Except for member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security Exchange Act or to the Business Mergers and Acquisitions Act or related laws.
- (10) Not under any of the circumstances set forth in Article 30 of the Company Act.

2. Operation status of the Compensation Committee

(1) The member number of the Company's Compensation Committee is three.

(2) Current term for the 4th Compensation Committee: 2018.06.22~2021.06.21.

The 4th Remuneration Committee's meetings held twice(A) in 2019, the following is the qualification and attendance of the Committee.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Convener	Ming-Sheu Tsai	2	0	100	Assumed office on June 22 th 2017 succeeded on June 22 th 2018
Independent Director	Tar-Shing Tang	2	0	100	Assumed office on June 22 th 2018
Independent Director	Tze-Chun Wang	2	0	100	Assumed office on June 22 th 2018

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 Remuneration 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

3. The resolutions of the Compensation Committee of 2019:

Date	Methods	Matters	Results	The process of the company to the opinions of the Compensation Committee
July 30 th , 2019	The 3 th of the 4 th Term of the Meeting of Compensation Committee	Current salary and remuneration content of the managers of the Company (excluding the chief executive officer and general manager)	Report to the committee for resolution again after submitting relevant information	Providing relevant information as recommended by the Committee
November 14 th , 2019	The 4 th of the 4 th Term of the Meeting of Compensation Committee	Current salary and remuneration content of the managers of the company (excluding the chief executive officer and general manager)	Independent directors were no objection.	Follow-up in accordance with the result.
February 3 th , 2020	The 5 th of the 4 th Term of the Meeting of Compensation Committee	The compensation plan of the President of the company	Independent directors were no objection.	Follow-up in accordance with the result.

3.4.4 The Composition, Duties, and Operation of the Special Projects Committee

The Company established the Special Projects Committee by resolution of the 334th meeting of the Board of Director on November 12th, 2018. Special Projects Committee provides advice on matters that have a significant impact on the operation of company in order to enhance the supervisory and management functions of the Board of Director. It is consist of 3 to 7 directors and at least one of whom is an independent director. This is the first term of the Special Projects Committee., Ming-Sheu Tsai, Tar-Shing Tang, Tze-Chun Wang, Kun-Ching Liao, Cheng-Mount Cheng and Shao-Liang Chen were appointed to serve as members of the Special Projects Committee by the resolution of the 335th meeting of the Board of Director on January 25th, 2019. The duties of the members are to provide advices on major regulations, system changes, business environment changes and assist the Board of Director in supervising the managerial department to implement relevant decisions; to provide advice on financial risks such as the company's financing risks, profit exchange rate risks, liquidity risks (including liquidity and solvency). They also provide consulting advices on major adjustments to the organization of the company; other project matters directed by the shareholders' meeting and the board of directors. If the above items are listed in Article 14-5 of the Securities Exchange Act, the Audit Committee of the Company shall deliberate by the provisions of the Special Projects Committee Organization Rules.

Information on members of the Special Projects Committee.

1. There are 5 members of the Special Projects Committee.
2. The term of the 1st Special Projects Committee is from January 25, 2019 to June 21, 2021. The meeting of the Special Projects Committee was held 6 times (A) in 2019. The following is the attendance status of the members:

Title	Name	Attendance in Person(B)	By Proxy	In-person Attendance Rate(%) (B/A)	Remarks
Convener	Ming-Sheu Tsai	6	0	100%	Assumed office on January 25 th , 2019
Independent Director	Tar-Shing Tang	6	0	100%	Assumed office on January 25 th , 2019
Independent Director	Tze-Chun Wang	6	0	100%	Assumed office on January 25 th , 2019
Director	Kun-Ching Liao	6	0	100%	Assumed office on January 25 th , 2019
Director	Cheng-Mount Cheng	6	0	100%	Assumed office on January 25 th , 2019
Director	Shao-Liang Chen	1	0	33.33%	Assumed office on January 25 th , 2019, left office on June 17 th , 2019, he should attend the meetings of the board of directors 3 times in 2019

3. The resolutions of the Special Projects Committee of 2019:

Date	Methods	Matters	Results
March 7 th , 2019	The 1 st of the 1 st Term of the Meeting of Special Projects Committee	The medium and long-term financial structure improvement plan for the following five years.	Members were no objection.
April 30 th , 2019	The 2 th of the 1 st Term of the Meeting of Special Projects Committee	Appointing an external professional organization to execute the financial stress test plan.	Members were no objection.
June 13 th , 2019	The 3 th of the 1 st Term of the Meeting of Special Projects Committee	Appointing an external professional organization to execute the financial stress test plan.	Members were no objection.
July 30 th , 2019	The 4 th of the 1 st Term of the Meeting of Special Projects Committee	Appointing an external professional organization to execute the financial stress test plan.	Members were no objection.
November 1 st , 2019	The 5 th of the 1 st Term of the Meeting of Special Projects Committee	Financial stress test report issued by the accountancy firms.	After supplementing relevant materials and submitting a complete analysis report, it was submitted to the board of directors for discussion.
December 9 th , 2019	The 6 th of the 1 st Term of the Meeting of Special Projects Committee	The maturity disposal plan for the sale and leaseback of container ship of the Company.	Members were no objection.
January 21 th , 2020	The 8 th of the 1 st Term of the Meeting of Special Projects Committee The accountability of the sale and leaseback of the container ship	The accountability of the investment of reinvestment companies.	Members were no objection.
		The accountability of the sale and leaseback of the container ship.	Members were no objection.
March 10 th , 2020	The 9 th of the 1 st Term of the Meeting of Special Projects Committee Financial stress test report issued by the accountancy firms	The improvement plan of financial structure.	Members were no objection.
		Financial stress test report issued by the accountancy firms.	After supplementing relevant materials, it could be submitted to the board of directors for discussion.

3.4.5 The range of duties, main point of the business and the advanced education of the Chief Corporate Governance Officer

In accordance with Article 5 of the Organizational Rules of the Company, the Secretarial Office of the Board is the department that promotes corporate governance and implements corporate governance matters of the Board of Directors. In order to strengthen corporate governance, protect shareholders' rights and enhance the function of the Board of Directors, the 335th meeting of the Board of Directors adopted the resolution and appointed Ms. Ting-Yu Lu to serve as the Chief Corporate Governance Officer on January 25th, 2019. The related qualification and the responsibilities are in compliance with the requirements for the principle of the corporate governance.

The main duties of the Chief Corporate Governance Officer are to handle related matters for the meetings of the Board of Directors, shareholders and functional committees. To prepare meeting minutes, provide information required to directors and independent directors to perform their duties, assist directors and independent directors in their appointments and continuing education, and assist directors and independent directors to comply with laws and regulations, handle company registration and change registration.

1. The following is the main business of the Chief Corporate Governance Officer in 2019:

- (1) Ensure that the operations of the meetings of shareholders, the board of directors and functional committees are in compliance with the relevant provisions of the company's articles of association, rules and regulations, laws, and resolutions of the shareholders' meeting.
- (2) Coordinate the convening of shareholders' meetings, and handling the convening, notification, meetings, meeting minutes, etc. of the board of directors and various functional committees.
- (3) Handling the communication meeting between independent directors and accountant or audit supervisor separately on the convening, notification, meeting, meeting minutes and other related matters.
- (4) Establish standard proceeding procedures for directors' requests, and provide relevant information, instructions, convening discussion meetings and take charge of meeting minutes as required by directors and independent directors.
- (5) Revise the performance evaluation method of the board of directors and handle the performance evaluation of the board of directors.
- (6) Amend the organizational rules and relevant internal rules and procedures of the Audit Committee in cooperation with the amendment of laws and regulations.
- (7) Assist new directors to take office, and assist directors and independent directors to comply with laws and regulations.
- (8) Assist directors and independent directors to arrange education programs and courses.
- (9) Take out appropriate liability insurance for directors and managers.
- (10) Handle company registration and change registration matters in cooperation with the change of directors and capital.

2. The following is the information of the continuing education of Chief Corporate Governance Officer in 2019:

The advanced education table of Chief Corporate Governance Officer in 2019.

Title	Name	Date	Organizer	Course Name	Hours
Chief Corporate Governance Officer	Ting-Yu Lu	February 21 th , 2019	Securities and Futures Institution	Financial crisis warning and type analysis of the corporation-Directors and Supervisors (including Independent Director) and Chief Corporate Governance Officer practice seminar	3
		March 8 th , 2019	Taiwan Corporate Governance Association	Director's Liability and Risk Management under the Latest Blueprint of Corporate Governance	3
		August 2 th , 2019	Taiwan Corporate Governance Association	The Role and Responsibility of Corporate Governance Officer	3
		October 16 th , 2019	Fubon Insurance Co., Ltd.	Fubon Property & Casualty Directors 'Supervisors' Liability and Corporate Governance Practice Seminar in 2019	3
		December 6 th , 2019	Taiwan Corporate Governance Association	Provision of company information-with directors' right to information	3
		December 24 th , 2019	Taiwan Corporate Governance Association	Managing Legal Risk and Crises of Enterprise Operation	3

3.4.6 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	
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"?	V	Yang Ming Marine Transport Corporation has established its "Best-Practice Principles for Corporate Governance", and disclosed these on the company's website. (Address: https://www.yangming.com/files/Investor_Relations/Govern_Rules.pdf) and Market Observation Post System.	No Difference
2. Shareholding structure & shareholders' rights (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? (2) Does the company possess a list of its major shareholders as well as ultimate owners of those shares? (3) Does the company establish and execute a risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insider trading using undisclosed information?	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>	No Difference
3. Composition and responsibility of the board of directors (1) Does the board develop and implement a diversified policy for the composition of its members? (2) Does the company voluntarily establish other functional committees in addition to the Compensation Committee and Audit Committee?	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 website.</p> <p>(2) In addition to the Compensation Committee and Audit Committee, the company has also formed a Project Committee voluntarily.</p>	No Difference

Items	Implementation Status		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes No	Description	
(3) Does the company establish a standard for determining the performance of the Board and implement annually also report the result of evaluation to the Board and use as the reference for the reward of individual director and the nomination for renewal ?	V	<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 committees at the end of the fiscal year. The company has processed the performance assessment of the board of directors, individual directors, and functional committee (including the Audit Committee, Remuneration Committee and Special Projects Committee) for the year 2019 in Feb., 2020 and has submitted the assessment results and the sustainably strengthen and improve targets in 2020 during the 344th Board meeting held on 2020.03.26 (the 13th session of 19th).</p> <ul style="list-style-type: none"> - The achievement rates of assessment criteria for the board of directors and functional committees reached 95% and 100%, respectively. The assessment result has surpassed the standard; The achievement rate of assessment criteria for directors is 86.9%, which is up to standard. - 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 and supervision of directors in company operations through Board meetings, and improving relationship and communication between directors and CPAs (i.e., continuously inviting CPAs to attend Board meetings on a quarterly basis in order to discuss accounting events and communicate key audit issues in the financial statement; the assessment items of “the attendance status of directors on the Board meetings” and “Directors and CPAs remain adequate communication” are listed as improvement targets in 2020. <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
(4) Does the company regularly evaluate the independence of CPAs?	V	<p>(1) The Secretarial Office serves as the special governing director, who is management officer with over three years experience in handling Board meetings operations.</p> <p>(2) The Secretarial Office is responsible for facilitating events and matters related to Board meetings, shareholders’ meetings and functional committees, preparing meeting agendas, providing necessary materials for directors and independent directors, and handling company registration and changes in registration. The company’s Public Affairs Dept. is in charge of the implementation activities related to corporate governance.</p>	No Difference
4. Does the TWSE/TPEx listed company configure qualified and proper personnel to govern the corporation, and assign the supervisor who is responsible for handling matters (including but not limited to providing necessary information what directors’ and supervisors’ needed, assist the board of directors and supervisors for legal compliance, holding the board of directors’ and shareholders’ meetings according with law, editing the and shareholders’ meetings, etc.)?			



Items	Implementation Status		Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
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	<p>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.</p> <p>Below are the company’s contact information (e-mail address) :</p> <ul style="list-style-type: none"> - Customer service: cs@yangming.com or through the 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 Does the company have a corporate website to disclose its financial standing and corporate governance status? (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)? (3) Does the company publicly announce the financial reports within two months after the end of each fiscal year? Also announce the first, second, and third quarters financial reports and register the operating status by limited time?	V	<p>(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.</p> <p>(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 spokespersons and deputy spokespersons, and established communication procedures and policies. c. The company has provided a “Corporate Social Responsibility Report” detailing its sustainable development initiatives.</p> <p>(3) a. The company follows Securities and Exchange Act 36, within three months after the close of each fiscal year, publicly announce and sealed the financial reports. b. The company follows Securities and Exchange Act 36, within 45 days after the end of the first, second, and third quarters of each fiscal year, publicly announce and sealed the financial reports. c. The company follows Securities and Exchange Act 36, within the first ten days of each calendar month publicly announce and register the operating status for the preceding month.</p>	<p>(1) No Difference</p> <p>(2) No Difference</p> <p>(3) The company follows Securities and Exchange Act, publicly announce and register the financial reports and the operating status within due time.</p>

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) Board of directors’ and supervisors’ training records: Please refer to 10. Advanced education for Directors and Supervisors).</p> <p>(7) Risk management policy and risk assessment standards 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. 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	
	V	<p>c. Execution of Policy of risk management in 2019: The standard of risk assessment for the annual risk assessment of Yang Ming was approved by our CEO in accordance with our standard procedure of risk management, and there are several items have been identified “HIGH RISK” or “EXTREAM RISK” and the identified risks are well controlled by effective means. The report of the annual risk assessment has been delivered to all departments including the Audit Department for their reference of risk management decision making.</p> <p>(8) 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, Ocean Network Express(ONE), Hyundai Merchant Marine (HMM) 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 “punctual, speedy, reliable, and economical”. Moreover, through the ISO9001 international quality certification, assesses customer satisfaction through regular questionnaire administration, and improve inadequacies in order to provide customers with more satisfactory services.</p> <p>(9) 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
<p>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.</p> <p>(1) 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>(2) In 2018, the company established a complaint and reporting 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 Compensation 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. There’s no issue of Code Ethical Management to report Board of Directors and due to law compliance, we will update the Code and report to Board of Directors accordingly.</p>			

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

The information of Advanced education for Directors					
Title	Name	Date	Organizer	Course Name	Hours
Director	Chih-Chien Hsieh	December 20 th , 2019	Taiwan Corporate Governance Association	Cyber Resilience Practices – What Board of Directors and Top Executives Need to Learn from Cybersecurity Incident Response Capability	3
		December 24 th , 2019	Taiwan Corporate Governance Association	Managing Legal Risk and Crises of Enterprise Operation	3
Director	Kun-Ching Liao	May 20 th , 2019	Corporate Operation Association	Corporation governance and the operations of shareholder’s meeting	3
		May 23 th , 2019	Taipei Foundation Of Finance	Compliance with Fair Trading Law and Legal Liability of Enterprise Leaders	3
Director	Ping-Jen Tseng	April 26 th , 2019	Securities and Futures Institution	Preventing Insider Trading Conference of year 2019	3
		November 8 th , 2019	Taiwan Corporate Governance Association	Causes and Effects of the U.S.-China Trade War and What it means for Corporate Taiwan	3
Director	Cheng-mount Cheng	March 13 th , 2019	Securities and Futures Institution	The advanced seminars for Directors and Supervisors (Independent Director) and Chief Governance Officer -corporate strategy and key performance indicators	3
		March 21 th , 2019	Securities and Futures Institution	Practice Seminar for Directors and Supervisors (Independent Director) and Chief Governance Officer -Explanation of the Code and Practice of Competitive Conduct in Company Management	3
		October 4 th , 2019	Taiwan Stock Exchange Corporation	The Promotion Forum of ESG Investment	2
		November 27 th , 2019	Taiwan Corporate Governance Association	The 15 th International Summit Forum on Corporate Governance 2019-Directors’ financial reporting responsibilities, the active role of global institutional investors in strengthening the corporate governance ecosystem	3
Director	Chien-Yi Chang	July 19 th , 2019	Taiwan Corporate Governance Association	Best Practices for Enterprise Innovation	3
		September 16 th , 2019	Taiwan Insurance Institute	Lecture on Corporate Governance Insurance Development Center (12 th Issue, 108) for Directors, Supervisors (Independent Director) and Chief Governance Officer -Green Finance 3	3
Director	Shao-Yuan Chang	May 31 th , 2019	Taiwan Corporate Governance Association	The functions and tasks of corporate governance personnel under the corporate governance blueprint.	3
		June 4 th , 2019	Taiwan Corporate Governance Association	Directors’ Roles and Responsibilities in Annual Report Disclosure	3
		June 21 th , 2019	Taiwan Corporate Governance Association	Value and Disclosure of Corporate Non-Financial Performance Data - Global Trend and The Impact to Taiwanese Companies	3
		June 28 th , 2019	Taiwan Corporate Governance Association	Director’s Fiduciary Duty and Business Judgment Rule	3
		July 17 th , 2019	Securities and Futures Institute	Informative briefing on the legal compliance of insider equity transactions of listed companies and unlisted counter publicly issued companies in 2019	3
		September 17 th , 2019	Taiwan Corporate Governance Association	Initiatives of Directors on IT Risks and Opportunities.	3
		October 22 th , 2019	Taiwan Corporate Governance Association	Board Member(s) Duty in Corporate Merger and Acquisition	3
		November 21 th , 2019	Securities and Futures Institute	The Propaganda of playing the role of the directors efficiently	3
		December 17 th , 2019	Taiwan Corporate Governance Association	The U.S-China Trade War – The Economic Sanctions and Export Regulations	3
Director	Wen-Ching Liu	June 21 th , 2019	Taiwan Corporate Governance Association	Impact of U.S.-China Trade War on Taiwanese Businessmen	3
		June 21 th , 2019	Taiwan Corporate Governance Association	Discussion of Board Operation from Corporate Governance	3
Independent Director	Ming-Shue Tsai	September 4 th , 2019	Securities and Futures Institute	Practice Seminar for Directors and Supervisors (Independent Director) and Chief Governance Officer -5G Principles and Applications of Digital Communications and Internet of Things	3
		September 11 th , 2019	Securities and Futures Institute	The advanced seminars for Directors and Supervisors (Independent Director) and Chief Governance Officer-corporate strategy and key performance indicators	3

The information of Advanced education for Directors					
Title	Name	Date	Organizer	Course Name	Hours
Independent Director	Tar-Shing Tang	April 23 th , 2019	Taiwan Corporate Governance Association	Practice of convening and holding board meetings and shareholders' meetings of public companies in Taiwan	3
		April 26 th , 2019	Taiwan Corporate Governance Association	Based on the latest amendment of the Company Act, foresee the trend of corporate governance and the impact on director liability	3
		June 28 th , 2019	Taiwan Corporate Governance Association	Director's Fiduciary Duty and Business Judgment Rule	3
		July 24 th , 2019	Taiwan Stock Exchange Corporation	Informative briefing on the legal compliance of insider equity transactions of listed companies and unlisted counter publicly issued companies in 2019	3
		October 15 th , 2019	Taiwan Academy of Banking And Finance	Corporate Governance Lecture-Order Follow and Board Responsibility from a Corporate Governance Perspective	3
Independent Director	Tze-Chun Wang	April 10 th , 2019	Taiwan Academy of Banking And Finance	The lecture of the Operating Practice of Boardod Directors and Corporation Governance	3
		April 18 th , 2019	Securities and Futures Institute	Practice Seminar for Directors and Supervisors (Independent Director) and Chief Governance Officer -Financial Crisis Warning and Type Analysis of corporation	3
				Practice Seminar for Directors and Supervisors (Independent Director) and Chief Governance Officer-Discussing Directors and Supervisors' Liabilities from Cases of Securities Market Malpractices	3
		May 8 th , 2019	Taiwan Academy of Banking And Finance	The lecture of anti-money laundering and anti-terrorism practice	3
		October 29 th , 2019	Taiwan Corporate Governance Association	Criminal Legal Risk and Management of Corporate Directors and Supervisors: A Study of Corporate Fraud and Anti-Money Laundering	3

11. Continuing education for Managerial officers and Audit Directors:

Title	Name	Training Date	Course Title	Training Hours
President	Wen-Bor Lin	2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
Senior Executive Vice President	Kun-Rong Pai	2019.05.03	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.12.05	Human Rights Policy	0.5
Executive Vice President	Der-Shi Tsao	2019.05.05	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Executive Vice President	Shih-Chou Lee	2019.05.04	Corporate Compliance and Information Security	1
		2020.01.13	The continuing education of the principal accounting officer	12
Executive Vice President (Chief Auditor)	Shih-Fang Hsu	2019.11.18	Orientation Training for Initial Internal Auditors	18
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Senior Vice President	Mei-Chi Shih	2019.05.09	Corporate Compliance and Information Security	1
Senior Vice President	Yeoung-Shuenn Ho	2019.05.08	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5

Title	Name	Training Date	Course Title	Training Hours
Senior Vice President	Shu-Chin Du	2019.05.06	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Senior Vice President	Zheng-Xiong Zheng	2019.05.07	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
Senior Vice President	Chao-Feng Chang	2019.05.16	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Senior Vice President	Hsiu-Chi Ho	2019.05.12	Corporate Compliance and Information Security	1
Senior Vice President	Jia-Lin Wu	2019.05.17	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Senior Vice President	Jie-Li Zhu	2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Senior Vice President	Shi-Nan Huang	2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
Senior Vice President	Wen-Tsao Huang	2019.03.11	Emergency Response Maneuver	2
Senior Vice President	Yi-Da Wu	2019.05.29	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Senior Vice President	Chien-Chang Tzeng	2019.05.28	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Dong-Hai Chen	2019.05.30	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
		2019.12.06	Emergency Response Maneuver	2

Title	Name	Training Date	Course Title	Training Hours
Vice President	Ping-Jen Tseng	2019.05.10	Corporate Compliance and Information Security	1
		2019.08.19	Emergency Response Maneuver	2
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Zeng-Yu Qiu	2019.05.11	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Sen-San Lai	2019.03.11	Emergency Response Maneuver	2
		2019.05.13	Corporate Compliance and Information Security	1
Vice President	Shun-Jin Yang	2019.05.14	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Li-Ping Xiong	2019.05.15	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Tai-Qi Tsai	2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Wen-Zhong Ye	2019.05.18	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Zu-Wang Luan	2019.05.19	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
Vice President	Jia-Ting Dong	2019.05.20	Corporate Compliance and Information Security	1
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Yu-Wen Su	2019.01.18	The latest Income Tax Act and relative coporate strategies	3
		2019.03.11	Emergency Response Maneuver	2
		2019.05.21	Corporate Compliance and Information Security	1
		2019.12.05	Human Rights Policy	0.5
		2019.12.12	The Continuing Education of the Principal Accounting Officer	12

Title	Name	Training Date	Course Title	Training Hours
Vice President	Men-Huo Tsai	2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Chun-Jie Lu	2019.05.23	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Xi-Chang Zhang	2019.03.11	Emergency Response Maneuver	2
		2019.05.24	Corporate Compliance and Information Security	1
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Guo-Liang Huang	2019.05.25	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Bao-Lin Li	2019.05.26	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Yung-Kai Wang	2019.05.27	Corporate Compliance and Information Security	1
		2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Long-Xing Zhu	2019.09.10	The Code of Conduct for Yang Ming Group Members, Code of Ethical Management and Guidelines on Unethical Conduct Prevention	0.5
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
Vice President	Leng-Hui Wang	2019.12.05	Human Rights Policy	0.5
Corporate Governance Supervisor	Ting-Yu Lu	2019.02.21	Financial Crisis Warning and Type Analysis of the Corporation-Directors and Supervisors (including Independent Director) and Chief Corporate Governance Officer Practice Seminar	3
		2019.03.08	Director's Liability and Risk Management under the Latest Blueprint of Corporate Governance	3
		2019.08.02	The Role and Responsibility of Corporate Governance Officer	3
		2019.10.16	Fubon Property & Casualty Directors 'Supervisors' Liability and Corporate Governance Practice Seminar in 2019	3
		2019.11.19	Prevent Insider Trading	0.5
		2019.12.05	Human Rights Policy	0.5
		2019.12.06	Provision of Company Information-with Directors' Right to Information	3
		2019.12.24	Managing Legal Risk and Crises of Enterprise Operation	3

3.4.7 Corporate social responsibility performance status and deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons:

Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
1. Does the company assess risks of environment, sociality and company governance related to the company’s operation according to the principle of significant and make related risk management policy or strategy?	V	(1) The company has annually assessed risks of environment, sociality and company governance related to the company’s operation according to the principle of significant and make related risk management strategy to control risks. (2) Further details, please refer to page 24 of “3.5 Risk Management” from YM’s Corporate Social Responsibility Report 2019.	No Difference
2. 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?	V	The company’s Public Affairs Dept. coordinates with related departments to promote corporate social responsibility initiatives as well as edits and posts Corporate Social Responsibility Report on the website after getting approval from the CEO.	No Difference
3. Environmental issue (1) Does the company establish a proper environment management system based on industry characteristics? (2) Does the company try to utilize resources more efficiently and use renewable materials that have low impact on the environment? (3) Does the company assess the risks and chances of climate change and take actions on this issue? (4) Does the company monitor the emissions of greenhouse gas, water consumption and total weight of waste in the past two years, as well as establish company strategies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	V	(1) 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 June 2018, it also obtained the ISO 14001 Environment Management System (Version 2015), and maintained continuous validity. (2) 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 renewable materials. (3) The company has included issues of risks of climate change into the risk assessment procedure according to the principle of significant and adopt necessary risk management strategies to control risks. Further details, please refer to page 24 of “3.5 Risk Management” and page 26 of 4. Environment Management” from YM’s Corporate Social Responsibility Report 2019. (4) 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 emissions of CO2, NOX, SOX discharged, waste management, conserve water from fleets and office decreased year by year. Since 2017, the report has been verified by a third-party. The relevant certifications are disclosed in the Corporate Social Responsibility Reports. Further details, please refer to page 26 of “4. Environment Management” from YM’s Corporate Social Responsibility Report 2019.	No Difference

Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>4. Public issue</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 company establish and execute measures of the employee welfares, including compensation, holidays and other benefits? Does individual performance appropriately reflect employee compensation?</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>	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 its Chinese and English websites: https://www.yangming.com/investor_relations/TwCorporate_Governance/Constitution.aspx.</p> <p>(2) The overall salary of the company is based on the spirit of equal pay for equal work. Annual paid leave in line with the provisions of Labor Standards Law is given as well as 5 days with paid leave for sick and personal affairs. And company compensates employees for 30% employee Stock Ownership Trust. Moreover, the welfare benefits will be provided at a rate of 0.6 thousandth of the operating income, and deductions will be made on a monthly basis for 5 thousandth of the employee's payroll, which will be handed over to the Employee Welfare Committee for various welfare services. In addition, in order to encourage employees to achieve their potential, improve the company's overall operating performance, and create profits, bonuses are issued according to the results of individual performance assessments.</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>	No Difference



Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>(4) Does the company provide its employees with career development and training sessions?</p> <p>(5) Does the company with regard to customer health and safety of products and services, customer privacy, advertise and labels according to relevant regulations and international standards and establish any customer protection mechanisms and appealing procedure?</p> <p>(6) Does the company have a supplier management policy that requires suppliers to comply with relevant laws and regulations on environmental protection, occupational health and safety or labor rights, and implement these based on the procedure.</p>	V	<p>(4) The company gives importance to staff training at all levels, providing career growth and development.</p> <p>(5) The services provided by the company adhere to relevant regulations and international standards, or are adjusted accordingly to comply with regulations. By providing qualified service, the company has obtained ISO 9001 the Quality Management System certification since 1996. It has also established procedures for lines planning, procurement, service, customer privacy and handling customer complaints. It continuously enhances its operations and earns certification and validation through external audit.</p> <p>(6) 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>5. Whether Company comply with any international standard or guidelines to compose the non-financial data in the Corporate Social Responsibility Reports? And whether said report is assured by the 3rd party?</p>	V	<p>We follow (The Global Reporting Initiative, GRI)—GRI standard to finish our Corporate Social Responsibility Reports. As for the non-financial data, it has been verified by the 3rd-party notarization institution, DNV GL in accordance with GRI Standards Core Option and to the moderate level of assurance standards of VeriSustain TM. The truthfulness of this report is assured.</p>	No Difference
<p>6. 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> <p>7. 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 sponsored Asian-Canadian Special Events Association by shipping exhibits to Canada for TAIWANfest, and sponsored the Taiwan Lantern Festival by shipping Mino Washi Japanese paper lanterns to Taiwan for exhibition. In addition to our long-term commitment to compliance with regulations as well as promoting energy saving and emission reduction, we also take the responsibility for giving back to the society and put it into actions by sponsoring “2019 Conference on Air Pollution – PM 2.5 monitor and mobile source pollution control” and the tree planting activity “Stop Global Warming, Protest Our Earth”. We believe that through showing continuous support for the events which can make positive impact to our environment, we can achieve the ultimate goal of environmental sustainability. In addition, to promote with ocean culture and conservation education, we have set up the “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 15,263 and 22,522 visitors in 2019 respectively. It is our goal to promote ocean culture education positively through diversity activities.</p>			

Items	Implementation Status		Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
(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 was the first carrier in Taiwan to obtain an AEO certificate on 2012.06. was the first carrier in Taiwan to obtain an AEO certificate on 2012.06.			

3.4.8 Ethical Corporate Management and deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons

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 approve ethical corporate management policies by the Board of Directors? And is its ethical corporate management policies and procedures declared in its guidelines and external documents, as well as the commitment of its Board to implement the policies?</p> <p>(2) Does the company establish the risk assessment mechanism against potentially unethical conduct by regular analysis and assessment on listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	V		<p>(1) Yang Ming Marine Transport Corporation has approved the revision of its Code of Ethical Management during the 18th Board meeting (12th session) on 2017. 09.22 and disclosed its integrity policy in the company codes, annual reports, company website and other publications. That is, when engaging in commercial activities, directors, supervisors, managers, employees and mandataries of persons having substantial control shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (“unethical conduct”) for purposes of acquiring or maintaining benefits. It has also integrated ethical conditions into supplier’s contracts or ethical affidavits to be signed.</p> <p>(2) For potentially unethical operational activities, precautionary measures like periodical staff rotation and enhanced supervision measures. The risk control assessment is maintained by Risk Management & Insurance Claim Dept. Plus, relative risk control proposals and measures against unethical conduct are raised for further discussions. Therefore the Guidelines on Unethical Conduct Prevention is approved and disclosed in the company codes and website.</p>
			No Difference



Items	Implementation Status		Deviations from “Ethical Corporate Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>(3) 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 above as well as review on pre-disclosure plans?</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 establish dedicated unit that is periodically in charge of corporate integrity report to the Board about its supervision and implementation?</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 internal control? And has the internal audit unit drawn up the relevant audit plans in accordance with the results of risk assessment, thus auditing the operating status to prevent unethical conducts? Or has company entrusted CPAs for its auditing?</p> <p>(5) Does the company hold internal and external educational trainings on operational integrity regularly?</p>	V		No Difference

Items	Implementation Status		Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	
<p>3. A whistleblowing system operations</p> <p>(1) Does the company establish a reward/punishment system and channels for whistleblowers? Can the defendant be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures of whistleblowing cases subject to investigation and related confidentiality mechanism?</p> <p>(3) Does the company provide proper protection for whistleblowers?</p>	V	<p>The company has specified the procedures of whistleblowing cases for Yang Ming Group Members:</p> <p>(1) Set up an individual mail for whistleblowing case.(conduct@yangming.com), which only the Chief Auditor can receive and process. Chief Auditor assigns appropriate auditors to investigate whistleblowing cases and to submit an investigation report.</p> <p>(2) Specify the SOP for whistleblowing cases, including handling period, methods, cases tracking, reward/punishment system, confidential mechanism, etc.</p> <p>(3) The investigation report and other relevant documents shall be strictly kept confidential by all responsible members who handle whistleblowing case. Yang Ming shall protect the whistleblowers, the alleged respondents and the related employees involved in the investigation against unfair retaliation or treatment.</p>	No Difference
<p>4. Strengthening information disclosure 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)?</p>	V	<p>(1) The Code of Ethical Management Chinese version is declared if any updates, and the code is disclosed on the official website: http://www.yangming.com/investor_relations/TwCorporate_Governance/Constitution.aspx</p> <p>(2) The Code of Ethical Management English version is disclosed on the official website: http://www.yangming.com/investor_relations/Corporate_Governance/CorporateSocialResponsibility.aspx</p>	No Difference
<p>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.</p> <p>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 in accordance with the law or 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.</p>			

3.4.9 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”, “Rules Governing the Scope of Powers of Independent Directors”, “Audit Committee Charter”, “Remuneration Committee Charter”, “Special Projects Committee Charter”, “Regulations governing the Board performance evaluation”, “The Codes of Conduct for Directors and 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 “The Code of Conduct for Yang Ming Group Members”, “Code of Ethical Management of Yang Ming Marine Transport Corporation”, “Guidelines on Unethical Conduct Prevention”, and “The Procedures of whistleblowing cases for Yang Ming Group Members” were also disclosed on the company’s website for the reference of Investor. 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 website: <http://www.yangming.com>.

3.4.10 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 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.

3.4.11 Internal Control System Execution Status

1. Statement of Internal Control System

Yang Ming Marine Transport Corp.
Internal Control System Statement

Date : 26 March, 2020

The Company states the following with regard to its internal control system during fiscal year 2019, based on the findings of a self-assessment:

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, 2019, 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 26 March, 2020, where none of the 9 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: Hsieh Chih-Chien



(signature)

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

3.4.12 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

3.4.13 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 June 25th, 2019, the resolutions of in-person shareholders and the implementation status is as below:

Resolutions	Implementation Status
Adoption of the 2018 business report and financial statement	Adopted.
Adoption of the 2018 deficit compensation	Adopted, has implemented according to the resolution of shareholders' meeting
Amendment to the Handling Procedures for Acquisition or Disposal of Assets	Adopted.
Amendment to the Principles for Loaning of Funds to Others	Adopted.
Amendment to the Procedures Governing Endorsements and Guarantees	Adopted.

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
January 25 th , 2019	The 335 th session (The 4 th session of the 19 th)	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. The proposal of disposing and selling the over-age dry container	Reviewed and approved by the directors whereupon directors raised no objection.
		4. The proposal of purchase offices of the Company's subsidiaries	Reviewed and approved by the directors whereupon directors raised no objection.
		5. Handling the mortgage loan of the new constructed container ships	Reviewed and approved by the directors whereupon directors raised no objection.
		6. Arrange 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. The Company's donation to the Yang Ming Cultural Foundation	Reviewed and approved by the directors whereupon directors raised no objection.
		8. The draft of the articles amendment of the Performance Evaluation of the Board of Directors	Reviewed and approved by the directors whereupon directors raised no objection.
		9. Articles amendment of the Corporate Governance Best Practice Principles	Reviewed and approved by the directors whereupon directors raised no objection.
		10. Assignment the Chief Corporate Governance Officer of the Company	Reviewed and approved by the directors whereupon directors raised no objection.
		11. Assign the members of the 1 st term of the Special Project Committee	Reviewed and approved by the directors whereupon directors raised no objection.
		12. The adjustment of managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.

Date	Session	Important Bills	Resolution
March 25 th , 2019	The 336 th session (The 5 th session of the 19 th)	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. The procedure of shareholder's proposal in 2019 shareholders' meeting	Reviewed and approved by the directors whereupon directors raised no objection.
		6. Plan for the future operation	Reviewed and approved by the directors whereupon directors raised no objection.
		7. Investment of container depot	Reviewed and approved by the directors whereupon directors raised no objection.
		8. Renew the lease of the expired reefer containers	Reviewed and approved by the directors whereupon directors raised no objection.
		9. Arrange 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 articles of the Accounting System	Reviewed and approved by the directors whereupon directors raised no objection.
		11. Amendment to the articles of Regulations for the retired compensation of coastal staffs	Reviewed and approved by the directors whereupon directors raised no objection.
		12. Establishment the standard proceeding procedures for directors' requests	Reviewed and approved by the directors whereupon directors raised no objection.
May 14 th , 2019	The 337 th session (The 6 th session of the 19 th)	1. Issuing the 18 th domestic secured ordinary corporate bond	Reviewed and approved by the directors whereupon directors raised no objection.
		2. Applying for a ship mortgage loan to a bank	Reviewed and approved by the directors whereupon directors raised no objection.
		3. Arrange the limit of credits with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
August 13 th , 2019	The 338 th session (The 7 th session of the 19 th)	1. Termination of issuance of overseas depository receipts on the London Stock Exchange	Reviewed and approved by the directors whereupon directors raised no objection.
		2. Arrange the limit of credits with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		3. Amendment to the power and responsibility division table of the board of directors and managerial department of the Company	Reviewed and approved by the directors whereupon directors raised no objection.
		4. Amendment to the Audit Committee organizational rules of the Company	Reviewed and approved by the directors whereupon directors raised no objection.
		5. Amendment to the organizational system table and rules of the Company	After considering the opinions of the directors, except for the setting of the legal and statutory compliance room, the manager's department was requested to report again after the discussion, and the rest of the amendments were approved by the chairman after consulting all the directors without objection.
September 24 th , 2019	The 339 th session (The 8 th session of the 19 th)	1. Arrange the limit of credits with financial institutions (including renewed)	Reviewed and approved by the directors whereupon directors raised no objection.
		2. Amendment to the organizational system table and rules of the Company	Reviewed and approved by the directors whereupon directors raised no objection.

Date	Session	Important Bills	Resolution
November 13 th , 2019	The 340 th session (The 9 th session of the 19 th)	1. Arrange the limit of credits with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		2. The internal audit plan of the company in 2020	Reviewed and approved by the directors whereupon directors raised no objection.
		3. The current salary and remuneration of the managers of the Company	Reviewed and approved by the directors whereupon directors raised no objection.
January 21 th , 2020	The 342 th session (The 11 th session of the 19 th)	1. 2020 operation plan	Reviewed and approved by the directors whereupon directors raised no objection.
		2. 2020 budgetary bills	Reviewed and approved by the directors whereupon directors raised no objection.
		3. The donation of the Company to the Yang Ming Cultural Foundation	Reviewed and approved by the directors whereupon directors raised no objection.
		4. Arrange the limit of credits with financial institutions (including renewed and new contracts)	Reviewed and approved by the directors whereupon directors raised no objection.
		5. The accountability of the investment of reinvestment companies	Reviewed and approved by the directors whereupon directors raised no objection.
		6. The accountability of the sale and leaseback of the container ship	Reviewed and approved by the directors whereupon directors raised no objection.
February 3 th , 2020	The 343 th session (The 12 th session of the 19 th)	1. The remuneration plan of the President of the Company	Reviewed and approved by the directors whereupon directors raised no objection.
		2. The adjustment of the managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.
March 26 th , 2020	The 344 th session (The 13 th session of the 19 th)	1. 2019 Business Report	Reviewed and approved by the directors whereupon directors raised no objection.
		2. 2019 Compensation Allocation of Employees and Directors	Reviewed and approved by the directors whereupon directors raised no objection.
		3. Related issues of 2020 shareholders' meetings	Reviewed and approved by the directors whereupon directors raised no objection.
		4. The procedure of shareholders' proposal and nomination of an independent director candidate in 2020 shareholders' meeting	Reviewed and approved by the directors whereupon directors raised no objection.
		5. Financial structure improvement plan of the Company	Reviewed and approved by the directors whereupon directors raised no objection.
		6. Negotiating with the financial institution on a new credit line	Reviewed and approved by the directors whereupon directors raised no objection.
		7. Amendment of some provisions of the Company's Internal Audit Implementation Rules	Reviewed and approved by the directors whereupon directors raised no objection.
		8. Amendment of some provisions of the Company's Rules of Procedure for Shareholders Meeting	Reviewed and approved by the directors whereupon directors raised no objection.
		9. Adjustment of managerial officers	Reviewed and approved by the directors whereupon directors raised no objection.
		10. By-election of an 19 th independent director at the 2020 shareholders' meeting	Reviewed and approved by the directors whereupon directors raised no objection.

3.4.14 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.

3.4.15 A summary of resignation or dismissal of related individuals of the company:

2020.03.31

Title	Name	Date Assumed	Date Dismissal	Reasons for Resignation or Dismissal
President	Wen-Bor LIn	105/10/06	109/02/16	Retirement
Chief Strategy Officer	Kun-Rong Pai	108/01/01	109/01/21	Transferring
Chief Auditor	Fu-Tien Lin	106/03/01	108/10/01	Retirement
Accounting Supervisor	Shih-Chou Lee	97/09/10	108/08/14	Expatriate
Finance Supervisor	Wen-Zao Huang	104/01/01	108/08/14	Expatriate
Finance Supervisor	Shih-Chou Lee	108/08/14	109/01/21	Transferring

Note: The related individuals of the company are the Chairman, President, Accounting Officers, Financial Officers, Audit Officers, Corporate Governance Supervisor, 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 Hung / Thomas Chen	2019.01.01~ 2019.12.31	-

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 System of Design	Non-Audit Fees				Period Covered by CPA's Audit	Remarks
				Company Registration	Human Recourses	Others	Subtotal		
Deloitte Touche Tohmatsu Limited	Thomas Chen		1,490	-	-	-	487	487	Peter Cheng, Yu-Mei Hung 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 Hung	8,258	-	-	-	120	120	

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 10% 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: None

3.6.2 About the Successor 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 2019		Current year to 2020.03.31	
		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, Shao-Yuan Chang	0	0	0	0
Director	Representative of the TIPC: left vacant for the time	191,938,579	0	0	0
Director	Representative of the TNC: Wen-Ching Liu	9,596,928	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
	Der-Shi Tsao	0	0	0	0
	Kun-Rong Pai	0	0	0	0
	Shih-Fang Hsu	0	0	0	0
	Mei-Chi Shih	0	0	0	0
	Yeoung-Shuenn Ho	0	0	0	0
	Shu-Chin Du	0	0	0	0
	Zheng-Xiong Zheng	0	0	0	0
	Chao-Feng Chang	0	0	0	0
	Hsiu-Chi Ho	0	0	0	0
	Jia-Lin Wu	0	0	0	0
	Jie-Li Zhu	0	0	0	0
	Shi-Nan Huang	0	0	0	0
	Yi-Da Wu	0	0	0	0
	Chien-Chang Tzeng	0	0	0	0
	Dong-Hai Chen	(18,000)	0	0	0

Tittle	Name	Year 2019		Current year to 2020.03.31	
		Shareholding Increase/ Decrease	Pledge Shares Increase/ Decrease	Shareholding Increase/ Decrease	Pledge Shares Increase/ Decrease
	Li-Ping Xiong	0	0	0	0
	Xi-Chang Zhang	0	0	0	0
	Ping-Jen Tseng	0	0	0	0
	Zeng-Yu Qiu	0	0	0	0
	Yung-Kai Wang	40,000	0	0	0
	Chun-Jie Lu	0	0	0	0
	Leng-Hui Wang	0	0	0	0
	Yu-Wen Su	0	0	0	0
	Jia-Ting Dong	49,634	0	(33,000)	0
	Long-Xing Zhu	0	0	0	0
	Shun-Jin Yang	0	0	0	0
	Bao-Lin Li	0	0	0	0
	Wen-Zhong Ye	0	0	0	0
	Tai-Qi Tsai	0	0	0	0
	Zu-Wang Luan	0	0	0	0
	Guo-Liang Huang	0	0	0	0
	Men-Huo Tsai	0	0	0	0
	Li-Wen Liu	0	0	0	0
	Shu-Hui Ou	0	0	0	0
	Ting-Yu Lu	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

The most recent book closure date up to the publication of the annual report: April 27, 2019

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	81,014,432	3.49	0	0	0	0	None	None	None
Representative: Shiang-Jeh Chen	0	0	0	0	0	0	None	None	None
Chao-Shun Hung	69,758,000	3.00	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: Hong-Xing Tsai	0	0	0	0	0	0	None	None	None
Trustee trust property account at Mega International Commercial Bank-Shareholding trust of YMTC Practioners	21,223,423	0.91	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
Morgan Bank Taipei Branch hosts Vanguard stock index account	15,154,725	0.65	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

2019.12.31 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	395,527,339	98.88	None	0	0	395,527,339	98.88
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
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

4.1.1 Source of capital stock

1. Shares Issued

Date	Par value (NT\$)	Authorized capital		Actual capital received		Sources of capital	Notes	
		Shares	Amounts (NT\$)	Shares	Amounts (NT\$)		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	-	94.01.21MOEA 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	-	2005.5.30MOEA 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	-	2005.8.10MOEA 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	-	2005.11.14MOEA 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	-	2006.05.26MOEA grant No. 09501096220
May 2007	10	2,400,000,000	24,000,000,000	2,294,211,277	22,942,112,770	2007Q1 Convertible bonds transformation 4,376,860 Shares	-	2007.06.01MOEA 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	-	2007.07.19MOEA 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	-	2007.10.23MOEA 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	-	2007.11.07MOEA 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	-	2008.01.29MOEA 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 263,953Shares	-	2008.05.26MOEA grant No.09701122050 號
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	-	2008.08.04MOEA 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	-	2008.09.23MOEA 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	-	2011.10.06MOEA 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	-	2015.02.04MOEA 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	-	2015.05.19MOEA grant No.10401094490

Date	Par value (NT\$)	Authorized capital		Actual capital received		Sources of capital	Notes	
		Shares	Amounts (NT\$)	Shares	Amounts (NT\$)		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	-	2015.08.27MOEA 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	-	2017.03.16MOEA 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	-	2017.12.12MOEA 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	-	2017.12.12MOEA grant No.10601171890
Sep. 2019	10	4,500,000,000	45,000,000,000	2,601,335,728	26,013,357,280	2019.6.27 Convertible bonds transformation 278,310,937 Shares	-	2019.09.10MOEA grant No.10801118980

2. Type of Stock

Shares category	Authorized capital			Remark
	Shares Issued	Un-issued shares	Total Shares	
Common stock	2,601,335,728	1,898,664,272	4,500,000,000	Listed company stock

Note: The number of listed issued shares as of 2020.03.31.

3. General declaration system: None.

4.1.2 Shareholder structure

As of the date of publication, the last time to stop the transfer: April 27, 2019

Quantity \ Shareholder structure	Government Institutions	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions and Foreign Persons	Total
Number of Shareholders	9	75	161	110,662	187	111,094
shareholding	1,047,257,132	108,717,379	120,564,533	910,993,492	135,492,255	2,323,024,791
Holding Percentage (%)	45.08	4.68	5.19	39.22	5.83	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 16,356 shares per person.

4.1.3 Diffusion of ownership

As of the date of publication, the last time to stop the transfer: April 27, 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Note)	Percentage (%)
1 ~ 999	48,908	15,161,443	0.65
1,000 ~ 5,000	37,968	89,946,512	3.87
5,001 ~ 10,000	10,800	78,908,900	3.40
10,001 ~ 15,000	3,976	49,189,566	2.12
15,001 ~ 20,000	2,291	41,205,065	1.77
20,001 ~ 30,000	2,462	61,568,026	2.65
30,001 ~ 50,000	1,942	76,409,873	3.29
50,001 ~ 100,000	1,496	105,317,738	4.53
100,001 ~ 200,000	725	100,755,113	4.34
200,001 ~ 400,000	303	84,921,525	3.66
400,001 ~ 600,000	83	40,734,010	1.75
600,001 ~ 800,000	29	20,173,529	0.87
800,001 ~ 1,000,000	26	23,230,564	1.00
Over 1,000,001	85	1,535,502,927	66.10
Total	111,094	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 27, 2019

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.		81,014,432	3.49
Chao Shun, Hung		69,758,000	3.00
Taiwan Navigation Co., Ltd.		32,292,930	1.39
Chinachem Group		29,657,347	1.28
Trustee trust property account at Mega International Commercial Bank-Shareholding trust of YMTC Practioners		21,223,423	0.91
T3EX Global Holdings		17,105,577	0.74
Morgan Bank Taipei Branch hosts Vanguard stock index account		15,154,725	0.65

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
Trustee trust property account at Mega International Commercial Bank – Shareholding trust of YMTC Practitioners	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
Morgan Bank Taipei Branch hosts Vanguard stock index account	N/A

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				
	2018	2019	Current year to March 31, 2020		
Market Price Per Share	Highest price	12.55	9.29	7.36	
	Lowest price	7.20	6.90	4.72	
	Average price	9.57	8.21	6.48	
Net Worth Per Share	Before distribution	8.54	6.33	N.A.	
	After distribution (Note 2)	N.A.	N.A.	N.A.	
Earnings per share	Weighted average number of outstanding shares (Note 3)	2,601,336 (1000 shares)	2,601,336 (1000 shares)	N.A.	
	Earnings per share (Note 3)	(2.53)	(1.66)	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 (Note2)	0	0	0	
Return on Investment (Note 1)	P/E ratio (Note 2)	N.A.	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 2018 and 2019, 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, 2019.

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, 2019.

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.31,2020

Bond Category		Sixteenth Debenture Bonds No Guarantee	Seventeenth Debenture Bonds Guaranteed
Date of Issuance		Nov. 1, 2013	Oct. 12, 2015
Par Value		NTD 10 million	NTD 10 million
Place of Issuance and Exchange		R.O.C.	R.O.C.
Issuance Price		100% of par value	100% of par value
Total Amount		NTD 5,000 million	NTD 4,000 million
Interest Rate		5 years 2.20% 7 years 2.45%	1.1%
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
Guarantor		N.A.	A: Bank of Taiwan B: Mega International Commercial Bank C: China Trust Commercial Bank D: Yuanta Commercial Bank
Trustee		Mega International Commercial Bank	Taipei Fubon Bank
Underwriter		N.A.	Nil
Audit Lawyer		Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant		Deloitte & Touche	Deloitte & Touche
Way of Reimbursement		In cash upon maturity	Maturity: 5years-For 4.5years, 50%. 50% due respectively
Unreimbursed Amount		NTD 3,900 million	NTD 2,000 million
Conditions of Recall or Recall in Advance		N.A.	N.A.
Conditions of Restriction		N.A.	N.A.
Credit Rating Agency, Rating Date, Rating		Taiwan Ratings Corp, Jul 2018 twBBB	Taiwan Ratings Corp, A: Oct 2019 twAAA B: Sep 2019 twAA+ C: Sep 2019 twAA+ D: Jan 2020 twAA
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.	N.A.
Possible dilution of equity and impact on existing shareholders' equity		N.A.	N.A.
Exchange target custody agency		N.A.	N.A.

Bond Category	Fifth Convertible Bonds Guaranteed	Eighteenth Debenture Bonds Guaranteed
Date of Issuance	May 29, 2018	Nov 28, 2019
Par Value	NTD 100 thousand	NTD 10 million
Place of Issuance and Exchange	R.O.C.	R.O.C.
Issuance Price	101% of par value	100% of par value
Total Amount	NTD 7,600 million	NTD 5,000 million
Interest Rate	0%	0.74%
Terms of Reimbursement	5 years, Date of maturity: May 29, 2023	5 years, Date of maturity: Nov 28, 2024
Guarantor	Bank of Taiwan, Mega International Commercial Bank, Taiwan Cooperative Bank, Agricultural Bank of Taiwan, Changhua Commercial Bank, Hua Nan Bank, Taipei Fubon Commercial Bank	A: Bank of Taiwan B: Taiwan Cooperative Bank C: Hua Nan Bank D: Changhua Commercial Bank E: Land Bank of Taiwan
Trustee	Land Bank of Taiwan	Mega International Commercial Bank
Underwriter	Fubon Securities Co., Ltd.	Capital Securities Corporation.
Audit Lawyer	Attorney at Law Charles Y. W. Chiu	Attorney at Law Jason S. G. Lin
Audit Accountant	Deloitte & Touche	Deloitte & Touche
Way of Reimbursement	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.	Maturity: 5 years - For 4.5 years, 50%. 50% due respectively
Unreimbursed Amount	NTD 7,600 million	NTD 5,000 million
Conditions of Recall or Recall in Advance	(1) The next day after 3 full month, the issuance of the conversion corporate bond (August 30, 2018) to the 40 th 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. (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. ※Detailed method of issuance and conversion can be obtained from market observatory post system.	N.A.
Conditions of Restriction	N.A.	N.A.
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corp, Bank of Taiwan 108.10 twAAA Mega International Commercial Bank 108.9 twAA+ Taiwan Cooperative Bank 109.1 twAA+ Agricultural Bank of Taiwan 108.4 twAAA Changhua Commercial Bank 108.10 twAA+ Hua Nan Bank 108.5 twAA+ Taipei Fubon Commercial Bank 108.10 twAA+	Taiwan Ratings Corp, A: Oct 2019 twAAA B: Jan 2020 twAA+ C: May 2019 twAA+ D: Oct 2019 twAA+ E: May 2019 twAA

Bond Category		Fifth Convertible Bonds Guaranteed	Eighteenth Debenture Bonds Guaranteed
Other Rights	Amount of Converted Common Stock, GDR or other valuable securities	0	N.A.
	Issuance and conversion (exchange or subscription) methods	<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> <p>Request conversion program: (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. (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>	N.A.
Possible dilution of equity and impact on existing shareholders’ equity		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.	N.A.
Exchange target custody agency		N.A.	N.A.

4.2.2 Convert corporate bond information

Issuance		Fifth Convertible Bond Guaranteed	
Item	Year	2019	Jan 1–Mar. 31 ,2020
		Market price	The highest
The lowest	101.50		98.80
Average	102.80		100.67
Conversation Price		NT\$10.40	
Issue Date and Conversation Price		May 29, 2018 ; NT\$10.40	
Settlement Upon Conversion		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 31,2020)		
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	2019	the highest	USD 3.00
		the lowest	USD 2.30
		the average	USD 2.67
	From Jan. 1, 2020 to Mar.31, 2019	the highest	USD 2.44
		the lowest	USD 1.55
		the average	USD 2.17

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.95.

3. The Company's Active Fleets and Business Operations

As of December 31, 2019, the Company has operated 101 full container vessels (with a capacity of more than 672,000 TEU), amounting to a total of 7.72 million D.W.T. The scope of the Company's container liner service in 2019 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, Indian subcontinent/ Northwestern Europe and Mediterranean as well as Intra-Europe and Intra-Asia regional trades.

4. Development of New Products/Services

In 2020, the Company expects to operate 33 east-west service lines with THE Alliance partners starting from the second quarter of 2020, deploying 280 modern and high-efficiency vessels to cover all services. The service range will cover more than 78 ports in Asia, Southern 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 service routes (including 2 Europe-Asia-America pendulum service routes) to continue to offer direct porting services for Japan and Southeastern Asia as the existing structure.
- (2) Three Asia/Mediterranean service routes to offer respective direct shipping services for Spain, Italy, Israel and Turkey. With the Greek port directly linking to the European regional routes, the Company is able to expand the scope of our services.

- (3) Seven Asia/Southwestern US service routes (including 2 Europe- Asia -America pendulum service routes) 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 liner service structure. The Company is able to link to markets such as Europe, Asia, Southwestern US, and the Indian subcontinent.
- (4) Four Asia/Northwestern US service routes to appropriately rationalize the port structure, deploy additional vessels to service network with ship deceleration strategy and upgrade the vessel size in order to reduce the unit cost of the routes and improve schedule reliability.
- (5) Five Asia/US East Coast service routes. In addition to offering the only direct shipping service between Japan and US East Coast on the market, the route also enables the Company to expand liner services to Mexico, Central America, Caribbean Sea and other emerging markets with the porting at Panama and Colombia. Through the introduction of enlarged vessels enables THE alliance to strengthen competitiveness significantly in this trade.
- (6) Seven Transatlantic service routes to widely cover routes between United States West Coast & East Coast, Canada and Mexico and important ports of Northwestern Europe and the Mediterranean.
- (7) Three Asia/Middle East service routes to link main ports in Korea, China, Taiwan and Southeast Asia regions to Jebel Ali, Umm Qasr, Hamad, Dammam and Jubail.
- (8) An Asia/Red Sea service route to link main ports in Korea, China and Southeastern Asian regions to Jidda, Sokhna and Aqaba.
- (9) Continue to strengthen the route structure for Northeastern Asia and Southeastern Asia, while optimizing existing routes to maintain market competitiveness.

In addition, to improve Transatlantic service and cope with the structure transformation of import and export trade in US, COSCO, OOCL, ONE and YM are to launch a new weekly Transatlantic service route between Mediterranean - America Service from the second quarter of 2020 to deliver a more efficient and comprehensive service network on the target market of US East Coast and the upsurging Mediterranean market including Egypt, Israel, Turkey, Italy as well.

5.1.2 Industry Overview

1. Current Status and Future Development

The global container shipping industry remains in an oversupply situation in 2019 due to weak market demand. At the same time, carriers continue to face challenges with increased operating costs with the advent of IMO 2020 regulations. According to Alphaliner, a professional shipping consultancy, the growth rate of container shipping demand in 2019 was 2.6%, while the growth rate of supply was 4.0%. Although vessels retrofitting during the second half of 2019 in complying with the IMO 2020 mandate offered some ease in supply growth, the overall market was still in supply-demand imbalance situation.

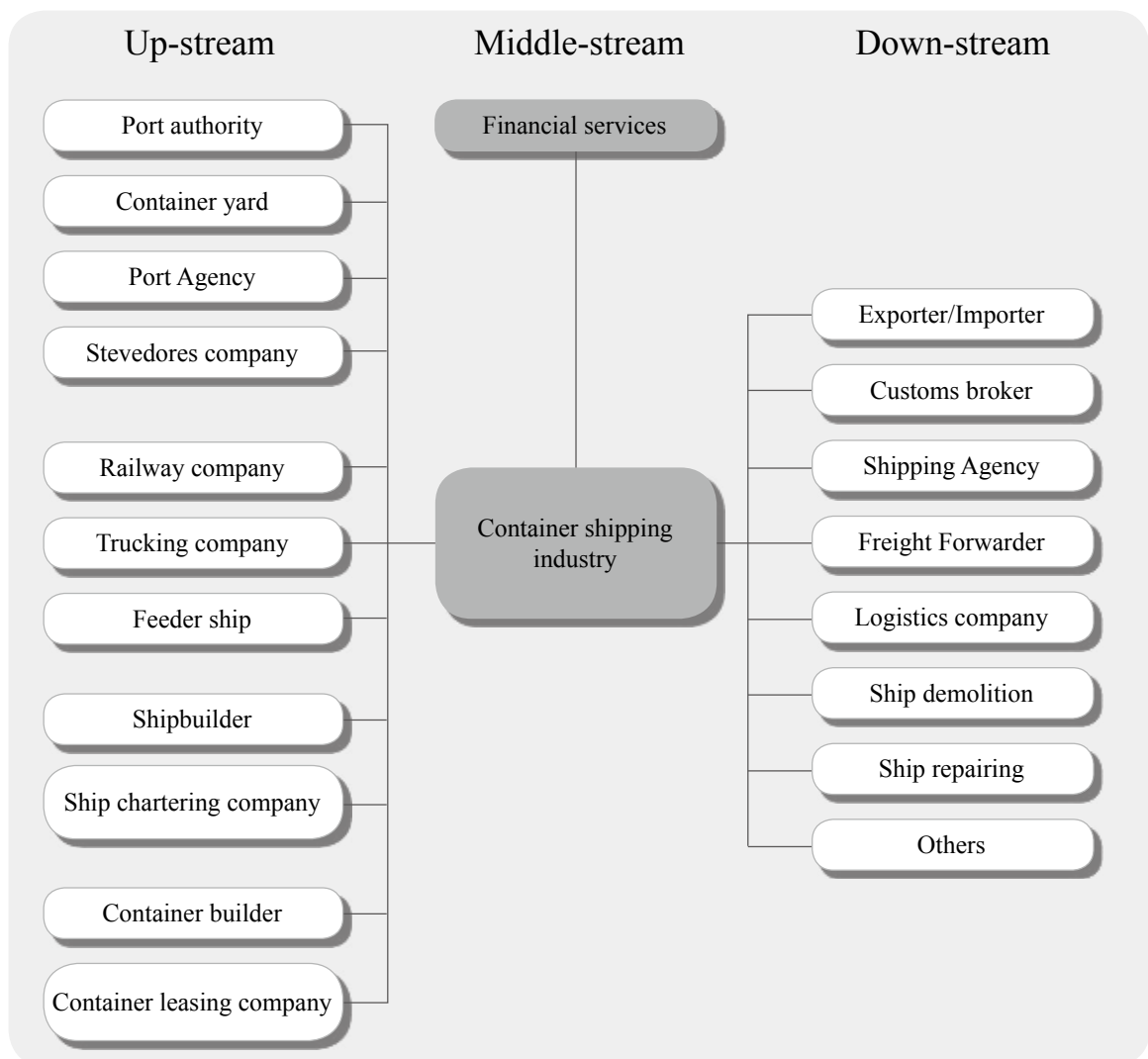
Looking ahead to 2020, while global GDP shows moderate and stable growth compared with 2019, there are still concerns over slowdown in global economy growth. As for the container shipping industry, according to Alphaliner's latest forecast, the container shipping demand growth rate was 1.5% in 2020, and the supply growth rate was 3.1%. Although the supply chain is affected by the coronavirus outbreak in the short-term, which weakens market demand, the supply-demand gap is expected to narrow down as a large number of ships undergo for scrubber installation. Furthermore, considering that the environmental issues in shipping

industry is drawing more attention from the international community, and the EU and U.S. regulators have become more conservative about alliances, the container shipping market remains challenging.

In the dry bulk market, the average BDI in 2019 was 1,353 points, same as 2018. According to Clarkson’s latest report (Dry Bulk Trade Outlook, February 2020), the demand growth rate of bulk shipping in 2019 was 0.7%, and the supply growth rate was 3.9%. In 2020, demand growth rate is projected as 2.5% and supply growth rate is 3.4%, and the market is expected to gradually recover. With an elevated demand for iron ore transportation after the resumption of Brazilian ore production, the US-China Phase One Trade Agreement, and the coronavirus outbreak, the trend of freight rates remains to be seen.

In the container terminal market, according to 2020Q1 Drewry Container Forecaster, the growth rate in world loaded container traffic was 2.6% in 2019, and Drewry predicts that the rate to decrease by 3.6 percentage points to -1.0% in 2020. Although a trade war truce between the U.S. and China will help the market recover, international political and economic development and the coronavirus outbreak still bring uncertainties to the outlook.

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



3. Product Trends and Competition

(1) Product Trends

A. Enlarged Vessel Size

According to the latest statistics from the well-known shipping consultancy Alphaliner Monthly Monitor published in March 2020, as of the end of 2019, large vessels of 7,500 TEU to 9,999 TEU accounted for 18% of the total capacity, while large vessels of 10,000 TEU or above accounted for 36% of the total capacity. In terms of the proportion of new ships TEU to be delivered in 2020, large vessels of 10,000 TEU or above accounted for 71% of the total capacity. According to the new vessel orders provided by Alphaliner, vessels of 10,000 TEU or above accounted for 82%. 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, 2020, vessels with an age of more than 20 years accounted for only 7.0% of the total number of container ships, and ships with more than 15 years accounted for only 13.3%, indicating that the average container vessel age remains young with fleet renewals in the market.

(2) Competition

A. Concentration and Enlargement of Carrier Scale

According to the latest statistics of Alphaliner (March 2, 2020), the current global container shipment capacity is approximately 23,653,999 TEU, of which the top five carriers accounted for 64.6% of total capacity, the top ten carriers accounted for 82.4% of all capacity and the top twenty carriers accounted for 89.0% (as shown in the following chart).

Rnk	Operator	TEU	Share	Existing fleet	Orderbook
1	APM-Maersk	4,154,726	17.6%		
2	Mediterranean Shg Co	3,816,595	16.1%		
3	COSCO Group	2,901,924	12.3%		
4	CMA CGM Group	2,641,836	11.2%		
5	Hapag-Lloyd	1,752,429	7.4%		
6	ONE (Ocean Network Express)	1,555,429	6.6%		
7	Evergreen Line	1,237,995	5.2%		
8	Yang Ming Marine Transport Corp.	622,208	2.6%		
9	Hyundai M.M.	401,901	1.7%		
10	PIL (Pacific Int. Line)	391,682	1.7%		
11	Zim	274,041	1.2%		
12	Wan Hai Lines	255,300	1.1%		
13	KMTC	161,420	0.7%		
14	Zhonggu Logistics Corp.	161,068	0.7%		
15	IRISL Group	152,419	0.6%		
16	Antong Holdings (QASC)	145,772	0.6%		
17	SITC	115,777	0.5%		
18	X-Press Feeders Group	113,863	0.5%		
19	UniFeeder	101,031	0.4%		
20	SM Line Corp.	73,882	0.3%		
21	TS Lines	66,003	0.3%		
22	Arkas Line / EMES	64,106	0.3%		
23	Sinotrans	61,016	0.3%		
24	Sinokor	60,979	0.3%		
25	Salam Pacific Indonesia Lines	52,121	0.2%		
26	RCL (Regional Container L.)	50,219	0.2%		
27	Matson	44,989	0.2%		
28	NileDutch	44,388	0.2%		
29	Swire Shipping	44,087	0.2%		
30	Global Feeder Shipping LLC	42,746	0.2%		

Source: Alphaliner Top 100 March 2, 2020

B. Three Major Shipping Alliances

In 2019, small- and medium-sized niche carrier ZIM and 2M Alliance expanded their strategic cooperation agreement on the Transpacific and Far East-Mediterranean routes. THE Alliance announced in July 2019 that HMM would join as a formal member of THE Alliance and officially begin cooperation in April 2020. South Korean carrier SM Line and 2M Alliance announced in February 2020 that they had reached a strategic cooperation agreement on the Far East-US West Coast trade, effective from April. According to Alphaliner's latest statistics (February 19, 2020), the three major alliances have a total market share of 85.8%, of which 2M+ZIM+SM Line accounted for 36.7%, OCEAN Alliance accounted for 30.1%, and THE Alliance+HMM accounted for 19.0%. The three alliances accounted for 97.6% of the main east-west routes, with the OCEAN Alliance ranking first with 34.8%, followed by 2M+ZIM+SM Line with 34.7% and THE Alliance+HMM with 28.1%.

5.1.3 Technology and R&D Overview

In 2019, the Company invested NT\$1,088 million in R&D expenses on the following projects:

1. Vessels

- (1) R & D and construction of smart ships.
- (2) Development and construction of Kongsberg's big data analysis system.
- (3) Construction of SPECTEC marine management system.
- (4) Implementation of the company's operation of container ships (a total of 35 vessels) using the CFD data calculated by the supercomputer as the basis for navigation attitude, in order to reduce the ship's hull resistance and reduce fuel consumption.
- (5) Joined the cooperating member of the National Cheng Kung University' & CSBC. Under the Ministry of Science and Technology Digital Economic Perspective Technology R & D and Application Project Plan " Data Analysis of Smart Shipping and Ship Energy Management", jointly promoted the industry-academia technology cooperation plan and reached a multi-directional optimization of the overall energy efficiency of ships Performance to enhance core competitiveness.
- (6) Collaborated with France's Optemar to conduct energy efficiency improvement projects for six real ship engine's tuning, in addition to reducing the fuel consumption of ships and the benefits of reducing greenhouse gas and waste production.

2. Engineering

In accordance with the relevant regulations of the International Maritime Organization (IMO), the sulfur content of vessel fuels shall not exceed 0.5% after 2020. YANG MING plan to install scrubber equipment for existing vessels, and vessel with scrubber equipment can still use 3.5% high sulfur fuel. It will effectively reduce cost of fuel, further enhancing the competitiveness of the route.

In 2021, YANG MING will install scrubber equipment completed on YM Uniformity, YM Ubiquity, YM Unanimity, YM Upsurgence and YM Unicorn, and continuously evaluate and benefit analysis of YM Mutuality series.

The 2,800 TEU new container vessels under building at CSBC, total 10 vessels will be equipped with scrubber and 7 vessels will be delivered by end of 2020.

3. Information

Developed and modified system features	Summary of the system features.
SAS Business Intelligence SAS Viya platform (Visual Analysis)	Bill of lading contribution report. Weekly closed voyage report.
SAS Machine learning and dangerous goods detection and defense platform	Use SAS machine learning and filtering functions to assist the dangerous goods management team to build a dangerous goods detection and defense platform and optimize the dangerous goods management process.
Web OA	Optimize the vessel allocation control.
Vessel Broadband & Security Operations Center (SOC)	Establish a fleet satellite broadband system and complete an information security early warning system. The vessel can transmit a large amount of information and increase the speed of the network to facilitate shore management and equipment monitoring, and collect big data for analysis and improvement procedures to improve the hull safety. / Energy-saving benefits / Cargo monitoring, and provide moderate free Internet access to improve the convenience of the crew's private life.

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 is stable and sustainable management 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 to launch an European Express service from Northwest Europe to the Mediterranean to serve the side ports and extend the business to Mediterranean/Black Sea, Northwestern Europe/Scandinavian Peninsula simultaneously. 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 continuing to deepen the existing east-west routes, the short-term business plan will also aim to improve service quality and reduce operating costs. In response to THE Alliance's business development strategy and in line with the route upgrade plan, the European line will strengthen the competitiveness of the Asia/Northwestern Europe service routes by upgrading the designated service routes- Korean & Central China Express (FE4) and Southern China Express (FE3). The Company has also upgraded our Mediterranean route to expand the service on Italy and Israel import/export markets.

With regard to the Trans-Pacific route, the alliance partners comprehensively upgraded the 5 Asia/US East Coast service routes to provide more competitive direct services. At the same time, in order to broaden our service to the emergent countries such as Mexico, Central and Southern America, Caribbean Sea, the Company provided direct Columbian calling port as hub on EC2 and EC3 loops to link regional services. New Asia/Northwestern US service route (PS8) launched to enhance direct express service from Kwangyang and Busan to Northwestern US. With regards to the Trans-Atlantic route, the Company introduces one new Trans-Atlantic route between Mediterranean and US East Coast with COSCO, ONE and OOCL to extend service to East Mediterranean.

Starting in April, the Company will establish another new pendulum service to strengthen Southeast Asia business with alliance partners to provide comprehensive 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 Trans-Pacific 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 lines 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 lines will be based on existing routes, and will be built on the basis of high-potential markets in emerging countries such as China 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, such as the Southeast Asian shipping fleet route, the North-South route in Northeast Asia/Southeast Asia, the Far East/India and Pakistan route, the Far East/Australia route, and the service network of the Far East/South American East Coast/West Coast route. We will also expand our joint ventures to further optimize the rationalization of routes and ports, develop ship upgrades to reduce unit costs, and operate routes in a more efficient manner by integrating ship resources to ensure niche edge and remain competitive. We expect our line 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 (2019), the Company expanded our layout of China, Northeast Asia-Southeast Asia routes and joint ventures, and cooperated with TSL and KMTC to operate the China -Thailand route (CTX) to enlarge the space supply for China-Thailand market. And we worked with OOCL and GSL in Q4, providing a direct calling service between Singapore-Malaysia, Indonesia and Thailand route (ITS). In addition, there were China-Vietnam-Kampuchea Service (CVK) and Thailand-Indonesia Express (TIX) to develop the South East Asia market. 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 2020

1. Asia-US Southeast coast service: deploying ten full-container ships and cooperating with THE Alliance to provide seven liner services per week between Asia and US Southwest (including two Northwest Europe-Asia-US Southwest pendulum routes).
2. Asia-US Northwest coast service: deploying six full-container ships and cooperating with THE Alliance to provide four liner services per week between Asia and the US Northwest coast.

3. Asia-US East coast service: deploying eight full-container ships and cooperating with THE Alliance to provide five liner services per week between Asia and the US East coast.
4. Asia-Northeast Europe service: deploying five full-container ships and cooperating with THE Alliance to provide five liner services per week between Asia and Northeast Europe (including two Northwest Europe-Asia- US Southwest pendulum routes).
5. Asia-Mediterranean service: deploying ten full-container ships and cooperating with THE Alliance to provide three liner services per week between Asia and the Mediterranean.
6. Northwest Europe-Mediterranean trade: deploying two full-container ships and cooperating with COSCO to provide two liner service routes between Northwest Europe and the Mediterranean.
7. Intra-Europe trade: deploying one full-container ship to provide cargo service between Hamburg and Poland/Lithuania (IE2) and expand European range services through slot exchange with potential partners.
8. Mediterranean regional service: deploying one full-container ship to provide liner service in the Romania, Ukraine markets and through the exchange of container space with other non-THE alliance operators, to expand the coverage of other Black Sea markets such as Turkey, Bulgaria, Georgia, Russia, etc.
9. Transatlantic service: deploying four full-container ships, cooperating with THE Alliance to provide six liner services per week, and two non-THE Alliance service routes from Mediterranean to US East Coast, one serves from West Mediterranean to US West Coast with cooperation with ONE/Hapag-Lloyd/CMA CGM/COSCO/OOCL, the other one between East/West Mediterranean and US East Coast launches by COSCO/ONE/OOCL and YM. Total eight liner service routes per week offer the comprehensive and extensive coverage in Transatlantic trade.
10. Intra-Asia trade
 - (1) Taiwan-China Express (TCX): deploying one full-container ship and cooperating with TNC to provide one liner service per week between Northern and Central China and Taiwan.
 - (2) China to Indonesia service (CTI): deploying two full-container ships and cooperating with COSCO and GSL to provide one liner service per week between Central China, Taiwan and Indonesia.
 - (3) China - Thailand service (CTS): deploying one full-container ship and cooperating with OOCL and GSL to provide one liner service per week between Central China, Vietnam, Thailand and Hong Kong.
 - (4) China - Thailand service (CTX): deploying one full-container ship and cooperating with KMTC and TSL to provide one liner service per week between Central China, Thailand and Hong Kong.
 - (5) China-Vietnam Express (CVX): deploying one full-container ship and cooperating with TSL and SEALAND to provide two liner services per week between Central China, Hong Kong and Vietnam.
 - (6) China - Ho Chi Minh Express service (CHX): deploying one full-container ship and cooperating with OOCL and RCL to provide one liner service per week between Northern and Southern China, Vietnam and Korean.
 - (7) Pan Asia Service (PAS): deploying one full-container ship jointly managed with TSL to provide one liner service per week between Japan (Kyushu), Korea, Taiwan, Hong Kong and Southern China.
 - (8) Japan - Taiwan- South China Express (JTS): deploying two full-container ships to provide one liner service per week between Japan (Kanto region), Taiwan, Hong Kong and Southern China.

- (9) Japan-Taiwan-Bangkok service (JTC): deploying four full-container ships to provide one liner service per week between Japan, Taiwan, Hong Kong, Thailand and Vietnam.
- (10) Japan-Malaysia-Vietnam service (JMV): deploying one full-container ship jointly managed with TSL, KMTC, GSL and OOCL to provide one liner service per week between Japan, Hong Kong, Singapore, Malaysia and Vietnam.
- (11) Korea-Taiwan-Hongkong service (KTH): deploying one full-container ship jointly managed with TSL and KMTC to provide one liner service per week between Taiwan, Hong Kong and Korea.
- (12) Taiwan Philippines Express (TPE): deploying one full-container ship to provide one liner service per week between Taiwan and Philippines.
- (13) Taiwan – Ho Chi Minh service (THX): deploying one full-container ship jointly managed with EMC and OOCL to provide two liner services per week between Taiwan, Hong Kong and Vietnam.
- (14) Taiwan-South East Asia service (TSE): deploying five full-container ships to provide one liner service per week between Taiwan, Hong Kong, Vietnam, Singapore, Malaysia and Indonesia.
- (15) China-Malaysia service (CMS): deploying one full-container ship jointly managed with GSL, TSL and CNC to provide one liner service per week between China and Malaysia.
- (16) Thailand Indonesia Express (ITS): deploying one full-container ship jointly managed with OOCL and GSL to provide two liner services per week between Singapore, Malaysia, Indonesia and Thailand.
- (17) Pan Asia service I (PA1): exchanging container space with COSCO to provide one liner service per week between China, Singapore and Malaysia.
- (18) Pan Asia service III (PA3): exchanging container space with TSL and CNC respectively to provide one liner service per week between Korea, China, Malaysia, Singapore and Hong Kong.
- (19) North China- Thailand service (NCT): exchanging container space with COSCO to provide one liner service per week between Northern China, Hong Kong, Southern China and Thailand.
- (20) Middle China-Taiwan (MCT): leasing container space from CNC to provide one liner service per week between Taiwan and Eastern China.
- (21) Uni-Taiwan-Japan service (NSD): exchanging container space with EMC to provide one liner service per week between Taiwan and Japan.
- (22) Japan-China-Vietnam Service (JCV): exchanging container space with PanAsia to provide one liner service per week between China and Japan.
- (23) Taiwan-Japan (JCH): exchanging container space with EMC to provide one liner service per week between Taiwan and Japan.
- (24) Japan-Taiwan-Hong Kong service (JTH): exchanging container space with EMC to provide one liner service per week between Taiwan and Japan (Kansai region).
- (25) Japan-Taiwan-Vietnam service (JTV): exchanging container space with CNC to provide one liner service per week between Japan, Korea, Taiwan and Hong Kong.

- (26) Japan-Thailand Express service (JTX): exchanging container space with CNC to provide one liner service per week between Japan, Taiwan, Hong Kong and Thailand.
- (27) Japan-Thailand (JT1): exchanging container space with ONE to provide one liner service per week between Japan, Korea and Thailand.
- (28) Taiwan Philippines Manila South Port (TPS): exchanging container space with WHL to provide one liner service per week between Taiwan and Philippines.
- (29) Taiwan-Philippines-Indonesia service (TPI): exchanging container space with EMC to provide one liner service per week between Taiwan and Indonesia.
- (30) Kaohsiung-Cebu service (KMC): exchanging container space with BTL to provide one liner service per week between Taiwan and Philippines.
- (31) Philippines service II (PH2): exchanging container space with OOCL to provide one liner service per week between Southern China and Philippines.
- (32) Taiwan-Hongkong service (PR5): exchanging container space with KANWAY to provide one liner service per week between Taiwan and Hong Kong.
- (33) Kaohsiung-Fuzhou/Jiangyin Express (FOC): exchanging container space with SPS to provide one liner service per week between Kaohsiung and Fuzhou.
- (34) Singapore-Philippines Express (SPE): exchanging container space with ACL to provide one liner service per week between Singapore and Philippines.
- (35) Thailand-Indonesia Express (TIX): leasing container space from RCL to provide one liner service per week between Thailand, Singapore and Indonesia.
- (36) China-Vietnam-Kampuchea Service (CVK): leasing container space from IAL to provide one liner service per week between Central China, Vietnam, Cambodia and Hong Kong.
- (37) North China-Singapore Express (NSX): leasing container space from Feedertech to provide one liner service per week between Northern China, Taiwan, Singapore and Malaysia.

11. Asia feeder service

- (1) South East Asia V service (SE5): deploying one full-container ship jointly managed with RCL to provide one feeder line service per week between Singapore, Thailand, Malaysia and Indonesia.
- (2) South East Asia service VIII (SE8): deploying one full-container ship jointly managed with OOCL to provide one feeder line service per week between Singapore, Malaysia and Vietnam.
- (3) Sihanoukville dedicated service (RCX): exchanging container space with RCL to provide one feeder line service per week between Singapore and Sihanoukville.
- (4) Songkhla dedicated service (RSE): exchanging container space with RCL to provide one feeder line service per week between Singapore and Songkhla.
- (5) Singapore-Surabaya X-Press (SSX): exchanging container space with XPF to provide one feeder line service per week between Singapore and Surabaya.

- (6) XGG - PUS Feeder (BHX): leasing container space from ONE to provide one liner service per week between Northern China (Xingang) and Korea.
- (7) DLC - PUS Feeder (BH2): leasing container space from ONE to provide one liner service per week between Northern China (Dalian) and Korea.
- (8) XGG - PUS Feeder (BH3): leasing container space from ONE to provide one liner service per week between Northern China (Xingang) and Korea.
- (9) Singapore-Yangon Express service (SYX): leasing container space from SAMUDERA to provide one liner service per week between Singapore and Myanmar.
- (10) Malaysia-Yangon Express service (MYX): leasing container space from IAL to provide one liner service per week between Malaysia and Myanmar.

12. Asia-Australia trade

- (1) China-Australia-Taiwan service (CAT): deploying three full-container ships jointly managed with EMC, SINOTRANS and TSL to operate through Central China, Taiwan and Australia.
- (2) Asia Australia alliance service 1 (AA1): providing liner service between Thailand, Singapore and Australia.
- (3) Asia Australia alliance service 2 (AA2): providing liner service between Singapore, Malaysia and Australia.

13. Central and South America service routes

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

14. Asia -Middle East/Red Sea trade

- (1) China-Gulf Express service (AG1): Cooperating with THE Alliance to operate through Central China, Southern China, Singapore and the Persian Gulf.
- (2) China-Gulf Express service (AG2): Cooperating with THE Alliance to operate through Central China, Southern China, Singapore, Malaysia and the Persian Gulf.
- (3) China-Gulf Express service (AG3): Cooperating with THE Alliance to operate through Korea, China, Singapore, Malaysia and the Persian Gulf.
- (4) Asia-Red Sea service (AR1): deploying two full-container ships and cooperating with THE Alliance and WHL 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 one full-container ships jointly managed with OOCL to operate through Central China, Southern China, Singapore, Malaysia, Pakistan, and India.

16. Southern Asia feeder service

- (1) South East Asia VI service (SE6): deploying three full-container ships to operate through Singapore, Malaysia and Bangladesh.
- (2) Singapore- Chittagong service (SCS): providing liner service between Singapore and Malaysia.
- (3) Straits-Bengal-Straits service (SBS): providing liner service between Singapore, Malaysia and Kolkata.
- (4) Indo - Bengal service (IBS): providing liner 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 growth rate of transpacific trade on the eastbound leg registered -1.3% in 2019, whereas the projection in 2020 will slow to -0.5%. According to Alphaliner, the Company's 2019 market share in the transpacific trade was approximately 5.1%.

2. Asia-Europe/Mediterranean Trade

According to the Drewry Report, the overall volumes on the westbound leg of Asia-Europe trade increased by 3.0% in 2019, while the total westbound volume of Asia-Mediterranean trade increased by 2.0%. The overall volume growth rate on the westbound leg of the Asia-Europe trade and Asia-Mediterranean trades is expected with the decline registering -2.0% and -1.0% respectively in 2020. According to Alphaliner, the Company's 2019 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 3.2% in 2019, while the overall volume of the eastbound leg increased by 3.5%. The overall volume on the westbound leg of the Transatlantic trade is expected to increase by 1.2% in 2020, and the overall volume in the eastbound leg is expected to increase by 0.8%.

4. Intra-Asia Trade

According to Global Insight report, the overall volume of the Intra-Asia trade is expected to reach 32.67 million TEU, a 4.95% growth from 2020. The Company's 2020 market share in the Intra-Asia trade was approximately 4.88%.

5. Asia -Australia Trade

According to Global Insight report, the overall volume of the FE-Australia trade increased by 3% in 2019, and the overall volume is expected to increase by 3% in 2020. The Company's 2019 market share in the FE-Australia trade was approximately 4.5%.

6. FE-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 5% in 2019, and the overall volume is expected to increase by 4% in 2020. The Company's 2019 market share in the FE-Middle East/Sub-Continental/Red Sea Trade was approximately 3.7%.

7. FE-Central and South America Trades

According to Global Insight report, the overall volume of the FE-Central and South America Trade increase by 4% in 2019, and the overall volume is expected to increase by 3% in 2020. The Company's 2019 market share in the FE-Central and South America Trade was approximately 2%.

◆ Competitive Advantages and Business Visions

1. Favorable Factors

(1) Hyundai Merchant Marine (HMM) joins THE Alliance

The container shipping market has been experiencing a series of mergers and acquisitions in recent years. The reorganization of the shipping alliances is divided into three major alliances in 2018 including 2M, Ocean Alliance, and THE Alliance. Hyundai Merchant Marine (HMM) joins THE Alliance in 2020 with 10 years agreement to strengthen cooperation within alliance and stabilize the shipping market as well.

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

In order to increase the competitiveness of service routes, the Company has operated twenty 14,000 TEU long-term, new, energy-saving vessels, an fourteen 11,000 TEU long-term, new, energy-saving vessels, and ten 2,800 TEU, owned, new, feeder type vessels will be put into service in the second quarter of 2020. 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 services to side ports and further adjust the intra-Asia service. In accordance with the delivery of the new-built 2,800TEU vessels from this year gradually to replace the same type chartered-in ones and also further develop regional business 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 2020, 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 two Europe-Asia-America pendulum service routes 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 leasing market has been gradually warming up. However, due to new effected IMO 2020 regulation, some of carriers need to have extra vessels to be the replacement during scrubber retrofit resulted in additional charter requirement and the cost of lease is relatively higher. On the other hand, ship owners' incentives for ship dismantling to comply with new regulation of green recycling are relatively low due to increasing vessel scrapped cost and declining demolition sales, and consequently the demolition market slows down.

(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 2020, 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, the Eastern Mediterranean, Baltic, South America 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 service 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 difference between high-priced and low-priced sulfur oil will maintain after the IMO 2020 regulations come into effect, the Company will carry out pre-planning and layout of the fleet desulfurization equipment installation to ensure access to a certain number of relatively low-priced, 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

Shipment & Sales Items	2019		2018	
	Amount	Volume (TEU)	Amount	Volume (TEU)
Cargo revenue: Deep sea	104,375,213	3,796,432	100,334,916	3,619,508
Cargo revenue: Short sea	19,370,431	1,638,391	18,495,478	1,612,400
Others	4,964,402	-	4,947,824	-
Rental revenue on vessel	3,293,912	-	3,081,244	-
Slottage revenue	5,567,533	-	3,368,360	-
Other operating revenue	11,609,771	-	11,605,107	-
Total	149,181,262	5,434,823	141,832,929	5,231,908

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, continuous 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 agencies management, we continue to set up Yang Ming owned agencies according to business needs, and review or replace existing agencies based on performance evaluation.

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

Year		2019	2018	2020/3/31
Number of employees	Office service	4,234	3,987	4,613
	Sea service	1,324	1,344	1,248
	Total	5,558	5,331	5,861
Average age		39.45	39.53	39.21
Average service years		8.87	9.25	8.95
Education level	Ph.D.	0.11%	0.11%	0.09%
	Master's degree	9.36%	9.95%	9.00%
	College degree	66.93%	66.00%	68.76%
	High school degree	19.52%	19.38%	18.46%
	Middle school and below	4.08%	4.56%	3.69%

5.4 Expenditure on Environmental Protection

5.4.1 In the most recent year and up to the printing date of the annual report, the company has no major violations of environmental protection regulations.

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.
- (10) The Inventory of Hazardous Materials (IHM) is effective from 12.31.2020. We have been arranged to take samples on board for testing to facilitate the identification and control of the location and quantity of hazardous substances on ships.
- (11) January 2020 marked the beginning of an unprecedented transition of the shipping industry into a greener future with a regulation mandating the level of Sulphur content in marine fuels is limited to 0.5%. YangMing fleet has reduced its Sulphur oxide emission by 70% compared to using high Sulphur fuel oil. And the fleet YangMing had met this requirement ahead of time in the fourth quarter of 2019.

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\$ Thousands

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.	3,020	364,387
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.	10,364	1,544,711
Managing 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.	1,621	2,557,857
Professional Marine core knowledge training	The Company holds maritime core trainings such as maritime management practice, advanced maritime 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.	4,509	320,645
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.	9,496	3,663,213

3. Retirement system: see the Post-Retirement Benefits Program on page 175 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. When conducting business, employees shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, including rebates, commissions, palm greasing payments, or offer or accept improper benefits in other ways to or from clients, agents, contractors, suppliers, public servants, or other interested parties.
6. Employees shall not carry ammunition and knives, dangerous goods, contraband or other items that violate workplace safety.
7. 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".

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, 2020

Agreement	Counterparty	Period	Major Contents	Restrictions	
THE Alliance HOA	Hapag-Lloyd / ONE/HMM	2020.04.01-2030.03.31	Any line shall have the right to issue 12 months prior written notice of withdraw. Such notice may not be given before 36 months having elapsed after the Commencement date.	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 OA	Hapag-Lloyd/ ONE/HMM	2020.04.01-2030.03.31	Any line shall have the right to issue 12 months prior written notice of withdraw. Such notice may not be given before 36 months having elapsed after the Commencement date.	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	-
EMA MOU	COSCO/ OOCL/ONE	2020.04.01-2021.03.31	Any Line shall have the right to issue 3 months prior written notice of withdraw. Such notice may not be given before 9 months having elapsed after the Commencement Date of this Agreement.	Mediterranean/U.S. East Coast	-
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	-

Agreement	Counterparty	Period	Major Contents	Restrictions
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	-
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-the indefinite duration 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	-
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	-
SE8	OOCL	2017.06.11-the indefinite duration Termination of contract requires a Forty-five day pre-notice	South East Asia service	-
KMC/TSE	BTL	2016.10.01-the indefinite duration Termination of contract requires a thirty-day pre-notice	Intra-Asia service	-
PA3/JTS	TSL	2017.03.31-the indefinite duration Termination of contract requires a sixty-day pre-notice	Intra-Asia service	-
TSE(SEA) / SSX	XPF	2019.01.08-the indefinite duration Termination of contract requires a thirty-day pre-notice	Intra-Asia service	-

Agreement	Counterparty	Period	Major Contents	Restrictions
JTS/JCV	PanAsia	2019.05.12-the indefinite duration Termination of contract requires a thirty-day pre-notice	Intra-Asia service	-
TIX	RCL	2019.07.27 –the indefinite duration Termination of contract requires a one-month pre-notice	Intra-Asia service Slot Charter-in	-
CAT	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	-
AR1 MOU	Hapag-Lloyd / ONE/WHL	2018.04.06-the indefinite duration, Termination of contract requires a three-month pre-notice	Asia-Red Sea service	-
CAT/AA1/ AA2	PIL	2018.07.27-the indefinite duration Termination of contract requires a two-month pre-notice	Asia-Australia service	-
CPX	OOCL	2011.03.17-the indefinite duration Termination of contract requires a ninety-day pre- notice Contract duration extends twelve months automatically in the absence of a termination pre-notice	Asia-South Asia service	-
SE6/SCS/ SBS/IBS	OEL	2015.11.03-the indefinite duration Termination of contract requires a one-month pre-notice	Asia-Bangladesh/Kolkata service	-
SA3	EMC/COSCO/ CMA CGM	2017.01.20-the indefinite duration Termination of contract requires a six-month pre-notice	Asia-Eastern South America service	-
SA4	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

March 31, 2020

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 1 st to 11 th phase will repay 50 million, and the 12 th 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.	-

Agreement	Counterparty	Period	Major Contents	Restrictions
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.	-
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 1 st to 13 th phase will repay 26 million, and the 14 th 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 1 st to 13 th phase will repay 15.5 million, and the 14 th phase will repay the remaining principal.	-
Bank Mortgage Loan	The Company and Chailase 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 1 st to 4 th phase will repay 5% principal, the 5 th to 6 th phase will repay 10% principal, and the 7 th to 10 th 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 1 st to 9 th phase will repay 40 million, and the 10 th 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, 1 st to 4 th phase will repay 150 million, 5 th 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, four years from the date on which the mortgage loan drawdown.	-
Bank Mortgage Loan	The Company and First Bank	2019.04.11-2030.09.15	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the mortgage loan drawdown.	-
Bank Mortgage Loan	The Company and Chang Hwa Bank	2019.05.16-2031.02.15	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the mortgage loan drawdown.	-
Bank Mortgage Loan	The Company and Bank of Taiwan	2019.07.23-2031.05.15	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the mortgage loan drawdown.	-

Agreement	Counterparty	Period	Major Contents	Restrictions
Bank Mortgage Loan	The Company and Taiwan Cooperative Bank	2019.08.20-2030.12.15	The principal shall be repaid in 14 successive semiannual installments commencing on the date of expiry, four years from the date on which the mortgage loan drawdown.	-
Bank Mortgage Loan	The Company and Land Bank of Taiwan	2019.10.21-2030.07.15	The principal shall be repaid in 20 successive semiannual installments commencing on the date of expiry, six months from the date on which the mortgage loan drawdown.	-
Bank Mortgage Loan	The Company and Taiwan Cooperative Bank	2019.12.27-2024.12.27	The principal shall be repaid in 8 successive semiannual installments commencing on the date of expiry, eighteen months from the date on which the initial advance is made.	-
Bank Mortgage Loan	The Company and Chang Hwa Bank	2020.03.31-2025.03.31	The principal shall be repaid in 6 successive semiannual installments commencing on the date of expiry, thirty months from the date on which the initial advance is made.	-
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 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	2020.02.27-2025.02.27	The principal shall be repaid in 20 successive quarterly installments commencing on the date of expiry, 3 months from the date on which the initial advance is made.	-
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	2019.11.14-2025.11.14	The principal shall be repaid in 24 successive quarterly installments commencing on the date of expiry, 3 months from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming – Liberia and Mega International Commercial Bank	2019.11.17-2021.11.17	The principal shall be repaid in 9 successive equal installments on quarterly basis commencing from the first Repayment Date which is November 17, 2019 .	-
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, 3 months from the date on which the initial advance is made.	-
Bank Mortgage Loan	Kuang Ming – Liberia and Kaohsiung Bank	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 Consolidated Financial Statement and Information for the recent five 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 in the Most Recent Five Years (Note)				
		2015	2016	2017	2018	2019
Current Assets		35,571,463	25,289,242	26,887,325	34,639,473	35,818,085
Property, Plant and Equipment		90,573,485	85,713,353	80,987,285	78,371,995	72,258,682
Intangible Assets		50,623	118,595	106,454	98,222	122,234
Other Assets		28,780,530	24,922,236	24,895,346	26,863,409	82,802,838
Total Assets		154,976,101	136,043,426	132,876,410	139,973,099	191,001,839
Current Liabilities	Before Distribution	40,474,038	42,550,135	44,340,702	47,496,628	61,249,304
	After Distribution	40,474,038	42,550,135	44,340,702	47,496,628	61,249,304
Non-current Liabilities		82,770,731	77,214,786	62,026,108	72,181,727	112,670,336
Total Liabilities	Before Distribution	123,244,769	119,764,921	106,366,810	119,678,355	173,919,640
	After Distribution	123,244,769	119,764,921	106,366,810	119,678,355	173,919,640
Equity Attributable to Shareholders of the Parent		31,038,710	15,808,838	26,033,565	19,828,008	16,463,534
Capital Stock		30,044,401	30,044,401	23,230,248	23,230,248	26,013,357
Capital Surplus		5,500,037	4,425,139	5,571,490	4,739,792	1,939,381
Retained Earnings	Before Distribution	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)	(11,462,514)
	After Distribution	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)	(11,462,514)
Other Equity		(640,248)	(1,003,593)	(1,203,023)	(1,010,181)	(26,690)
Treasury Stocks		-	-	-	-	-
Non-controlling Interests		692,622	469,667	476,035	466,736	618,665
Total Equity	Before Distribution	31,731,332	16,278,505	26,509,600	20,294,744	17,082,199
	After Distribution	31,731,332	16,278,505	26,509,600	20,294,744	17,082,199

2. Condensed Consolidated Statement of Comprehensive Income – IFRSs

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

Item	Year	Financial Data in the Most Recent Five Years (Note)				
		2015	2016	2017	2018	2019
Operating Revenue		127,559,424	115,400,150	131,077,812	141,832,929	149,181,262
Gross Profit		(791,393)	(9,063,759)	6,495,225	42,223	6,074,766
Income from Operations		(6,460,794)	(14,721,429)	774,786	(5,666,392)	(1,014,685)
Non-operating income and expenses		(1,481,733)	(974,145)	(139,996)	(1,413,816)	(2,573,130)
Income before income tax		(7,942,527)	(15,695,574)	634,790	(7,080,208)	(3,587,815)
Net income of continuing business units		(7,788,491)	(14,889,499)	491,866	(6,306,356)	(3,997,896)
Loss of suspended business unit		-	-	-	-	-
Net Income (Loss)		(7,788,491)	(14,889,499)	491,866	(6,306,356)	(3,997,896)
Other comprehensive income for the year, net of income tax		(790,499)	(158,870)	(425,762)	91,690	950,381
Total comprehensive income for the year		(8,578,990)	(15,048,369)	66,104	(6,214,666)	(3,047,515)
Net income attributable to stockholders of the parent		(7,721,756)	(14,912,060)	320,849	(6,590,955)	(4,309,957)
Net income attributable to non-controlling interests		(66,735)	22,561	171,017	284,599	312,061
Total comprehensive income attributable to stockholders of the parent		(8,491,553)	(15,038,503)	(90,971)	(6,473,151)	(3,330,571)
Total comprehensive income attributable to non-controlling interests		(87,437)	(9,866)	157,075	258,485	283,056
Earnings per share		(4.80)	(9.22)	0.17	(2.53)	(1.66)

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

Note 2: 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.

VI. Overview of the Company's Financial Status

3. Condensed Individual Balance Sheet — IFRSs

Unit: NT\$ 1,000

Item	Year	Financial Data in the Most Recent Five Years (Note)				
		2015	2016	2017	2018	2019
Current Assets		25,143,687	17,241,090	18,183,499	25,868,143	25,535,993
Property, Plant and Equipment		39,648,516	37,071,633	34,632,559	34,537,154	34,649,013
Intangible Assets		32,943	102,742	76,035	57,220	78,223
Other Assets		61,172,137	55,126,998	56,556,774	56,331,139	111,116,824
Total Assets		125,997,283	109,542,463	109,448,867	116,793,656	171,380,053
Current Liabilities	Before Distribution	32,460,377	34,279,890	37,630,120	38,706,021	51,826,645
	After Distribution	32,460,377	34,279,890	37,630,120	38,706,021	51,826,645
Non-current Liabilities		62,498,196	59,453,735	45,785,182	58,259,627	103,089,874
Total Liabilities	Before Distribution	94,958,573	93,733,625	83,415,302	96,965,648	154,916,519
	After Distribution	94,958,573	93,733,625	83,415,302	96,965,648	154,916,519
Capital Stock		30,044,401	30,044,401	23,230,248	23,230,248	26,013,357
Capital Surplus		5,500,037	4,425,139	5,571,490	4,739,792	1,939,381
Retained Earnings	Before Distribution	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)	(11,462,514)
	After Distribution	(3,865,480)	(17,657,109)	(1,565,150)	(7,131,851)	(11,462,514)
Other Equity		(640,248)	(1,003,593)	(1,203,023)	(1,010,181)	(26,690)
Treasury Stocks		-	-	-	-	-
Total Equity	Before Distribution	31,038,710	15,808,838	26,033,565	19,828,008	16,463,534
	After Distribution	31,038,710	15,808,838	26,033,565	19,828,008	16,463,534

4. Condensed Individual Statement of Comprehensive Income - IFRSs

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

Item	Year	Financial Data in the Most Recent Five Years (Note)				
		2015	2016	2017	2018	2019
Operating revenue		106,245,724	96,844,267	110,458,769	119,440,265	129,368,247
Gross profit (Loss)		(4,318,451)	(11,482,096)	1,662,460	(4,906,418)	69,135
Income from Operations		(5,857,740)	(12,944,380)	60,190	(6,335,259)	(2,266,212)
Non-operating income and expenses		(2,164,686)	(2,939,681)	154,424	(1,312,668)	(2,037,710)
Income (Loss) before income tax		(8,022,426)	(15,884,061)	214,614	(7,647,927)	(4,303,922)
Net income (Loss) of continuing business units		(7,721,756)	(14,912,060)	320,849	(6,590,955)	(4,309,957)
Loss of suspended business unit		-	-	-	-	-
Net Income (Loss)		(7,721,756)	(14,912,060)	320,849	(6,590,955)	(4,309,957)
Other comprehensive income for the year, net of income tax		(769,797)	(126,443)	(411,820)	117,804	979,386
Total comprehensive income for the year		(8,491,553)	(15,038,503)	(90,971)	(6,473,151)	(3,330,571)
Earnings per share		(4.80)	(9.22)	0.17	(2.53)	(1.66)

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

Note 2: 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
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)
2019	Chin-Tsung Cheng, Yu-Mei Hung	Unqualified opinion.

Note 1: The CPAs issued the audit opinion in order to distinguish auditors' responsibilities as it was partially based on another 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 in the Most Recent Five Years — IFRSs

1. Financial Analysis (Consolidated) - IFRSs

Item	Year	Financial Analysis in the Most Recent Five Years(Note 2)				
		2015	2016	2017	2018	2019
Capital Structure Analysis	Debts Ratio (%)	79.53	88.03	80.05	85.50	91.06
	Long-term Fund to Property, Plant and Equipment (%)	119.90	102.98	102.82	110.91	179.57
Liquidity Analysis	Current Ratio (%)	87.98	59.43	60.64	72.93	58.48
	Quick Ratio (%)	79.82	52.21	51.97	62.77	51.21
	Times Interest Earned (Times)	(3.38)	(6.89)	1.35	(2.87)	0.10
Operating Performance Analysis	Average Collection Turnover (Times)	17.33	16.12	16.28	16.93	16.06
	Days sale outstanding	21.07	22.64	22.42	21.56	22.72
	Average Inventory Turnover (Times) (Note 1)	-	-	-	-	-
	Average Payment Turnover (Times) (Note 1)	-	-	-	-	-
	Average Inventory Turnover Days (Note 1)	-	-	-	-	-
	Property, Plant and Equipment Turnover (times)	1.41	1.35	1.57	1.78	1.98
	Total Asset Turnover (Times)	0.82	0.85	0.97	1.04	0.90
Profitability Analysis	Return on Total Assets (%)	(4.09)	(9.10)	1.48	(3.55)	(0.49)
	Return on Equity (%)	(22.20)	(62.03)	2.30	(26.95)	(21.39)
	Pre-tax Income to Paid-in Capital Ratio (%)	(26.44)	(52.24)	2.73	(30.48)	(13.79)
	Net Margin (%)	(6.11)	(12.90)	0.38	(4.45)	(2.68)
	Earnings Per Share (NT\$)	(4.80)	(9.22)	0.17	(2.53)	(1.66)
Cash Flow	Cash Flow Ratio	3.30	-	4.32	-	18.28
	Cash Flow Adequacy Ratio	53.07	1.05	-	-	2.68
	Cash Flow Reinvestment Ratio	0.87	-	1.36	-	6.30
Leverage	Operating leverage	(2.29)	(0.40)	26.82	(2.60)	(28.52)
	Financial leverage	0.78	0.88	(0.75)	0.76	0.20

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

1. Capital structure, current ratio and quick ratio changed mainly due to increase in lease liabilities.

2. The item "Times Interest Earned", Profitability ratios, cash flow ratios and leverage ratios changed mainly due to the improvement of operating condition this year.

2. Financial Analysis (Non-Consolidated) – IFRSs

Item	Year	Financial Analysis in the Most Recent Five Years(Note 2)				
		2015	2016	2017	2018	2019
Capital Structure Analysis	Debts Ratio (%)	75.37	85.57	76.21	83.02	90.39
	Long-term Fund to Property, Plant and Equipment (%)	233.32	203.02	207.37	226.10	345.04
Liquidity Analysis	Current Ratio (%)	75.08	50.30	48.32	66.83	49.37
	Quick Ratio (%)	66.52	42.93	39.84	56.76	42.00
	Times Interest Earned (Times)	(5.66)	(11.00)	1.19	(6.03)	(0.36)
Operating Performance Analysis	Average Collection Turnover (Times)	17.89	16.32	16.45	19.62	22.68
	Days sale outstanding	20.40	22.36	22.19	18.61	16.09
	Average Inventory Turnover (Times) (Note 1)	-	-	-	-	-
	Average Payment Turnover (Times) (Note 1)	-	-	-	-	-
	Average Inventory Turnover Days (Note 1)	-	-	-	-	-
	Property, Plant and Equipment Turnover (times)	2.72	2.52	3.08	3.45	3.74
	Total Asset Turnover (Times)	0.84	0.82	1.01	1.06	0.90
Profitability Analysis	Return on Total Assets (%)	(5.33)	(11.73)	1.17	(5.03)	(1.17)
	Return on Equity (%)	(22.55)	(63.66)	1.53	(28.74)	(23.75)
	Pre-tax Income to Paid-in Capital Ratio (%)	(26.70)	(52.87)	0.92	(32.92)	(16.55)
	Net Margin (%)	(7.27)	(15.40)	0.29	(5.52)	(3.33)
	Earnings Per Share (NT\$)	(4.80)	(9.22)	0.17	(2.53)	(1.66)
Cash Flow	Cash Flow Ratio	0.89	-	-	-	15.05
	Cash Flow Adequacy Ratio	11.70	-	-	-	-
	Cash Flow Reinvestment Ratio	0.27	-	-	-	5.48
Leverage	Operating leverage	(0.62)	0.31	148.48	(0.47)	(8.22)
	Financial leverage	0.83	0.91	(0.05)	0.85	0.42

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

1. Capital Structure ratios changed mainly due to implementing IFRS 16 Leases, resulting in more assets and liabilities.
2. Liquidity ratios declined due to implementing IFRS 16 Leases, causing more interest expense on the right-of-use assets.
3. Profitability ratios improved mainly due to reducing net loss this year.
4. Cash flow ratios improved mainly due to revenue increase, implementing IFRS 16 Leases.
5. Leverage ratios changed mainly due to implementing IFRS 16 Leases, resulting in more depreciation and interest expenses on the right-of-use assets.

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) 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

2019 Audit Committee's Review Report

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2019 business report, stand-alone and consolidated financial statements. 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 after thorough examination.

To: 2020 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 26, 2020

6.4 Consolidated Financial Statements 2019

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2019 are as follows:

Assessment of the Impairment of Tangible Assets (Not Including Investment Properties)
Right-of-Use Assets and Intangible Assets

The carrying amount of tangible assets (not including investment properties), right-of-use assets and intangible assets in the aggregate was NT\$130,149,676 thousand. The amount was material to the consolidated financial statements. Furthermore, 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 to form 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), right-of-use assets and intangible assets as a key audit matter.

The assessment of impairment of the tangible assets (not including investment properties), right-of-use assets 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, right-of-use and intangible assets into consideration and focused on the performance of each component. When the indicator 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.

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 as 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 28 to the accompanying consolidated financial statements.

We tested the accuracy of the timing of the revenue recognition. Through subsequent information on 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 statements of 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 year ended December 31, 2018. 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 asset of these subsidiaries was NT\$5,388,236 thousand, representing 3.85% of the Group's total consolidated assets as of December 31, 2018. The combined operating revenue of these subsidiaries was NT\$561,174 thousand, representing 0.40% of the Group's total consolidated operating revenue for the year ended December 31, 2018. 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. The financial statements of these associates and joint ventures were audited by other auditors. The carrying amount of these associates and joint ventures was NT\$1,485,082 thousand, representing 1.06% of the Group's total consolidated assets as of December 31, 2018. The amount of profit or loss recognized on investments accounted for by the equity method was NT\$187,273 thousand, representing (3.01)% of the Group's total comprehensive income for the year ended December 31, 2018. 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, 2019 and 2018 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.

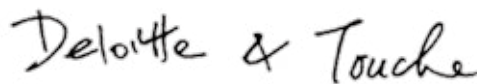
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 consolidated financial statements for the year ended December 31, 2019 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 30, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 17,177,339	9	\$ 17,399,750	12
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	327,451	-	262,576	-
Financial assets at amortized cost - current (Notes 4, 9, 36 and 37)	685,687	1	651,187	1
Contract assets, net (Notes 4, 28 and 36)	1,788,138	1	1,747,637	1
Notes receivable, net (Notes 4 and 10)	4,792	-	7,534	-
Trade receivables, net (Notes 4 and 10)	9,965,606	5	8,203,538	6
Trade receivables from related parties (Notes 4, 10 and 36)	145,741	-	248,268	-
Finance lease receivables, net (Notes 4 and 11)	19,675	-	-	-
Shipping fuel (Notes 4 and 12)	3,790,096	2	4,082,616	3
Prepayments (Notes 3, 4, 18 and 36)	581,419	-	725,586	1
Prepayments to shipping agents (Note 36)	81,315	-	18,608	-
Other current assets (Notes 30 and 36)	1,250,826	1	1,292,173	1
Total current assets	35,818,085	19	34,639,473	25
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	1,772,893	1	1,701,701	1
Financial assets at amortized cost - non-current (Notes 4, 9, 25, 36 and 37)	3,024,270	2	3,254,132	2
Investments accounted for using equity method (Notes 4 and 14)	7,956,320	4	8,031,722	6
Property, plant and equipment (Notes 3, 4, 5, 15 and 37)	72,258,682	38	78,371,995	56
Right-of-use assets (Notes 3, 4, 5, 16 and 36)	57,376,769	30	-	-
Investment properties (Notes 4, 17 and 37)	6,313,320	3	6,272,493	5
Other intangible assets (Notes 4 and 5)	122,234	-	98,222	-
Deferred tax assets (Notes 4 and 30)	5,569,855	3	5,324,506	4
Prepayments for equipment (Notes 4, 5 and 38)	391,991	-	1,279,519	1
Refundable deposits	141,737	-	451,572	-
Non-current finance lease receivables (Notes 4 and 11)	167,158	-	-	-
Other financial assets - non-current (Note 4)	71,323	-	63,447	-
Long-term prepayments for leases (Notes 3, 4, 5, 18 and 36)	-	-	473,417	-
Other non-current assets	17,202	-	10,900	-
Total non-current assets	155,183,754	81	105,333,626	75
TOTAL	\$ 191,001,839	100	\$ 139,973,099	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 36)	\$ 4,621,034	2	\$ 4,756,377	4
Short-term bills payable (Note 19)	13,485,840	7	9,601,979	7
Financial liabilities at FVTPL - current (Notes 4 and 7)	67,549	-	37,460	-
Financial liabilities for hedging - current (Notes 3, 4, 16 and 35)	7,002,378	4	-	-
Contract liabilities - current (Notes 4, 28 and 36)	121,826	-	120,736	-
Notes payable (Note 36)	18,393	-	29,763	-
Trade payables (Note 21)	12,266,509	6	12,965,069	9
Trade payables to related parties (Notes 21 and 36)	471,425	-	571,016	1
Other payables (Notes 23 and 36)	3,890,141	2	3,296,101	2
Current tax liabilities (Notes 4 and 30)	132,733	-	179,271	-
Lease liabilities - current (Notes 3, 4, 16 and 36)	2,894,785	2	-	-
Provisions - current (Notes 4 and 24)	1,032,332	1	478,622	-
Current portion of long-term liabilities (Notes 3, 4, 19, 20, 22, 25, 36 and 37)	14,502,721	8	14,715,685	11
Other advance account (Note 3)	193,696	-	204,546	-
Other current liabilities	547,942	-	540,003	-
Total current liabilities	61,249,304	32	47,496,628	34
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 3, 4, 16 and 35)	41,888,032	22	-	-
Bonds payable (Notes 4, 20, 36 and 37)	12,210,456	7	13,164,195	9
Long-term borrowings (Notes 19, 36 and 37)	44,109,520	23	46,929,208	34
Provisions - non-current (Notes 3, 4 and 24)	1,444	-	297,007	-
Deferred tax liabilities (Notes 4 and 30)	1,723,839	1	1,696,647	1
Lease liabilities - non-current (Notes 3, 4, 16 and 36)	7,343,146	4	-	-
Finance lease payables - non-current (Notes 3, 4 and 22)	-	-	3,834,330	3
Other advance account - non-current (Note 3)	150,163	-	765,068	1
Other financial liabilities - non-current (Notes 4, 20 and 25)	2,454,039	1	2,697,493	2
Net defined benefit liabilities - non-current (Notes 4 and 26)	2,503,671	1	2,557,552	2
Other non-current liabilities	286,026	-	240,227	-
Total non-current liabilities	112,670,336	59	72,181,727	52
Total liabilities	173,919,640	91	119,678,355	86
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital - ordinary shares	26,013,357	14	23,230,248	17
Capital surplus	1,939,381	1	4,739,792	3
Accumulated deficits	(11,462,514)	(6)	(7,131,851)	(5)
Other equity	(26,690)	-	(1,010,181)	(1)
Total equity attributable to owners of the Company	16,463,534	9	19,828,008	14
NON-CONTROLLING INTERESTS	618,665	-	466,736	-
Total equity	17,082,199	9	20,294,744	14
TOTAL	\$ 191,001,839	100	\$ 139,973,099	100

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

(With Deloitte & Touche auditors' report dated March 30, 2020)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Loss Per Share)**

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 28 and 36)	\$ 149,181,262	100	\$ 141,832,929	100
OPERATING COSTS (Notes 4, 12, 29 and 36)	<u>143,106,496</u>	<u>96</u>	<u>141,790,706</u>	<u>100</u>
GROSS PROFIT	<u>6,074,766</u>	<u>4</u>	<u>42,223</u>	<u>-</u>
OPERATING EXPENSES (Notes 10, 16, 29 and 36)				
Selling and marketing expenses	5,526,339	4	5,346,019	4
General and administrative expenses	747,390	1	793,717	-
Expected credit loss (reversed)	<u>341,063</u>	<u>-</u>	<u>(3,155)</u>	<u>-</u>
Total operating expenses	<u>6,614,792</u>	<u>5</u>	<u>6,136,581</u>	<u>4</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 4, 16 and 29)	<u>(474,659)</u>	<u>-</u>	<u>427,966</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(1,014,685)</u>	<u>(1)</u>	<u>(5,666,392)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 29 and 36)				
Other income	385,101	-	291,812	-
Other gains and losses	872,138	1	(38,761)	-
Finance costs	(3,982,954)	(3)	(1,829,511)	(1)
Share of profit or loss of associates and joint ventures	<u>152,585</u>	<u>-</u>	<u>162,644</u>	<u>-</u>
Total non-operating income and expenses	<u>(2,573,130)</u>	<u>(2)</u>	<u>(1,413,816)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(3,587,815)	(3)	(7,080,208)	(5)
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 30)	<u>(410,081)</u>	<u>-</u>	<u>773,852</u>	<u>1</u>
NET LOSS FOR THE YEAR	<u>(3,997,896)</u>	<u>(3)</u>	<u>(6,306,356)</u>	<u>(4)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 16, 26, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(4,747)	-	(219,875)	-
Unrealized gain on investments in equity instruments at FVTOCI	69,658	-	86,968	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Loss Per Share)**

	2019		2018	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	\$ (6,324)	-	\$ 11,600	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>688</u>	<u>-</u>	<u>61,879</u>	<u>-</u>
	<u>59,275</u>	<u>-</u>	<u>(59,428)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(331,128)	-	148,885	-
Gain on hedging instruments	1,218,522	1	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>3,712</u>	<u>-</u>	<u>2,233</u>	<u>-</u>
	<u>891,106</u>	<u>1</u>	<u>151,118</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>950,381</u>	<u>1</u>	<u>91,690</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (3,047,515)</u>	<u>(2)</u>	<u>\$ (6,214,666)</u>	<u>(4)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (4,309,957)	(3)	\$ (6,590,955)	(4)
Non-controlling interests	<u>312,061</u>	<u>-</u>	<u>284,599</u>	<u>-</u>
	<u>\$ (3,997,896)</u>	<u>(3)</u>	<u>\$ (6,306,356)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (3,330,571)	(2)	\$ (6,473,151)	(4)
Non-controlling interests	<u>283,056</u>	<u>-</u>	<u>258,485</u>	<u>-</u>
	<u>\$ (3,047,515)</u>	<u>(2)</u>	<u>\$ (6,214,666)</u>	<u>(4)</u>
LOSS PER SHARE (Note 31)				
Basic	\$ (1.66)		\$ (2.53)	
Diluted	<u>\$ (1.66)</u>		<u>\$ (2.53)</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2020)

(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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company					Total	Non-controlling Interests (Note 27)	Total Equity		
	Share Shares (In Thousands)	Amount	Capital Surplus (Notes 4 and 27)	Accumulated Deficits (Note 27) Deficit to be Compensated	Exchange Differences on Translating the Financial Statements of Foreign Operations (Notes 4 and 27)				Other Equity Unrealized Valuation Gain/Loss on Financial Assets at Fair Value Through Other Instruments (Notes 4 and 27)	Gain on Hedging Instruments (Notes 4 and 27)
BALANCE AT JANUARY 1, 2018	2,323,025	\$ 23,230,248	\$ 5,571,490	\$ (1,527,607)	\$ (85,841)	\$ (1,201,784)	\$ -	\$ 25,986,506	\$ 475,987	\$ 26,462,493
Equity component of convertible bonds issued by the Company			308,765					308,765		308,765
Capital surplus used to offset accumulated deficits			(1,146,351)	1,146,351				(6,590,955)		(6,306,356)
Net profit (loss) for the year ended December 31, 2018				(6,590,955)				284,599		(6,306,356)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax				(159,640)	178,191	99,253		117,804	(26,114)	91,690
Total comprehensive income (loss) for the year ended December 31, 2018				(6,750,595)	178,191	99,253		(6,473,151)	258,485	(6,214,666)
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 32)			5,718					5,718	(17,632)	(11,914)
Change in percentage of ownership interests in subsidiaries			170					170	2	172
Decrease in non-controlling interests									(250,106)	(250,106)
BALANCE AT DECEMBER 31, 2018	2,323,025	23,230,248	4,739,792	(7,131,851)	92,350	(1,102,531)		19,828,008	466,736	20,294,744
Effect of retrospective application and retrospective restatement				(29,138)				(29,138)	(437)	(29,575)
BALANCE AT JANUARY 1, 2019 AS RESTATED	2,323,025	23,230,248	4,739,792	(7,160,989)	92,350	(1,102,531)		19,798,870	466,299	20,265,169
Capital surplus used to offset accumulated deficits			(17,325)	17,325						-
Net profit (loss) for the year ended December 31, 2019				(4,309,957)				(4,309,957)	312,061	(3,997,896)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax				(4,104)	(298,296)	63,264		979,386	(29,005)	950,381
Total comprehensive income (loss) for the year ended December 31, 2019				(4,314,061)	(298,296)	63,264		(3,330,571)	283,056	(3,047,515)
Convertible bonds converted to ordinary shares	278,311	2,783,109	(2,783,109)							-
Change in percentage of ownership interests in subsidiaries (Note 32)			23	(4,788)				(4,765)	4,788	23
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (loss) by associates				(1)						-
Decrease in non-controlling interests									(135,478)	(135,478)
BALANCE AT DECEMBER 31, 2019	2,601,336	\$ 26,013,357	\$ 1,939,381	\$ (11,462,514)	\$ (205,946)	\$ (1,039,266)	\$ 1,218,522	\$ 16,463,534	\$ 618,665	\$ 17,082,199

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated March 30, 2020)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FORM OPERATING ACTIVITIES		
Loss before income tax	\$ (3,587,815)	\$ (7,080,208)
Adjustments for:		
Depreciation expenses	16,818,918	6,471,883
Amortization expenses	51,891	35,148
Expected credit loss recognized (reversed)	341,063	(3,155)
Net (gain) loss on fair value change of financial assets/liabilities at FVTPL	(47,069)	61,468
Finance costs	3,982,954	1,829,511
Interest income	(202,253)	(155,192)
Dividend income	(98,847)	(52,515)
Share of profit of associates and joint ventures	(152,585)	(162,644)
Gain on disposal of property, plant and equipment	(492,738)	(309,201)
(Reversal of) write-downs of shipping fuel	(133,789)	91,276
Impairment loss recognized on right-of-use assets	193,524	-
Impairment loss recognized on associates using equity method	14,839	-
Net (gain) loss on foreign currency exchange	(604,743)	261,130
Net loss on repurchase of bonds payable	-	466
(Gain) loss on changes in fair value of investment properties	(40,827)	19,540
Gain on right-of-use assets sublease	(57,732)	-
Gain on lease modification	(27)	-
Amortization of long-term prepayments for leases	-	31,572
Recognized (reversal) of provisions	1,079,417	(59,320)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	16,745	16,656
Contract assets	(45,392)	661,954
Notes receivable	2,742	448
Trade receivables	(1,781,924)	(2,599,552)
Trade receivables from related parties	102,527	14,071
Shipping fuel	454,449	(1,402,890)
Prepayments	145,527	44,441
Prepayments to shipping agents	(62,707)	281,617
Other current assets	(9,823)	(94,534)
Financial liabilities held for trading	(4,504)	-
Notes payable	(11,370)	(1,966)
Trade payables	(698,560)	716,641
Trade payables to related parties	(99,591)	23,437
Other payables	326,263	184,854
Contract liabilities	1,090	5,104
Other advance account	164,133	(129,674)
Other current liabilities	(5,131)	126,794
Net defined benefit liabilities	(58,628)	4,989
Cash generated from (used in) operations	15,500,027	(1,167,851)
Interest received	196,511	147,799
Dividends received	304,523	331,732

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	2019	2018
Interest paid	\$ (4,144,242)	\$ (1,872,869)
Income tax paid	<u>(663,244)</u>	<u>(536,100)</u>
Net cash generated from (used in) operating activities	<u>11,193,575</u>	<u>(3,097,289)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital reduction and withdrawal of shares of financial assets at FVTOCI	1,412	784
Purchase of financial assets at amortized cost	(506,106)	(505,164)
Proceeds from sale of financial assets at amortized cost	730,971	373,687
Acquisition of associates and joint ventures	-	(112,631)
Proceeds from capital reduction of associates	-	60,331
Payments for property, plant and equipment	(2,448,890)	(4,182,445)
Proceeds from disposal of property, plant and equipment	977,934	470,858
(Increase) decrease in refundable deposits	(1,031)	249,442
Payments for intangible assets	(77,895)	(27,695)
Acquisition of investment properties	-	(5,915)
Decrease in financial lease receivables	19,416	-
Increase in other financial assets	(7,876)	(9,912)
(Increase) decrease in other non-current assets	(7,276)	49,165
Increase in prepayments for equipment	<u>(161,331)</u>	<u>(755,743)</u>
Net cash used in investing activities	<u>(1,480,672)</u>	<u>(4,395,238)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from short-term borrowings	(135,343)	286,211
Proceeds from short-term bills payable	3,902,000	2,400,000
Repurchase of bonds payable	-	(149,200)
Proceeds from issuance of bonds payable	5,000,000	7,676,000
Repayments of bonds payable	(6,024,000)	(1,275,952)
Proceeds from long-term borrowings	32,585,640	29,353,066
Repayments of long-term borrowings	(35,062,922)	(25,424,533)
Payments for obligations under finance leases	-	(318,966)
Repayments of the principal portion of lease liabilities	(10,351,341)	-
Decrease in other financial liabilities	(278,689)	(247,704)
Increase in other non-current liabilities	45,799	60,617
Acquisition of subsidiaries (Note 32)	-	(11,914)
Net change in non-controlling interests	<u>(135,478)</u>	<u>(250,106)</u>
Net cash (used in) generated from financing activities	<u>(10,454,334)</u>	<u>12,097,519</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>519,020</u>	<u>(11,864)</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	2019	2018
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (222,411)	\$ 4,593,128
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>17,399,750</u>	<u>12,806,622</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,177,339</u>	<u>\$ 17,399,750</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2020)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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 GDRs listed on the London Stock Exchange were delisted on December 5, 2019.

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) are presented in YMTC’s functional currency, the New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by YMTC’s board of directors on March 26, 2020.

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 did not have any material impact on the Group’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

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

If the Group determines that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale of an asset, it is accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Prior to the application of IFRS 16, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

VI. Overview of the Company's Financial Status

The Group does 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 applies to the leaseback portion. In addition, for the leases previously accounted for as a finance lease under IAS 17, the Group continues to amortize any gains on sales over the lease term. For the leases previously accounted for as a sale and an operating lease under IAS 17, the Group adjusts the leaseback right-of-use assets for any deferred gains or losses recognized on January 1, 2019.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 4.029%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 104,541,233
Less: Recognition exemption for short-term leases	(2,129,301)
Less: Recognition exemption for leases of low-value assets	(23,334,542)
Less: Recognition of non-lease components of the contracts	(18,487,760)
Undiscounted amounts on January 1, 2019	\$ 60,589,630
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 53,305,621
Add: Finance lease liabilities on December 31, 2018	4,139,632
Lease liabilities recognized on January 1, 2019	\$ 57,445,253

The Group as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on 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	(3,167,902)	75,204,093
Right-of-use assets	-	55,386,761	55,386,761
Total effect on assets	\$ 79,570,998	\$ 51,713,870	\$ 131,284,868

(Continued)

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Finance lease payables - current (included in current portion of long-term liabilities)	\$ 305,302	\$ (305,302)	\$ -
Provisions - current	478,622	(476,726)	1,896
Other advance account	204,546	(119,680)	84,866
Lease liabilities - current	-	8,974,718	8,974,718
Finance lease payables - non-current	3,834,330	(3,834,330)	-
Provisions - non-current	297,007	(295,562)	1,445
Other advance account - non-current	765,068	(670,208)	94,860
Lease liabilities - non-current	<u>-</u>	<u>48,470,535</u>	<u>48,470,535</u>
Total effect on liabilities	<u>\$ 5,884,875</u>	<u>\$ 51,743,445</u>	<u>\$ 57,628,320</u>
Accumulated deficits	\$ (7,131,851)	\$ (29,138)	\$ (7,160,989)
Non-controlling interests	<u>466,736</u>	<u>(437)</u>	<u>466,299</u>
Total effect on equity	<u>\$ (6,665,115)</u>	<u>\$ (29,575)</u>	<u>\$ (6,694,690)</u> (Concluded)

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

- 1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e., the Group's share of the gain or loss is eliminated.

- 2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

VI. Overview of the Company's Financial Status

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 dates of acquisitions up to the effective dates 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 interests of the Group 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 13 and Tables F and G for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., 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 in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from 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 cases, 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 translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries, associates and joint venture in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences 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 which is neither a subsidiary nor an interest in a joint venture. A 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 the equity of associates and joint ventures 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 using 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 loss, if any. 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 is not allocated to any asset, including goodwill that, 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 are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Property, plant and equipment in the course of construction are measured 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.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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 and/or for capital appreciation. Investment properties include land held for a currently undetermined future use.

Freehold 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 corresponding 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 on 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 the Group 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 issuance 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

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 mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 35.

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, notes receivables 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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits and bills with repurchase agreement 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.

b) Impairment of financial assets and contract assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, finance lease 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.

For internal credit risk management purposes, the Group determines that when internal or external information show that the debtor is unlikely to pay its creditors, it is indicated that a financial asset is in default (without taking into account any collateral held by the Group).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay.

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 the Group 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 the Group are recognized at the proceeds received, net of direct issue costs.

The 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, issuance 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 liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss. Fair value is determined in the manner described in Note 35.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., 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 upon 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 premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

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 currency option, oil swap and oil swap option.

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of derivative financial instrument 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.

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. Hedge accounting

The Group designates certain hedging instruments, which include non-derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the related hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

n. 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.

o. Revenue recognition

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 container shipping services

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) 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.

p. Leasing

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At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

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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) Sale and lease back

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.

q. 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 that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

4) Termination benefits

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

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 on unappropriated earnings is provided for 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 recognized only 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 liabilities are settled or the assets are 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

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.

Key Sources of Estimation Uncertainty

a. Non-financial assets impairment

The Group's major operating assets are ships and containers, terminal construction and equipment, other intangible assets, right-of-use assets and prepayments for equipment. 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.

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. Revenue recognition

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 93,294	\$ 87,423
Checking accounts and demand deposits	13,444,141	12,265,827
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	3,499,001	5,046,500
Repurchase agreements collateralized by bonds	<u>140,903</u>	<u>-</u>
	<u>\$ 17,177,339</u>	<u>\$ 17,399,750</u>

The market rate intervals of time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2019	2018
Time deposits	0.60%-10.00%	0.60%-24.25%
Repurchase agreements collateralized by bonds	2.13%-2.20%	-

7. FINANCIAL INSTRUMENT AT FVTPL - CURRENT

	December 31	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	\$ 209,500	\$ 92,656
Mutual funds	<u>117,951</u>	<u>169,920</u>
	<u>\$ 327,451</u>	<u>\$ 262,576</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Oil swap and oil swap option	\$ -	\$ 20,573
Put option of bonds payable (Note 20)	<u>67,549</u>	<u>16,887</u>
	<u>\$ 67,549</u>	<u>\$ 37,460</u>

The Group's purpose for trading oil swap and oil swap option was to reduce the cost burden from oil price increase. The Group entered into oil swap and oil swap option contracts. The contracts were settled in US\$431 thousand and US\$0 thousand every month for the years ended December 31, 2019 and 2018, respectively. The terms of the derivatives mentioned above did not qualify as effective hedging instruments, thus hedge accounting was not applied.

VI. Overview of the Company's Financial Status

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

	December 31	
	2019	2018
<u>Domestic Investments in equity instruments</u>		
Listed shares and emerging market shares		
Ordinary shares - Taiwan Navigation Co., Ltd.	\$ 1,255,959	\$ 1,344,407
Unlisted shares		
Ordinary shares - Taipei Port Container Terminal Co., Ltd.	505,102	346,302
Ordinary shares - United Stevedoring Corp.	6,432	4,596
Ordinary shares - United Raw Material Solutions Inc.	1,136	1,647
Ordinary shares - Ascentek Venture Capital Corporation	<u>4,264</u>	<u>4,749</u>
	<u>\$ 1,772,893</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.

Dividends of \$93,106 thousand and \$50,487 thousand were recognized during 2019 and 2018, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Time deposits with original maturity of more than 3 months (a)	\$ 505,340	\$ 545,467
Deposits of stand-by letter of credit (Notes 25 and 37)	2,883,329	3,078,116
Restricted bank balance (Note 37)	301,288	281,736
Corporate bonds (b)	<u>20,000</u>	<u>-</u>
	<u>\$ 3,709,957</u>	<u>\$ 3,905,319</u>
Current	<u>\$ 685,687</u>	<u>\$ 651,187</u>
Non-current	<u>\$ 3,024,270</u>	<u>\$ 3,254,132</u>

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.00%-8.30% and 0.15%-24.25% per annum as of December 31, 2019 and 2018, respectively.

b. In June 2019, the Group purchased corporate bonds issued by Cathay Life Insurance Co., Ltd. at a par value of \$20,000 thousand with a coupon rate and an effective interest rate of both 3.00%.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2019	2018
<u>Notes receivable - operating</u>	<u>\$ 4,792</u>	<u>\$ 7,534</u>
<u>Trade receivables</u>		
At amortized cost		
Trade receivable - non-related parties	\$ 10,016,025	\$ 8,240,614
Trade receivable - related parties	145,741	248,268
Less: Allowance for impairment loss	<u>(50,419)</u>	<u>(37,076)</u>
	<u>\$ 10,111,347</u>	<u>\$ 8,451,806</u>

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 measures the loss allowance for notes receivable, trade receivable, and contract assets at an amount equals to lifetime ECLs. 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.

VI. Overview of the Company's Financial Status

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

December 31, 2019

	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	0.00%-0.50%	0.50%-1.59%	0.50%-5.09%	0.50%-10.09%	0.50%-20.09%	100%	
Gross carrying amount	\$ 9,891,290	\$ 167,922	\$ 72,561	\$ 15,904	\$ 8,538	\$ 10,343	\$ 10,166,558
Loss allowance (Lifetime ECLs)	<u>(35,438)</u>	<u>(2,382)</u>	<u>(1,740)</u>	<u>(277)</u>	<u>(239)</u>	<u>(10,343)</u>	<u>(50,419)</u>
Amortized cost	<u>\$ 9,855,852</u>	<u>\$ 165,540</u>	<u>\$ 70,821</u>	<u>\$ 15,627</u>	<u>\$ 8,299</u>	<u>\$ -</u>	<u>\$ 10,116,139</u>

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	0.00%-0.51%	0.50%-1.51%	0.50%-5.00%	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 ECLs)	<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:

	December 31	
	2019	2018
Balance at January 1	\$ 37,076	\$ 41,123
Add: Net remeasurement of loss allowance	21,315	10,541
Less: Amounts written off	(6,513)	(14,412)
Foreign exchange gains and losses	<u>(1,459)</u>	<u>(176)</u>
Balance at December 31	<u>\$ 50,419</u>	<u>\$ 37,076</u>

11. FINANCE LEASE RECEIVABLES

2019

	December 31, 2019
<u>Undiscounted lease payments</u>	
Year 1	\$ 22,011
Year 2	22,011
Year 3	22,011
Year 4	22,011
Year 5	22,011
Year 6 onwards	<u>88,041</u>
	198,096
Less: Unearned finance income	<u>(11,263)</u>
Net investment in leases presented as finance lease receivables	<u>\$ 186,833</u>
Current	<u>\$ 19,675</u>
Non-current	<u>\$ 167,158</u>

The Group has been subleasing its container yard located in Keelung with monthly fixed lease payments of \$1,834 thousand. As the Group subleases the container yard for all the remaining lease term of the main lease to the sublessee, the sublease contract is classified as a finance lease.

The interest rates inherent in leases are fixed at the contract dates for the entire term of the lease. The interest rate inherent in the finance lease was approximately 1.33% per annum as of December 31, 2019.

The Group measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. The respective leased equipment served as collateral for the finance lease receivables. As of December 31, 2019, no finance lease receivable was past due. The Group has not recognized a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

12. SHIPPING FUEL

	<u>December 31</u>	
	2019	2018
Shipping fuel	<u>\$ 3,790,096</u>	<u>\$ 4,082,616</u>

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2019 and 2018, was \$23,635,901 thousand and \$24,080,596 thousand, respectively.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2019 and 2018 included reversals of shipping fuel write-downs of \$133,789 thousand and shipping fuel write-downs \$91,276 thousand, respectively. Previous write-downs were reversed as a result of increased profit from marine operations.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			<u>December 31</u>		
			2019	2018	
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	98.88	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	

(Continued)

VI. Overview of the Company's Financial Status

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2019	2018	
"	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	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	Note m
"	Topline Transportation, Inc.	Container transportation	100.00	100.00	Note m
"	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	
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	100.00	Note c
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	100.00	Note d
"	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	Note e
"	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	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2019	2018	
"	Yang Ming Line (Thailand) Co., Ltd. (YML-Thailand)	Shipping agency, forwarding agency and shipping managers	49.00	49.00	
"	Yang Ming Line shipping (Thailand) Co., Ltd.	Shipping agency	49.00	49.00	Note f
"	Yang Ming Insurance Co., Ltd.	Insurance	100.00	-	Note g
"	PT Yang Ming Shipping Indonesia (PT Yang Ming Indonesia)	Shipping agency, forwarding agency and shipping managers	49.00	-	Note h
"	Huan Ming (Shanghai) International Shipping Agency Co., Ltd.	Shipping agency, forwarding agency and shipping managers	51.00	-	Note i
YML-Thailand	Yang Ming Line shipping (Thailand) Co., Ltd.	Shipping agency	50.00	50.00	Note f
Yang Ming Line shipping (Thailand) Co., Ltd.	YML-Thailand	Shipping agency, forwarding agency and shipping managers	49.00	49.00	Note j
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	
"	PT. YES Logistics Indonesia	Forwarding agency	51.00	51.00	Note k
Yes-USA	Yes Logistics (Shanghai) Corp. (Yes-Shanghai)	Forwarding agency	30.20	30.20	
"	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-ERO	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 Ltd.	Cargo consolidation service and forwarding agency	100.00	100.00	

(Concluded)

Note a: The Group's board of directors resolved in January 2019 to participate in the capital increase by cash of Kuang Ming, which is the Group's subsidiary, on March 8, 2019. The Group acquired 99,969 thousand shares in the total amount of \$999,694 thousand, with a par value of \$10. Its shareholding ratio rose from 98.52% to 98.88% after the acquisition.

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 to establish Yang Ming (MEDITERRANEAN) Marine Services Single-Member Limited Liability Company in December 2017 and have completed registration in March 2018.

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

Note e: The Group's board of directors resolved in January 2020 to liquidate Sunbright Insurance Co., Ltd.

Note f: The Group's board of directors resolved to establish Yang Ming Line shipping (Thailand) Co., Ltd. in September 2017 and have completed registration in February 2018.

VI. Overview of the Company's Financial Status

- Note g: The Group's board of directors resolved to establish Yang Ming Insurance Co., Ltd. in February 2019 and have completed registration in May 2019.
- Note h: The Group's board of directors resolved to establish PT Yang Ming Shipping Indonesia in November 2018 and have completed registration in March 2019.
- Note i: The Group's board of directors resolved to establish Huan Ming (Shanghai) International Shipping Agency Co., Ltd. in December 2018 and have completed registration in October 2019.
- Note j: The Group's board of directors resolved to invest YML-Thailand in February 2018 and have completed registration in April 2018.
- Note k: The Group's board of directors resolved to establish PT. YES Logistics Indonesia in February 2017 and have completed registration in January 2018.
- Note l: The Group's board of directors resolved to establish Yang Ming (France) SAS in August 2018 and have completed registration in January 2020.
- Note m: The Group's board of directors resolved in March 2020 to liquidate Triumph Logistics, Inc. and Toplevel Transportation, Inc.

Although YMTC directly or indirectly owns less than 50% of shares with voting rights of Yang Ming-Italy, Yang Ming Anatolia Shipping Agency S.A. and PT Yang Ming Shipping Indonesia, 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 years ended December 31, 2019 and 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) were unaudited. YMTC's management believes that the unaudited financial statements of these companies will not have material effect on the Group's consolidated financial statements.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investment in associates	\$ 7,593,891	\$ 7,647,957
Investments in joint ventures	<u>362,429</u>	<u>383,765</u>
	<u>\$ 7,956,320</u>	<u>\$ 8,031,722</u>

a. Investment in associates

	December 31	
	2019	2018
Associates that are not individually material		
Kao Ming Container Terminal Corp.	\$ 5,867,216	\$ 5,987,984
West Basin Container Terminal LLC	935,257	721,107
United Terminal Leasing LLC	282,126	277,182
Yunn Wang Investment Co., Ltd.	109,431	115,002
Sino Trans PFS Cold Chain Logistics Co., Ltd.	107,649	118,823
Taiwan Foundation International Pte. Ltd. (Note a)	103,312	103,975
Yang Ming (U.A.E.) LLC	49,809	52,340
Yang Ming Shipping (Egypt) S.A.E.	49,674	35,864
Shanghai United Cold Chain logistics Co., Ltd.	46,599	51,967
Yang Ming (Australia) Pty. Ltd.	27,145	33,060
PT. Formosa Sejati Logistics (Note b)	5,657	5,504
Corstor Ltd.	5,600	4,798
Yang Ming (Vietnam) Corp.	4,416	4,522
Formosa International Development Corporation	-	135,829
Transyang Shipping Pte. Ltd. (Note c)	-	-
	<u>\$ 7,593,891</u>	<u>\$ 7,647,957</u>

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

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.

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	
	2019	2018
The Group's share of:		
Net gain for the year	\$ 161,792	\$ 158,182
Other comprehensive income (loss)	<u>(6,324)</u>	<u>11,600</u>
Total comprehensive income for the year	<u>\$ 155,468</u>	<u>\$ 169,782</u>

At December 31, 2019, the carrying amounts of SinoTrans PFS Cold Chain Logistics Co., Ltd., the associate that is not individually material, is higher than the Level 3 fair value determined by using the discounted cash flow method at the discount rate of 13.5%. An impairment loss recognized for the year ended December 31, 2019 was \$14,839 thousand.

VI. Overview of the Company's Financial Status

Except for Sino Trans PFS Cold Chain Logistics Co., Ltd. and Shanghai United Cold Chain logistics Co., Ltd. in 2019 and Sino Trans PFS Cold Chain Logistics Co., Ltd., Shanghai United Cold Chain logistics Co., Ltd. and Taiwan Foundation International Pte. Ltd. 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. The management believes 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 which have not been audited.

b. Investments in joint ventures

	December 31	
	2019	2018
Joint ventures that are not individually material		
Chang Ming Logistics Company Limited	\$ 273,042	\$ 295,793
YES LIBERAL Logistics Corp.	69,643	68,505
LogiTrans Technology Private Limited	18,137	16,634
Yes And HQL Logistics Company (Note)	1,607	2,833
	\$ 362,429	\$ 383,765

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

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

Aggregate information of joint ventures that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Net gain (loss) for the year	\$ (9,207)	\$ 4,462
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	\$ (9,207)	\$ 4,462

The share of profit or loss of joint ventures and other comprehensive income (loss) of those investments for the years ended December 31, 2019 and 2018 was based on the joint ventures' financial statements audited by the auditors for the same years.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Company	\$ 64,764,040
Assets leased under operating leases	7,494,642
	\$ 72,258,682

a. Assets used by the Company - 2019

	Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Property under Construction	Total
Cost									
Balance at January 1, 2019	\$ 691,283	\$ 1,447,168	\$ 25,443,295	\$ 84,484,210	\$ 6,713,243	\$ 561,918	\$ 3,489,955	\$ -	\$ 122,831,072
Adjustments on initial application of IFRS 16	-	-	-	-	(6,713,243)	-	-	-	(6,713,243)
Balance at January 1, 2019 (restated)	691,283	1,447,168	25,443,295	84,484,210	-	561,918	3,489,955	-	116,117,829
Additions	6,252	99,311	4,953	597,617	-	5,777	124,033	1,832,528	2,670,471
Disposals	-	-	(2,364,425)	(97,621)	-	(1,306)	(235,772)	-	(2,699,124)
Transfers from assets leased under operating leases	-	-	-	4,814,435	-	-	-	-	4,814,435
Transfer to assets leased under operating leases	-	-	-	(2,289,741)	-	-	-	-	(2,289,741)
Reclassification	-	-	689,790	9,086	-	38	20,375	1,019,360	1,738,649
Effects of foreign currency exchange differences	(204)	(16,644)	(45)	(128,762)	-	(336)	(14,407)	-	(160,398)
Balance at December 31, 2019	<u>\$ 697,331</u>	<u>\$ 1,529,835</u>	<u>\$ 23,773,568</u>	<u>\$ 87,389,224</u>	<u>\$ -</u>	<u>\$ 566,091</u>	<u>\$ 3,384,184</u>	<u>\$ 2,851,888</u>	<u>\$ 120,192,121</u>
Accumulated depreciation and impairment									
Balance at January 1, 2019	\$ -	\$ 521,543	\$ 13,142,074	\$ 34,151,744	\$ 3,545,341	\$ 465,874	\$ 2,965,900	\$ -	\$ 54,792,476
Adjustments on initial application of IFRS 16	-	-	-	-	(3,545,341)	-	-	-	(3,545,341)
Balance at January 1, 2019 (restated)	-	521,543	13,142,074	34,151,744	-	465,874	2,965,900	-	51,247,135
Disposals	-	-	(2,096,431)	(97,621)	-	(1,060)	(233,020)	-	(2,428,132)
Depreciation expenses	-	30,453	1,504,479	3,909,211	-	21,897	133,559	-	5,599,599
Transfers from assets leased under operating leases	-	-	-	1,595,914	-	-	-	-	1,595,914
Transfers to assets leased under operating leases	-	-	-	(1,162,506)	-	-	-	-	(1,162,506)
Reclassification	-	-	689,790	-	-	(31)	31	-	689,790
Effects of foreign currency exchange differences	-	(4,760)	-	(96,234)	-	(580)	(12,145)	-	(113,719)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 547,236</u>	<u>\$ 13,239,912</u>	<u>\$ 38,300,508</u>	<u>\$ -</u>	<u>\$ 486,100</u>	<u>\$ 2,854,325</u>	<u>\$ -</u>	<u>\$ 55,428,081</u>
Carrying amounts at December 31, 2019	<u>\$ 697,331</u>	<u>\$ 982,599</u>	<u>\$ 10,533,656</u>	<u>\$ 49,088,716</u>	<u>\$ -</u>	<u>\$ 79,991</u>	<u>\$ 529,859</u>	<u>\$ 2,851,888</u>	<u>\$ 64,764,040</u>

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

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

The dry dock is a significant component of ships.

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 37.

b. Assets leased under operating leases - 2019

	Ship	Miscellaneous Equipment	Total
Cost			
Balance at January 1, 2019	\$ 13,578,421	\$ 7,445	\$ 13,585,866
Adjustments on initial application of IFRS 16	-	-	-
Balance at January 1, 2019 (restated)	13,578,421	7,445	13,585,866
Additions	117,467	-	117,467
Disposals	(626,559)	-	(626,559)
Transfers from assets used by the Group	2,289,741	-	2,289,741
Transfers to assets used by the Group	(4,814,435)	-	(4,814,435)
Effects of foreign currency exchange differences	(153,488)	-	(153,488)
Balance at December 31, 2019	<u>\$ 10,391,147</u>	<u>\$ 7,445</u>	<u>\$ 10,398,592</u>

(Continued)

VI. Overview of the Company's Financial Status

	Ship	Miscellaneous Equipment	Total
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ 3,245,022	\$ 7,445	\$ 3,252,467
Adjustments on initial application of IFRS 16	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2019 (restated)	3,245,022	7,445	3,252,467
Disposals	(425,448)	-	(425,448)
Transfers from assets used by the Group	1,162,506	-	1,162,506
Transfers to assets used by the Group	(1,595,914)	-	(1,595,914)
Depreciation expenses	566,502	-	566,502
Effects of foreign currency exchange differences	<u>(56,163)</u>	<u>-</u>	<u>(56,163)</u>
Balance at December 31, 2019	<u>\$ 2,896,505</u>	<u>\$ 7,445</u>	<u>\$ 2,903,950</u>
Carrying amounts at December 31, 2019	<u>\$ 7,494,642</u>	<u>\$ -</u>	<u>\$ 7,494,642</u> (Concluded)

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2019
Year 1	\$ 552,215
Year 2	5,479
Year 3	-
Year 4 onwards	<u>-</u>
	<u>\$ 557,694</u>

At the end of the lease terms of ships under operating leases, the Group assessed the demand of voyage line deployment to determine whether they should be reclassified to freehold or should be adjusted based on the market rent to continue leasing. At the end of the lease terms of equipment under operating leases, the Group adjusts the rent by market rent and continues leasing to reduce the risk of the residual assets of the lease assets.

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Ships	20-25 years
Dry dock	2.5-5 years
Miscellaneous equipment	3-18 years

The dry dock is a significant component of ships.

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 37.

c. 2018

	Freehold Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Property under Construction	Total
Cost									
Balance at January 1, 2018	\$ 691,157	\$ 1,437,787	\$ 23,727,051	\$ 96,795,540	\$ 6,525,009	\$ 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	-	-	(1,023,390)	(252,796)	-	(17,333)	(167,951)	-	(1,461,470)
Reclassification	-	-	-	379,696	-	10,030	4,744	(867,249)	(472,779)
Effect of foreign currency exchange differences	126	9,062	(168)	385,868	188,234	773	935	-	584,830
Balance at December 31, 2018	<u>\$ 691,283</u>	<u>\$ 1,447,168</u>	<u>\$ 25,443,295</u>	<u>\$ 98,062,631</u>	<u>\$ 6,713,243</u>	<u>\$ 561,918</u>	<u>\$ 3,497,400</u>	<u>\$ -</u>	<u>\$ 136,416,938</u>
Accumulated depreciation and impairment									
Balance at January 1, 2018	\$ -	\$ 485,309	\$ 12,621,732	\$ 33,073,103	\$ 3,056,488	\$ 433,444	\$ 2,954,297	\$ -	\$ 52,624,373
Disposals	-	-	(920,527)	(252,796)	-	(16,923)	(142,494)	-	(1,332,740)
Depreciation expenses	-	31,152	1,440,869	4,386,864	403,552	48,934	160,512	-	6,471,883
Effect of foreign currency exchange differences	-	5,082	-	189,595	85,301	419	1,030	-	281,427
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 521,543</u>	<u>\$ 13,142,074</u>	<u>\$ 37,396,766</u>	<u>\$ 3,545,341</u>	<u>\$ 465,874</u>	<u>\$ 2,973,345</u>	<u>\$ -</u>	<u>\$ 58,044,943</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>\$ 3,167,902</u>	<u>\$ 96,044</u>	<u>\$ 524,055</u>	<u>\$ -</u>	<u>\$ 78,371,995</u>

Operating leases relate to leases of freehold property, plant and equipment with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating leases are as follows:

	December 31, 2018
Not later than 1 year	\$ 1,792,379
Later than 1 year and not later than 5 years	12,897
Later than 5 years	<u>-</u>
	<u>\$ 1,805,276</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life as follows:

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.

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

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 2,032
Buildings	1,960,719
Container and chassis	446,288
Ships	54,925,410
Miscellaneous equipment	<u>42,320</u>
	<u>\$ 57,376,769</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 13,135,698</u>
Depreciation charge for right-of-use assets	
Land	\$ 4,064
Buildings	456,746
Container and chassis	240,805
Ships	9,918,382
Miscellaneous equipment	<u>32,820</u>
	<u>\$ 10,652,817</u>
Income from the subleasing of right-of-use assets (presented in operating revenue)	<u>\$ 1,269,577</u>

As a result of the continued decline in Baltic Dry Index (BDI), the Group expected the future cash flows from right-of-use assets of bulk shipping department to decrease. Therefore, the recoverable amount will be lower than the carrying amount. The review led to the recognition of an impairment loss of \$193,524 thousand, which was recognized in operating costs for the year ended December 31, 2019. The Group determined the recoverable amounts of the relevant right-of-use assets on the basis of their value in use. The range of discount rate used in measuring the value in use was 5.71%-6.66% per annum.

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	<u>\$ 2,894,785</u>
Non-current	<u>\$ 7,343,146</u>
Lease liabilities designated as hedging (included in financial liabilities for hedging)	
Current	<u>\$ 7,002,378</u>
Non-current	<u>\$ 41,888,032</u>

Financial liabilities designated as hedging

The Group designated certain USD-denominated lease liabilities as hedging instruments to hedge future volatility of USD-denominated operating revenue, and the accounting treatment is applicable to cash flow hedges. The information on the contracts is summarized as follow:

	Maturity Period	Account	Carrying Amount
December 31, 2019	2019/01/01-2029/03/31	Financial liabilities for hedging	\$ 48,890,410

Impact on comprehensive income:

	Recognized in Other Comprehensive Income	Amount Reclassified to Profit or Loss
For the year ended December 31, 2019	<u>\$ 1,171,856</u>	<u>\$ 46,666</u>

There was no other source of hedge ineffectiveness during hedging period.

The range of discount rate for lease liabilities (including USD-denominated lease contracts designated as hedge instruments) was as follows:

	December 31, 2019
Land	1.14%
Buildings	0.95%-10.00%
Container and chassis	3.00%-3.87%
Ships	3.60%-7.24%
Miscellaneous equipment	1.00%-13.00%

c. Material lease-in activities and terms

Many of the ship leases across the Group contain extension options. These terms are used to maximize operational flexibility in terms of managing contracts. When the rents are lower than the market price of lease market, the Group will extent the lease term. These terms are not reflected in measuring lease liabilities in many cases because the options are not reasonably certain to be exercised. The table below summarizes potential future rental payments relating to periods following the exercise dates of extension options.

	Lease Liabilities Recognized (Discounted)	Potential Future Lease Payments Not Included in Lease Liabilities (Discounted)	Historical Rate of Exercise of Extension Options
Containership Department			
<u>December 31, 2019</u>			
Ships	<u>\$ 41,544,188</u>	<u>\$ 11,401,944</u>	0%

The Group signed a leaseback contract of YM Uberty in August 2008. After evaluation in 2019, the ship's repurchase option price in the contract was higher than market price. The Group had sent ship returning notification to the ship owner. However, according to the lease contract, if the Group does not exercise the repurchase option, according to the Group's evaluation, it could bear the risk of compensation responsibility of approximately \$1,077,322 thousand in the range of ship owner's creditor bank unsettle principal and interest after the term expires. The Group has recognized probable maximum loss in 2019 according to conservative accounting standard.

The Group signed a leaseback contract of YM Utopia in December 2009. After evaluation in 2019, the ship's repurchase option price in the contract was higher than market price and the Group had returned the ship to the ship owner in February 2020. However, the ship owner doesn't have enough capital to settle the creditor bank's loan and may not have the ability to return the Group's refundable deposits of \$310,866 thousand. The Group cannot reasonably estimate the recoverable amount of refundable deposits. Hence, it recognized expected credit loss of refundable deposits of \$310,866 thousand in 2019 according to conservative accounting standard.

d. Subleases

In addition to the sublease transactions described in Note 11, the other sublease transactions are set out below.

Sublease of right-of-use assets - 2019

The Group subleases its right-of-use assets for property, plant and equipment under operating leases with lease terms between 1 to 2 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The leases do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

In addition to fixed lease payments, the lease contracts also indicate that the leases should make variable payments which shall be determined daily at 104%-120% of Baltic Dry Index average daily rent.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	December 31, 2019
Year 1	\$ 490,167
Year 2 onwards	-
	<u>\$ 490,167</u>

e. Other lease information

Lease arrangements under operating leases for the leasing out of freehold property, plant and equipment and investment properties are set out in Notes 15 and 17. Lease arrangements for the leasing out of assets under finance leases are set out in Note 11.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 3,535,220</u>
Expenses relating to low-value asset leases	<u>\$ 4,997,507</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 3,836</u>
Expenses relating to service cost payments not included in the measurement of lease liabilities	<u>\$ 3,366,389</u>
Total cash outflow for leases	<u>\$ (24,711,729)</u>

The Group has elected to apply the recognition exemption of short-term leases and low-value asset leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. The amount of lease commitments for short-term leases for which the recognition exemption is applied was \$18,816,688 thousand as of December 31, 2019.

The amount of lease commitments for future service cost which was recognized as non-lease components of contracts was \$19,861,218 thousand as of December 31, 2019.

2018

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

	December 31, 2018
Not later than 1 year	\$ 19,573,371
Later than 1 year and not later than 5 years	59,562,086
Later than 5 years	<u>25,405,776</u>
	<u>\$ 104,541,233</u>

The liabilities from non-cancellable operating leases are set out in Note 24.

17. INVESTMENT PROPERTIES

	Completed Investment Property
Balance at January 1, 2018	\$ 6,286,118
Additions	5,915
Loss on change in fair value of investment properties	<u>(19,540)</u>
Balance at December 31, 2018	6,272,493
Additions	-
Gain on change in fair value of investment properties	<u>40,827</u>
Balance at December 31, 2019	<u>\$ 6,313,320</u>

VI. Overview of the Company's Financial Status

The investment properties are leased out for 0.17 to 5.17 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 maturity analysis of lease payments receivable under operating lease of investment properties at December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 65,904
Year 2	30,839
Year 3	11,411
Year 4	2,983
Year 5	654
Year 6 onwards	<u> -</u>
	<u>\$ 111,791</u>

The future minimum lease payments of non-cancellable operating lease commitments at December 31, 2018 is as follows:

	December 31, 2018
Not later than 1 year	\$ 69,603
Later than 1 year and not later than 5 years	81,990
Later than 5 years	<u> -</u>
	<u>\$ 151,593</u>

The lease contract includes lessee's use limitation, guarantee deposit, punishment of breaching contracts, and responsibilities of maintenance, and the Group follows its general risk management strategy to reduce the residual asset risk related to investment properties at the end of the relevant lease.

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

	December 31	
	2019	2018
Independent valuation	\$ 6,305,794	\$ 6,264,815
Valuation by the Group	<u> 7,526</u>	<u> 7,678</u>
	<u>\$ 6,313,320</u>	<u>\$ 6,272,493</u>

As of December 31, 2019 and 2018, the fair values were based on the valuations carried out on January 8, 2020 and January 7, 2019, 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 value of the other investment properties was 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 January 1, 2018	\$ 325,082	\$ 5,369,907	\$ 591,129	\$ 6,286,118
Recognized in profit or loss (gain (loss) arising from the change in fair value of investment property)	(3,653)	(17,959)	2,072	(19,540)
Purchases	<u>5,153</u>	<u>762</u>	<u>-</u>	<u>5,915</u>
Balance at December 31, 2018	326,582	5,352,710	593,201	6,272,493
Recognized in profit or loss (gain arising from the change in fair value of investment property)	3,658	31,458	5,711	40,827
Purchases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 330,240</u>	<u>\$ 5,384,168</u>	<u>\$ 598,912</u>	<u>\$ 6,313,320</u>
Unrealized gain (loss) arising from the change in fair value of investment properties for the year ended December 31				
2019	<u>\$ 3,658</u>	<u>\$ 31,458</u>	<u>\$ 5,711</u>	<u>\$ 40,827</u>
2018	<u>\$ (3,653)</u>	<u>\$ (17,959)</u>	<u>\$ 2,072</u>	<u>\$ (19,540)</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>	
	2019	2018
Expected future cash inflows	\$ 5,065,023	\$ 5,172,232
Expected future cash outflows	<u>(397,559)</u>	<u>(419,572)</u>
Expected future cash inflows, net	<u>\$ 4,667,464</u>	<u>\$ 4,752,660</u>
Discount rate	3.845%-4.31%	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 2019 and 2018. The market rentals for comparable properties were between \$0.4 thousand and \$2.5 thousand per ping (35.59 square feet) in 2019 and between \$0.4 thousand and \$3.1 thousand per ping (35.59 square feet) in 2018.

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.

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%-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	
	2019	2018
Estimated total sale price	<u>\$ 7,480,431</u>	<u>\$ 5,981,809</u>
Rate of return	14%-20%	14%-20%
Overall capital interest rate	1.50%-4.78%	1.54%-4.22%

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

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

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

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

18. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2019	2018
Current asset (included in prepayments)	\$ 40,775	\$ 181,261
Non-current asset (Note 36)	-	473,417
	<u>\$ 40,775</u>	<u>\$ 654,678</u>

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

- b. The Group entered into agreements to lease ships and offices with other company. As of December 31, 2019 and 2018, prepayments for lease were \$40,775 thousand and \$149,689 thousand, respectively. The balance of December 31, 2019 came from contracts of recognition exemption of short-term leases and low-value asset lease.

19. BORROWINGS

- a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 3,006,676	\$ 2,955,080
Loans from related parties (Note 36)	1,214,880	1,689,320
Other borrowings	<u>399,478</u>	<u>111,977</u>
	<u>\$ 4,621,034</u>	<u>\$ 4,756,377</u>

- 1) The range of weighted average effective interest rate on credit borrowings was 1.70%-4.00% and 1.40%-4.81% per annum as of December 31, 2019 and 2018, respectively.
 - 2) Loans from related parties of the Group were the amounts repayable to government-related entities. Interest rate was 1.20%-3.24% and 1.30%-3.89% per annum as of December 31, 2019 and 2018, respectively.
 - 3) Other borrowings of the Group were the unsecured borrowings from non-bank financial institutions. Interest rate was 2.06%-4.00% and 2.06% per annum as of December 31, 2019 and 2018, respectively.
- b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	\$ 11,330,000	\$ 7,328,000
Less: Unamortized discount on bills payable	<u>33,444</u>	<u>15,351</u>
	<u>11,296,556</u>	<u>7,312,649</u>
Loans from related parties (Note 36)	2,200,000	2,300,000
Less: Unamortized discount on bills payable	<u>10,716</u>	<u>10,670</u>
	<u>2,189,284</u>	<u>2,289,330</u>
	<u>\$ 13,485,840</u>	<u>\$ 9,601,979</u>

Interest rate of the outstanding short-term bills payable was 1.04%-2.24% and 1.08%-1.90% per annum as of December 31, 2019 and 2018, respectively. Interest rate of the outstanding related parties' short-term bills payable was 1.16%-2.00% and 1.15%-1.23% per annum as of December 31, 2019 and 2018, respectively.

VI. Overview of the Company's Financial Status

c. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings (Note 37)		
Secured bank loans	\$ 3,970,886	\$ 5,522,339
Loans from related parties (Note 36)	15,303,966	19,736,539
Others borrowings	<u>869,896</u>	<u>997,895</u>
	<u>20,144,748</u>	<u>26,256,773</u>
Unsecured borrowings		
Line of credit borrowings	6,654,411	10,882,433
Loans from related parties (Note 36)	6,469,496	6,586,144
Others borrowings	<u>-</u>	<u>59,942</u>
	<u>13,123,907</u>	<u>17,528,519</u>
Long-term bills payable		
Commercial paper	17,700,000	10,300,000
Less: Unamortized discount on bills payable	<u>24,440</u>	<u>12,766</u>
	<u>17,675,560</u>	<u>10,287,234</u>
Loans from related parties (Note 36)	1,500,000	1,000,000
Less: Unamortized discount on bills payable	<u>1,810</u>	<u>1,536</u>
	<u>1,498,190</u>	<u>998,464</u>
	52,442,405	55,070,990
Less: Current portion	<u>8,332,885</u>	<u>8,141,782</u>
Long-term borrowings	<u>\$ 44,109,520</u>	<u>\$ 46,929,208</u>

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

	December 31	
	2019	2018
<u>NT\$</u>		
Amount	\$ 26,713,106	\$ 45,968,070
Interest rate	1.28%-4.00%	1.25%-4.00%
Contract term	2012/06/18- 2031/05/15	2010/12/03- 2026/04/24

	December 31	
	2019	2018
<u>US\$</u>		
Foreign currency amount	\$ 217,668	\$ 296,319
New Taiwan dollar amount	6,526,471	9,102,920
Interest rate	2.75%-4.86%	3.09%-4.65%
Contract term	2011/04/19- 2028/02/09	2011/04/19- 2028/02/09

	December 31	
	2019	2018
<u>MYR</u>		
Foreign currency amount	\$ 3,970	\$ -
New Taiwan dollar amount	29,078	-
Interest rate	4.50%	-
Contract term	2019/08/26-	-
	2034/04/01	

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 1.45%-4.34% and 1.44%-4.65% on December 31, 2019 and 2018, respectively. The Group's ships, investment properties, and containers are pledged as collaterals for the secured loans.

2) Loans from related parties

The Group's loans from related parties are borrowings repaid in New Taiwan dollars and U.S. dollars from government-related entities. Interest rates were 1.33%-3.61% and 1.32%-4.45% on December 31, 2019 and 2018, 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, 2019 and 2018. 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, U.S. dollars and MYR dollars in one-lump sum payment at maturity and repaid in installments every month. The loans are expected to be fully repaid before April 18, 2022. Interest rates were 1.28%-4.86% and 1.39%-4.49% on December 31, 2019 and 2018, 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 May 15, 2031. Interest rates were 1.30%-3.23% and 1.37%-3.23% on December 31, 2019 and 2018, respectively.

3) Other borrowings

Other borrowings were unsecured loans from a finance company. Interest rates were 2.92% on December 31, 2018. The loans had been fully repaid on March 11, 2019.

Commercial paper

YMTC signed 3-5 years underwriting contracts for the issuance of commercial paper with a bill finance institution. 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 March 2024. 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, 2019 and 2018, YMTC had met the above requirements.

1) Line of credit borrowings

The Group's commercial paper will be repaid in the New Taiwan dollars before December 19, 2022. Interest rates were 1.52%-1.62% and 1.21%-1.58% on December 31, 2019 and 2018, respectively.

2) Loans from related parties

The Group's commercial paper from related parties are borrowings repaid in the New Taiwan dollars from government-related entities. The loan are expected to be fully repaid before March 14, 2024. Interest rates were 1.51%-1.57% and 1.50% on December 31, 2019 and 2018, respectively.

20. BONDS PAYABLE

	December 31	
	2019	2018
Domestic privately placed secured mandatory convertible bonds	\$ -	\$ 170,025
Domestic privately placed unsecured bonds	-	3,850,000
Secured domestic bonds	6,931,207	3,974,454
Unsecured domestic bonds	3,900,000	3,900,000
Domestic unsecured convertible bonds	-	-
Domestic secured convertible bonds	<u>7,266,609</u>	<u>7,276,968</u>
	18,097,816	19,171,447
Less: Current portion	<u>5,887,360</u>	<u>6,007,252</u>
	<u>\$ 12,210,456</u>	<u>\$ 13,164,195</u>

a. Domestic privately placed secured mandatory convertible bonds

YMTC issued seven-year domestic privately placed secured mandatory convertible bonds with an aggregate par 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. As of June 27, 2019, the Company's bonds in the amount of \$5,800,000 thousand have been fully converted into 278,311 thousand ordinary shares before maturity date, and \$4,413,702 thousand of capital surplus - share warrants had been transferred to \$1,630,593 thousand of capital surplus - issuance of ordinary shares and \$2,783,109 thousand of share capital - ordinary shares.

Movements of the convertible bonds' liability and equity component for the years ended December 31, 2019 and 2018 were as follows:

	Liability Component	Equity Component
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>
January 1, 2019	\$ 170,025	\$ 4,413,702
Interest charged using effective interest rate method	3,975	-
Bonds payable converted into common shares	-	(4,413,702)
Interest paid	<u>(174,000)</u>	<u>-</u>
December 31, 2019	<u>\$ -</u>	<u>\$ -</u>

The bond is guaranteed by banks (including government-related 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, 2019 and 2018, unamortized cost of issuance was recognized as other financial liabilities (Note 25).

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, YMTC had received waivers to the above 1) to 4).

b. Domestic privately placed unsecured bonds

YMTC issued the third privately placed unsecured bonds with an aggregate par value of \$3,850,000 thousand on July 8, 2014 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. The bond had been 100% repaid as of July 8, 2019.

c. Secured domestic bonds

YMTC issued the five-year domestic secured bonds with an aggregate par 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 par value: \$2,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.
	Type B - aggregate par value: \$1,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.
	Type C - aggregate par value: \$500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.
	Type D - aggregate par value: \$500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.

YMTC issued the five-year domestic secured bonds with an aggregate par value of \$5,000,000 thousand on November 28, 2019 (the November 2019 Bonds).

The bond features and terms are as follows:

Bonds issued in November 2019:	Type A - aggregate par value: \$1,000,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type B - aggregate par value: \$1,500,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type C - aggregate par value: \$1,000,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type D - aggregate par value: \$1,000,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type E - aggregate par value: \$500,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.

The bonds are guaranteed by banks (\$3,000,000 thousand and \$5,000,000 thousand, respectively are guaranteed by government-related banks).

d. Domestic unsecured bonds

On various dates, YMTC issued domestic unsecured bonds; the dates and the aggregate par 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 par 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 par 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 par value of \$4,600,000 thousand and the issuance price was 100.2% of par value. Bond settlement is as follows:

- 1) Lump-sum payment to the holders upon maturity at the par 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 par 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. Due to June 27, 2018, there were \$2,642,900 thousand of maturity bonds converted into 185,727 thousand common shares of YMTC.

The bondholders could request YMTC to repurchase the convertible bonds at the par value before 40 days of the issuance for 3 years. Due to June 27, 2018 the repurchase amount of maturity bonds were \$1,807,900 thousand and the loss of bonds redemption were \$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.

VI. Overview of the Company's Financial Status

When outstanding carrying amounts were lower than 10% of original par value, the Company can redeem outstanding bonds at par value at any time. The Company redeemed the bonds at March 21, 2018 at \$149,200 thousand. The difference between the redeemed price and liability components were recognized as redeemed loss of \$466 thousand. The redeemed bond contained liability component and equity component. The equity component was transferred from capital surplus - share warrants to capital surplus - treasury share transactions of \$11,437 thousand.

Movements of the convertible bonds' liability and equity components for the years ended December 31, 2019 and 2018 were as follows:

	Liability Component		Equity Component
	Bond	Financial Liability	Option
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	<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 par value of \$7,600,000 thousand, and the issuance price was 101% of the par value. Bond settlement is as follows:

- 1) Lump-sum payment to the holders upon maturity at the par 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 par 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 - share warrants of \$308,765 thousand. The bondholders could request YMTC to repurchase bonds at par value before 30 days of the issuance for 3 years.

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

	Liability Component		Equity Component
	Bond	Financial Liability	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 loss	<u>-</u>	<u>1,535</u>	<u>-</u>
December 31, 2018	<u>\$ 7,276,968</u>	<u>\$ 16,887</u>	<u>\$ 308,765</u>
January 1, 2019	\$ 7,276,968	\$ 16,887	\$ 308,765
Interest charged using effective interest rate method	48,999	-	-
Interest paid	(59,358)	-	-
Valuation loss	<u>-</u>	<u>50,662</u>	<u>-</u>
December 31, 2019	<u>\$ 7,266,609</u>	<u>\$ 67,549</u>	<u>\$ 308,765</u>

The bond is guaranteed by banks (\$7,100,000 thousand is guaranteed by government-related banks).

21. TRADE PAYABLES

	December 31	
	2019	2018
<u>Trade payables - operating</u>		
Trade payables - non-related parties	\$ 12,266,509	\$ 12,965,069
Trade payables - related parties	<u>471,425</u>	<u>571,016</u>
	<u>\$ 12,737,934</u>	<u>\$ 13,536,085</u>
Payable for cost of voyage in sailing	\$ 8,224,180	\$ 9,026,934
Payable for fuel	3,128,246	3,492,665
Payable for space hire	713,485	369,345
Payable for freight expenses	535,208	513,521
Payable for stevedoring expenses	114,922	112,411
Payable for management expenses	<u>21,893</u>	<u>21,209</u>
	<u>\$ 12,737,934</u>	<u>\$ 13,536,085</u>

22. FINANCE LEASE PAYABLES - 2018

	December 31, 2018
<u>Minimum lease payments</u>	
Not later than 1 year	\$ 594,764
Later than 1 year and not later than 5 years	2,379,055
Later than 5 years	<u>2,800,346</u>
	5,774,165
Less: Future finance charges	<u>1,634,533</u>
Present value of minimum lease payments	<u>\$ 4,139,632</u>
<u>Present value of minimum lease payments</u>	
Not later than 1 year	\$ 305,302
Later than 1 year and not later than 5 years	1,467,259
Later than 5 years	<u>2,367,071</u>
	<u>\$ 4,139,632</u>
Current (included in current portion of long-term liabilities)	\$ 305,302
Non-current	<u>3,834,330</u>
	<u>\$ 4,139,632</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% for the years ended December 31, 2018.

23. OTHER PAYABLES

	December 31	
	2019	2018
Payable for container lease	\$ 1,024,525	\$ 1,096,327
Payable for salary and bonus	315,117	315,154
Payable for interest expenses	126,436	221,572
Payable for equipment M&R expenses	214,118	116,416
Payable for annual leave	205,222	217,283
Payable for vessel charter hire	169,865	111,136
Payable for equipment	339,102	54
Others	<u>1,495,756</u>	<u>1,218,159</u>
	<u>\$ 3,890,141</u>	<u>\$ 3,296,101</u>

24. PROVISIONS

	December 31	
	2019	2018
Restoration cost for leased assets (a)	\$ 1,444	\$ 1,445
Onerous leases (b)	-	774,184
Others (c)	<u>1,032,332</u>	<u>-</u>
	<u>\$ 1,033,776</u>	<u>\$ 775,629</u>
Current	\$ 1,032,332	\$ 478,622
Non-current	<u>1,444</u>	<u>297,007</u>
	<u>\$ 1,033,776</u>	<u>\$ 775,629</u>

	Restoration Cost for Leased Assets	Onerous Leases	Others	Total
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>-</u>	<u>18,675</u>
Balance at December 31, 2018	<u>\$ 1,445</u>	<u>\$ 774,184</u>	<u>\$ -</u>	<u>\$ 775,629</u>
Balance at January 1, 2019	\$ 1,445	\$ 774,184	\$ -	\$ 775,629
Adjustments on initial application of IFRS 16	<u>-</u>	<u>(772,288)</u>	<u>-</u>	<u>(772,288)</u>
Balance at January 1, 2019 (restated)	1,445	1,896	-	3,341
Additional provisions recognized (reversing the balances)	12	(1,896)	1,081,301	1,079,417
Effect of foreign currency exchange differences	<u>(13)</u>	<u>-</u>	<u>(48,969)</u>	<u>(48,982)</u>
Balance at December 31, 2019	<u>\$ 1,444</u>	<u>\$ -</u>	<u>\$ 1,032,332</u>	<u>\$ 1,033,776</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.
- c. Other provisions are mainly the risk of compensation responsibility in the range of ship owner's creditor bank unsettle principle and interest after the term expired if the Group didn't exercise the repurchase option. Refer to Note 16 for additional information.

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Cost of issuance of bonds (Note 20,a)	\$ -	\$ 13,896
Others	<u>2,736,515</u>	<u>2,944,946</u>
	<u>\$ 2,736,515</u>	<u>\$ 2,958,842</u>
Current (included in current portion of long-term liabilities)	\$ 282,476	\$ 261,349
Non-current	<u>2,454,039</u>	<u>2,697,493</u>
	<u>\$ 2,736,515</u>	<u>\$ 2,958,842</u>

YML-BVI leased ships under 25-year capital lease agreements in 2000 and 2001, which were recognized as property, plant and equipment to evaluate the substance of transactions involving the legal form of the lease. 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. The balance was \$2,883,329 thousand and \$3,078,116 thousand as of December 31, 2019 and 2018, respectively.

Payments of each periods are included in other financial liabilities. Future payments of each period are as follow:

	December 31	
	2019	2018
Current (included in current portion of long-term liabilities)	\$ 282,476	\$ 247,453
Non-current	<u>2,454,039</u>	<u>2,697,493</u>
	<u>\$ 2,736,515</u>	<u>\$ 2,944,946</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 2019 and 2018 are included in the following account.

	For the Year Ended December 31	
	2019	2018
Non-operating income and expenses		
Other income	<u>\$ 26,611</u>	<u>\$ 21,524</u>
Finance costs	<u>\$ (19,187)</u>	<u>\$ (19,308)</u>

26. 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\$5.89 per working hour. In addition to the US\$5.89 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 from 2009. As of December 31, 2019, there was no accrued pension liabilities remained. As of December 31, 2018, the balance of the accrued expense was \$5,933 thousand.

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.

VI. Overview of the Company's Financial Status

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	
	2019	2018
Present value of defined benefit obligation	\$ 3,328,129	\$ 3,399,747
Fair value of plan assets	<u>(824,458)</u>	<u>(848,128)</u>
Net defined benefit liability	<u>\$ 2,503,671</u>	<u>\$ 2,551,619</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	<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>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Service cost			
Current service cost	\$ 97,436	\$ -	\$ 97,436
Past service cost	2,729	-	2,729
Net interest expense (income)	<u>41,654</u>	<u>(10,465)</u>	<u>31,189</u>
Recognized in profit or loss	<u>141,819</u>	<u>(10,465)</u>	<u>131,354</u>
Remeasurement			
Return on plan assets	-	(28,446)	(28,446)
Actuarial loss (gain)			
Changes in demographic assumptions	(4,149)	-	(4,149)
Changes in financial assumptions	112,909	-	112,909
Experience adjustments	<u>(75,567)</u>	<u>-</u>	<u>(75,567)</u>
Recognized in other comprehensive income	<u>33,193</u>	<u>(28,446)</u>	<u>4,747</u>
Contributions from the employer	(68,720)	(20,259)	(88,979)
Benefits paid	(185,541)	82,840	(102,701)
Exchange differences on foreign plans	<u>7,631</u>	<u>-</u>	<u>7,631</u>
Balance at December 31, 2019	<u>\$ 3,328,129</u>	<u>\$ (824,458)</u>	<u>\$ 2,503,671</u> (Concluded)

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	
	2019	2018
Current service cost	\$ 97,436	\$ 104,657
Past service cost	2,729	(14)
Net interest expense	<u>31,189</u>	<u>28,901</u>
	<u>\$ 131,354</u>	<u>\$ 133,544</u>
An analysis by function		
Operating costs	\$ 72,578	\$ 72,520
Selling and marketing expenses	46,274	49,836
General and administrative expenses	<u>12,502</u>	<u>11,188</u>
	<u>\$ 131,354</u>	<u>\$ 133,544</u>

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

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

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- 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	
	2019	2018
Discount rates	0.70%-1.25%	1.00%-1.25%
Expected rates of salary increase	1.50%-2.50%	2.00%-3.00%

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

	December 31	
	2019	2018
Discount rates		
0.25%-0.50% increase	<u>\$ (156,298)</u>	<u>\$ (167,633)</u>
0.25%-0.50% decrease	<u>\$ 169,627</u>	<u>\$ 182,379</u>
Expected rates of salary increase		
0.25%-0.50% increase	<u>\$ 166,062</u>	<u>\$ 179,351</u>
0.25%-0.50% decrease	<u>\$ (154,692)</u>	<u>\$ (166,601)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 20,753</u>	<u>\$ 33,267</u>
The average duration of the defined benefit obligation	9 years	9 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 \$33,558 thousand and \$21,811 thousand for the years ended December 31, 2019 and 2018, respectively.

27. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2019	2018
Numbers of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	\$ 45,000,000	\$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,601,336	2,323,025
Shares issued	\$ 26,013,357	\$ 23,230,248

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

The change in YMTC's share capital was mainly as the domestic privately placed secured mandatory convertible bonds have been converted into ordinary shares on June 27, 2019. Bonds holders have converted YMTC's ordinary shares in the amount of \$2,783,109 thousand (278,311 shares). On August 13, 2019, the board of directors determined the subscription base date to be August 13, 2019 and finished changing registration in September 2019.

2) Global depository receipts

On November 14, 1996, YMTC issued 10 million units of global depository receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 dollar per unit. As of December 31, 2019 and 2018, there were 896 units outstanding, representing 8,971 shares, which were 0.0003% and 0.0004% of the total issued shares, respectively. In addition, the board of directors resolved to terminate issuing GDRs on August 13, 2019 and delist them on December 5, 2019. However, as of March 26, 2020, YMTC hasn't settled with investors, so the GDRs are still outstanding.

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 depository bank.

b. Capital surplus

	May Be Used to Offset A Deficit, Distributed as Cash Dividends, or Transferred to Share Capital (1)			The Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition			May Be Used to Offset a Deficit Only			Total
	Issuance of Ordinary Shares	Donations	Expiration of Employee Share Options	Treasury Share Transactions	Changes in Percentage of Ownership Interests in Subsidiaries (2)	May Not Be Used for Any Purpose	Share Warrants			
Balance at January 1, 2018	\$ 1,128,344	\$ -	\$ 7	\$ 18,000	\$ -	\$ -	\$ 4,425,139	\$ 5,571,490		
The difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	-	5,718	-	-	-	-	-	5,718		
Equity component of convertible bonds issued by the Company	-	-	-	-	11,437	-	297,328	308,765		
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	170	-	170		
Capital surplus used to offset accumulated deficits	(1,128,344)	-	(7)	(18,000)	-	-	-	(1,146,351)		
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 5,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,437</u>	<u>\$ 170</u>	<u>\$ 4,722,467</u>	<u>\$ 4,739,792</u>		
Balance at January 1, 2019	\$ -	\$ 5,718	\$ -	\$ -	\$ 11,437	\$ 170	\$ 4,722,467	\$ 4,739,792		
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	23	-	23		
Convertible bonds converted to ordinary shares	1,630,593	-	-	-	-	-	(4,413,702)	(2,783,109)		
Capital surplus used to offset accumulated deficits	-	(5,718)	-	-	(11,437)	(170)	-	(17,325)		
Balance at December 31, 2019	<u>\$ 1,630,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 308,765</u>	<u>\$ 1,939,381</u>		

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- 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 29(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 statements of deficit compensated for 2018 approved in the shareholders' meetings on June 25, 2019, were 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>

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 the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	<u>\$ 92,350</u>	<u>\$ (85,841)</u>
Effect of change in tax rate	-	(1,049)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(302,008)	174,698
Related income tax	3,712	3,282
Reclassification adjustment		
Disposal of foreign operations	<u>-</u>	<u>1,260</u>
Other comprehensive income (loss) recognized for the year	<u>(298,296)</u>	<u>178,191</u>
Balance at December 31	<u>\$ (205,946)</u>	<u>\$ 92,350</u>

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2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (1,102,531)	\$ (1,201,784)
Recognized for the year		
Unrealized gain (loss)		
Equity instruments	69,793	86,968
Share from associates accounted for using the equity method	(6,268)	12,034
Related income tax	(261)	251
Other comprehensive income recognized for the year	63,264	99,253
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal by associates	1	-
Balance at December 31	\$ (1,039,266)	\$ (1,102,531)

3) Gain on hedging instruments

	Cash Flow Hedge
Balance at January 1, 2019	\$ -
Recognized for the year	
Foreign currency risk-lease liabilities	1,171,856
Reclassification adjustments	
Foreign currency risk-operating revenue	46,666
Other comprehensive income recognized for the year	1,218,522
Balance at December 31, 2019	\$ 1,218,522

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 466,736	\$ 475,987
Adjustments on initial application of IFRS 16	(437)	-
Balance at January 1 (restated)	466,299	475,987
Share of profit for the year	312,061	284,599
Other comprehensive income (loss) during the year		
Exchange difference on translating the financial statements of foreign entities	(29,120)	(27,073)
Unrealized loss on financial assets at FVTOCI	(135)	-
Remeasurement of the defined benefit liability	250	949
Others	-	10
Increasing in non-controlling interests by establishing Yang Ming Indonesia and Huan Ming subsidiaries	57,772	-
Issue of ordinary share for cash by subsidiaries	1,314	-
Changes in percentage of ownership interest in subsidiaries (Note 32)	4,788	2

(Continued)

	For the Year Ended December 31	
	2019	2018
Cash dividends distributed by subsidiaries	\$ (194,564)	\$ (250,106)
Acquisition of Young-Carrier Company Ltd.'s non-controlling interests (Note 32)	<u>-</u>	<u>(17,632)</u>
Balance at December 31	<u>\$ 618,665</u>	<u>\$ 466,736</u> (Concluded)

28. REVENUE

	For the Year Ended December 31	
	2019	2018
Cargo revenue	\$ 128,710,046	\$ 123,778,218
Rental revenue on vessel	3,293,912	3,081,244
Slottage revenue	5,567,533	3,368,360
Other operating revenue	<u>11,609,771</u>	<u>11,605,107</u>
	<u>\$ 149,181,262</u>	<u>\$ 141,832,929</u>

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables (Note 10)	<u>\$ 10,111,347</u>	<u>\$ 8,451,806</u>	<u>\$ 5,876,690</u>
Contract assets			
Cargo revenue	\$ 1,797,036	\$ 1,751,644	\$ 2,413,598
Less: Allowance for impairment loss	<u>(8,898)</u>	<u>(4,007)</u>	<u>-</u>
Contract assets	<u>\$ 1,788,138</u>	<u>\$ 1,747,637</u>	<u>\$ 2,413,598</u>
Contract liabilities - current			
Advance on contract	<u>\$ 121,826</u>	<u>\$ 120,736</u>	<u>\$ 115,632</u>

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the container shipping services have been completed, 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 can be applied to the contract assets (Note 10).

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 4,007	\$ -
Add: Net remeasurement of loss allowance	4,903	4,003
Foreign exchange gains and losses	<u>(12)</u>	<u>4</u>
Balance at December 31	<u>\$ 8,898</u>	<u>\$ 4,007</u>

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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.

b. Disaggregation of revenue

Revenue from contracts with customers mainly comes from the containership department. Refer to Note 41 for information about disaggregation of revenue.

29. NET LOSS

Net loss included items below:

a. Other operating income and expenses

	For the Year Ended December 31	
	2019	2018
Gain on disposal and retirement of property, plant and equipment	\$ 492,738	\$ 309,201
Reimbursement income	109,925	118,765
Reimbursement loss (Note 16 (c))	<u>(1,077,322)</u>	<u>-</u>
	<u>\$ (474,659)</u>	<u>\$ 427,966</u>

b. Other income

	For the Year Ended December 31	
	2019	2018
Rental income - operating leases	\$ 84,001	\$ 84,105
Interest income		
Bank deposits	191,636	150,902
Net investments in leases	2,595	-
Short-term bills	994	570
Others	7,028	3,720
Dividends	<u>98,847</u>	<u>52,515</u>
	<u>\$ 385,101</u>	<u>\$ 291,812</u>

c. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange gains	\$ 821,300	\$ 96,059
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	81,662	(39,360)
Financial liabilities mandatorily classified as at FVTPL	(34,593)	(22,108)
Gain arising from the subleasing of right-of-use assets	57,732	-
Gain on lease modifications	27	-
(Loss) gain arising from the change in fair value of investment properties	40,827	(19,540)
Impairment loss recognized on associates using the equity method	(14,839)	-
Others	<u>(79,978)</u>	<u>(53,812)</u>
	<u>\$ 872,138</u>	<u>\$ (38,761)</u>

d. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 882,930	\$ 993,436
Interest on obligations under finance leases	-	305,591
Interest on lease liabilities (including U.S. dollar lease liabilities designated as hedging instruments)	2,524,170	-
Interest on other financial liabilities	19,187	19,308
Interest on bonds	267,490	318,632
Interest on commercial paper	274,846	157,973
Other interest expenses	29,574	34,571
Less: Amounts included in the cost of qualifying assets	<u>(15,243)</u>	<u>-</u>
	<u>\$ 3,982,954</u>	<u>\$ 1,829,511</u>

Information about capitalized interest is as follow:

	For the Year Ended December 31	
	2019	2018
Capitalized interest amount	\$ 15,243	\$ -
Capitalization rate	1.42%-1.90%	-

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e. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Right-of-use assets	\$ 10,652,817	\$ -
Property, plant and equipment	6,166,101	6,471,883
Intangible assets	51,891	35,148
	\$ 16,870,809	\$ 6,507,031
An analysis of depreciation by function		
Operating costs	\$ 16,465,751	\$ 6,361,371
Operating expenses	353,167	110,512
	\$ 16,818,918	\$ 6,471,883
An analysis of amortization by function		
Operating costs	\$ 11,514	\$ 7,004
Operating expenses	40,377	28,144
	\$ 51,891	\$ 35,148

f. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	\$ 269,999	\$ 250,748
Defined benefit plans (Note 26)	131,354	133,544
Termination benefits	42,644	21,811
Other employee benefits	7,047,533	6,779,936
Total employee benefits expense	\$ 7,491,530	\$ 7,186,039
An analysis of employee benefits by function		
Operating costs	\$ 2,887,940	\$ 2,820,680
Operating expenses	4,603,590	4,365,359
	\$ 7,491,530	\$ 7,186,039

g. Employees' compensation and remuneration of directors

The Group 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, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Group's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

30. INCOME TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 620,911	\$ 547,633
Income tax on unappropriated earnings	519	827
Adjustments for prior years	<u>(172)</u>	<u>(383)</u>
	<u>621,258</u>	<u>548,077</u>
Deferred tax		
In respect of the current year	(203,007)	(795,106)
Effect of tax rate changes	-	(530,125)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(8,170)</u>	<u>3,302</u>
	<u>(211,177)</u>	<u>(1,321,929)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 410,081</u>	<u>\$ (773,852)</u>

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

	For the Year Ended December 31	
	2019	2018
Loss before tax	<u>\$ (3,587,815)</u>	<u>\$ (7,080,208)</u>
Tax benefit calculated at the statutory rate	\$ (614,812)	\$ (1,366,100)
Nondeductible expenses in determining taxable income	7,749	19,163
Tax-exempt income	65,723	102,435
Unrecognized loss carryforwards and deductible temporary differences	495,896	782,650
Effect of tax rate changes	-	(530,125)
Offshore income tax	233,652	177,124
Income tax on unappropriated earnings	519	827
Adjustments for prior years' tax	(172)	(383)
Others	<u>221,526</u>	<u>40,557</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 410,081</u>	<u>\$ (773,852)</u>

The applicable corporate income tax rate used by the group entities in the ROC is 20%. The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was 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.

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

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of change in tax rate	\$ -	\$ (16,594)
In respect of the current year:		
Translation of foreign operations	(3,712)	(3,282)
Remeasurement on defined benefit plans	(949)	(43,975)
Fair value changes of financial assets at FVTOCI	<u>261</u>	<u>(261)</u>
	<u>\$ (4,400)</u>	<u>\$ (64,112)</u>

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 115,362</u>	<u>\$ 119,914</u>
Current tax liabilities		
Income tax payable	<u>\$ 132,733</u>	<u>\$ 179,271</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Exchange Differences	Closing Balance
Tax losses	\$ 4,688,658	\$ (61,878)	\$ -	\$ -	\$ 4,626,780
Temporary differences					
Unrealized shipping fuel valuation losses	26,378	(23,880)	-	-	2,498
Investment loss on investments accounted for using equity method	48,018	3,311	-	-	51,329
Defined benefit plan	450,964	13,798	949	-	465,711
Unrealized loss on voyage in sailing	11,472	(10,811)	-	-	661
Payable for annual leave	31,932	(1,648)	-	-	30,284
FVTOCI financial assets	261	-	(261)	-	-
Others	<u>66,823</u>	<u>325,769</u>	<u>-</u>	<u>-</u>	<u>392,592</u>
	<u>\$ 5,324,506</u>	<u>\$ 244,661</u>	<u>\$ 688</u>	<u>\$ -</u>	<u>\$ 5,569,855</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	\$ 928,876	\$ (59,826)	\$ -	\$ -	\$ 869,050
Reserve for land value increment tax	648,730	5,479	-	-	654,209
Investment properties	15,729	336	-	-	16,065
Property, plant and equipment	28,227	1,202	-	-	29,429
Exchange differences on translating foreign operations	3,712	-	(3,712)	-	-
Others	<u>71,373</u>	<u>86,293</u>	<u>-</u>	<u>(2,580)</u>	<u>155,086</u>
	<u>\$ 1,696,647</u>	<u>\$ 33,484</u>	<u>\$ (3,712)</u>	<u>\$ (2,580)</u>	<u>\$ 1,723,839</u>

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	55,697	11,126	-	-	66,823
	<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	82,969	(15,458)	-	3,862	71,373
	<u>\$ 1,798,614</u>	<u>\$ (103,596)</u>	<u>\$ (2,233)</u>	<u>\$ 3,862</u>	<u>\$ 1,696,647</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	
	2019	2018
Loss carryforwards		
Expire in 2019	\$ -	\$ 771,391
Expire in 2021	9,246,501	9,246,501
Expire in 2022	2,701,422	2,701,422
Expire in 2023	8,040,895	8,065,942
Expire in 2024	381,489	381,489
Expire in 2025	4,921,391	4,863,400
Expire in 2026	3,073,215	513,155
Expire in 2027	273,118	273,280
Expire in 2028	253,383	255,770
Expire in 2029	401,566	-
	<u>\$ 29,292,980</u>	<u>\$ 27,072,350</u>
Deductible temporary differences	<u>\$ 3,412,990</u>	<u>\$ 3,154,141</u>

f. Information about unused loss carryforward

As of December 31, 2019, unused loss carryforwards comprised:

Unused Amount		Expiry Year
\$ 9,246,501		2021
2,701,422		2022
8,040,895		2023
381,489		2024
4,921,391		2025
13,344,470		2026
4,883,821		2027
6,240,986		2028
<u>2,665,904</u>		2029
<u>\$ 52,426,879</u>		

g. Income tax assessments

<u>Group</u>	<u>Year</u>
Yang Ming Marine Transport Corporation	2017
Kuang Ming Shipping Corp.	2017
Honming Terminal & Stevedoring Co., Ltd.	2017
Jing Ming Transportation Co., Ltd.	2017
YES Logistics Corp.	2017
Ching Ming Investment Corp.	2017

31. LOSS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic loss per share	<u>\$ (1.66)</u>	<u>\$ (2.53)</u>
Diluted loss per share	<u>\$ (1.66)</u>	<u>\$ (2.53)</u>

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

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2019	2018
Loss used in the computation of basic loss per share	\$ (4,309,957)	\$ (6,590,955)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	-
Loss used in the computation of diluted loss per share	<u>\$ (4,309,957)</u>	<u>\$ (6,590,955)</u>

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

	For the Year Ended December 31	
	2019	2018
Outstanding shares	2,601,336	2,323,025
Not exercised number of convertible shares of mandatory convertible bonds	<u>-</u>	<u>278,311</u>
Weighted average number of ordinary shares used in the computation of basic loss per share	2,601,336	2,601,336
Effect of potentially dilutive ordinary shares:		
Convertible bonds	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted loss per share	<u>2,601,336</u>	<u>2,601,336</u>

The Group did not consider the potential shares of convertible bonds in the calculation of diluted EPS for the years ended December 31, 2019 and 2018 due to their anti-dilutive effect.

32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. In March 2019, 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 98.52% to 98.88%.

	Total
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>\$ (4,788)</u>
Line items adjusted for equity transaction	
Accumulated deficits	<u>\$ (4,788)</u>

- b. In 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>

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

33. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Short-term borrowings	\$ 4,756,377	\$ (135,343)	\$ -	\$ -	\$ 4,621,034
Short-term bills payable	9,601,979	3,902,000	-	(18,139)	13,485,840
Long-term borrowings	55,070,990	(2,477,282)	-	(151,303)	52,442,405
Bonds payable	19,171,447	(1,024,000)	-	(49,631)	18,097,816
Lease liabilities (Notes 3 and 16)	57,445,253	(10,351,431)	13,135,698	(1,101,179)	59,128,341
Other financial liabilities	2,958,842	(278,689)	-	56,362	2,736,515
Other non-current liabilities	<u>240,227</u>	<u>45,799</u>	<u>-</u>	<u>-</u>	<u>286,026</u>
	<u>\$ 149,245,115</u>	<u>\$ (10,318,946)</u>	<u>\$ 13,135,698</u>	<u>\$ (1,263,890)</u>	<u>\$ 150,797,977</u>

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Short-term borrowings	\$ 4,470,166	\$ 286,211	\$ -	\$ -	\$ 4,756,377
Short-term bills payable	7,212,281	2,400,000	-	(10,302)	9,601,979
Long-term borrowings	50,842,180	3,928,533	-	300,277	55,070,990
Bonds payable	4,326,133	(318,966)	-	132,465	4,139,632
Lease payable	13,303,238	6,250,848	-	382,639	19,171,447
Other financial liabilities	3,324,225	(247,704)	-	(117,679)	2,958,842
Other non-current liabilities	<u>179,610</u>	<u>60,617</u>	<u>-</u>	<u>-</u>	<u>240,227</u>
	<u>\$ 83,657,833</u>	<u>\$ 12,073,328</u>	<u>\$ -</u>	<u>\$ 687,400</u>	<u>\$ 95,939,494</u>

34. CAPITAL MANAGEMENT

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

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

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

	December 31	
	2019	2018
Debt (1)	\$ 173,852,091	\$ 119,640,895
Cash and cash equivalents	<u>(17,177,339)</u>	<u>(17,399,750)</u>
Net debt	<u>\$ 156,674,752</u>	<u>\$ 102,241,145</u>
Equity (2)	<u>\$ 17,082,199</u>	<u>\$ 20,294,744</u>
Net debt to equity ration	<u>917.18%</u>	<u>503.78%</u>

- 1) Debt is defined as long-term and short-term borrowing (excluding derivative instruments and financial guarantee contracts).
 - 2) Equity includes all capital, capital surplus, retained earnings, other equity and non-controlling interests, of the Group that are managed as capital.
- b. Since the global container shipping industry remained in an oversupply situation in 2019 due to weak market demand, the Group incurred net loss in 2019. In addition, financial structure was impacted due to adoption of IFRS 16 “Leasing” since 2019. As of December 31, 2019, the current ratio was 58.48%, and the liability ratio was 91.06%. To operate in more competitive industrial environment, the Group adopted the following strategies:
- 1) Enhance alliance cooperation: New member, HMM, joins THE alliance and signed a ten-year contract. Cooperate with non-alliance carriers to develop the niche market. Reduce the scale of under-performing services, and reinforce stable performance market. Upgrade Intra-Asia services and accelerate Southeast Asia network layout;
 - 2) Operational process improvement: Employ customer-oriented service strategy to improve value and productivity;
 - 3) Information system integration and upgrade: Promote IT applications considering the trend of digitalization;
 - 4) Centralized management of the Group: Establish own agencies and plan to increase its equity in joint ventures to improve management control. Evaluate and adjust the structure of holding companies in order to streamline organization structure;
 - 5) Investment strategies and application: Focus on the maritime industry for vertical integration, and comprehensively review and track the performance of the reinvestment business. Increase the equity in operated agencies to enhance management control and competitiveness, with a view to achieving profitability and disperse the risks of the maritime industry;
 - 6) Operating cost control: Explicitly set targets for all agencies and evaluate group performance on a monthly basis;
 - 7) Activate usage of assets: Dispose of securities and investment properties and activate assets with the most optimal methods;
 - 8) Increase operating capital: Plan projects of increase equity funds and enrich operating capital to improve financial structure.

35. FINANCIAL INSTRUMENTS

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

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Finance lease receivables	\$ 186,833	\$ -	\$ 187,118	\$ -	\$ 187,118
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Secured domestic bonds	\$ 6,931,207	\$ -	\$ 6,931,175	\$ -	\$ 6,931,175
Unsecured domestic bonds	3,900,000	-	3,933,700	-	3,933,700
Domestic unsecured convertible bonds	<u>7,266,609</u>	<u>-</u>	<u>7,380,695</u>	<u>-</u>	<u>7,380,695</u>
	<u>\$ 18,097,816</u>	<u>\$ -</u>	<u>\$ 18,245,570</u>	<u>\$ -</u>	<u>\$ 18,245,570</u>

December 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Domestic privately placed secured mandatory convertible bonds*	\$ 183,921	\$ -	\$ -	\$ 185,577	\$ 185,577
Domestic privately placed unsecured bonds	3,850,000	-	3,915,432	-	3,915,432
Secured domestic bonds	3,974,454	-	3,989,798	-	3,989,798
Unsecured domestic bonds	3,900,000	-	3,973,281	-	3,973,281
Domestic unsecured convertible bonds	7,276,968	-	7,399,948	-	7,399,948
Finance lease payables	<u>4,139,632</u>	<u>-</u>	<u>4,437,917</u>	<u>-</u>	<u>4,437,917</u>
	<u>\$ 23,324,975</u>	<u>\$ -</u>	<u>\$ 23,716,376</u>	<u>\$ 185,577</u>	<u>\$ 23,901,953</u>

* 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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 209,500	\$ -	\$ -	\$ 209,500
Mutual funds	<u>117,951</u>	<u>-</u>	<u>-</u>	<u>117,951</u>
	<u>\$ 327,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,451</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares	\$ 1,255,959	\$ -	\$ -	\$ 1,255,959
Unlisted shares	<u>-</u>	<u>-</u>	<u>516,934</u>	<u>516,934</u>
	<u>\$ 1,255,959</u>	<u>\$ -</u>	<u>\$ 516,934</u>	<u>\$ 1,772,893</u>
Financial liabilities at FVTPL				
Derivatives				
Put option of bonds payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,549</u>	<u>\$ 67,549</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed 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	\$ 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>

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

VI. Overview of the Company's Financial Status

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

For the year ended December 31, 2019

Financial assets at FVTOCI

	Equity Instruments
Balance at January 1, 2019	\$ 357,294
Recognized in other comprehensive income (included in unrealized valuation gain on financial assets at FVTOCI)	<u>159,640</u>
Balance at December 31, 2019	<u>\$ 516,934</u>
Unrealized gain for the current year included in other comprehensive income relating to assets held at the end of the year	<u>\$ 159,640</u>

Financial liabilities at FVTPL

	Derivatives			Total
	Foreign Currency Options	Oil Swap and Oil Swap Options	Repurchase on Bonds Payable	
Balance at January 1, 2019	\$ -	\$ 20,573	\$ 16,887	\$ 37,460
Recognized in profit or loss (included in other gains and losses)	(831)	(15,238)	50,662	34,593
Sales/settlements	831	(5,335)	-	(4,504)
Transfers out of Level 3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,549</u>	<u>\$ 67,549</u>
Unrealized loss for the current year included in profit or loss relating to liabilities held at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,662</u>	<u>\$ 50,662</u>

For the year ended December 31, 2018

Financial assets at FVTOCI

	Equity Instruments
Balance at January 1, 2018	\$ 440,930
Recognized in other comprehensive income (included in unrealized valuation 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>
Unrealized loss for the current year included in other comprehensive income relating to assets held at the end of the year	<u>\$ (82,852)</u>

Financial liabilities at FVTPL

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

	December 31	
	2019	2018
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 327,451	\$ 262,576
Financial assets at amortized cost (1)	31,335,814	30,043,653
Financial assets at FVTOCI		
Equity instruments	1,772,893	1,701,701
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	67,549	37,460
Financial liabilities for hedging	48,890,410	-
Amortized cost (2)	107,509,739	107,889,147

- 1) 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 (including related parties).
- 2) 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, bonds payable and other financial liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivable, financial assets at amortized cost, trade payables, other payables, bonds payable, borrowings, lease liabilities 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 39.

Sensitivity analysis

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

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

Profit (Loss)/equity of 1% Variation	For the Year Ended December 31	
	2019	2018
Profit (loss) (i)		
U.S. dollars	\$ (115,615)	\$ (99,282)
GBP	1,663	4,764
RMB	(5,711)	(6,795)
EUR	(1,589)	436
HKD	2,826	2,220
Equity (ii)		
U.S. dollars	(488,904)	-

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

(ii) This was mainly attribute to the exposure of changing in foreign exchange rates of lease contracts designated as cash flow hedge.

The Group's sensitivity to foreign currency exchange rate during the current period was mainly due to the decrease in U.S. dollars, EUR and RMB monetary assets and due to the increase in the GBP and HKD monetary assets.

Hedge accounting

The Group's hedging strategy is to enter into USD-denominated lease liabilities to avoid exchange rate exposure of 100% of highly probable forecast of USD-denominated operating revenue. Those transactions are designated as cash flow hedges.

VI. Overview of the Company's Financial Status

The Group expects that the value of the U.S. dollars lease liabilities and the value of the corresponding hedged items will systematically change in opposite directions.

The source of hedge ineffectiveness in these hedging relationships is the USD-denominated operating revenue of the Group is lower than the distribution amount of settlement of lease liabilities.

Refer to Note 16 (b) for information relating to foreign exchange rates hedging instruments.

b) Interest rate risk

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 4,188,438	\$ 5,821,690
Financial liabilities	98,254,716	37,019,791
Cash flow interest rate risk		
Financial assets	11,950,904	10,947,021
Financial liabilities	52,254,463	58,679,476

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, 2019 would decrease/increase by \$40,304 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, 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.

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 (loss) for the years ended December 31, 2019 would have increased/decreased by \$10,475 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the other comprehensive income (loss) for the years ended December 31, 2019 would increase/decrease by \$88,645 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 (loss) 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 (loss) 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 mutual funds had been 5% higher/lower, pre-tax profit (loss) for the years ended December 31, 2019 would have increased/decreased by \$5,898 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 (loss) 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.

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. The Group's sensitivity to mutual funds price decreased during current year mainly due to the decrease in financial assets at FVTPL.

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.

VI. Overview of the Company's Financial Status

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

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized bank loans facilities \$16,147,285 thousand and \$4,639,468 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, 2019

	Less than 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 16,646,468	\$ 252,015	\$ -
Finance lease liabilities	12,086,689	38,400,559	16,835,249
Other financial liabilities*	291,717	1,440,050	1,115,841
Variable interest rate liabilities	8,945,444	42,499,160	2,366,212
Fixed interest rate liabilities	24,572,936	5,759,297	-
Short-term and low value lease commitment	4,321,053	14,495,636	-
Financial guarantee liabilities	<u>186,288</u>	<u>-</u>	<u>-</u>
	<u>\$ 67,050,595</u>	<u>\$ 102,846,717</u>	<u>\$ 20,317,302</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 12,086,689</u>	<u>\$ 38,400,559</u>	<u>\$ 16,784,407</u>	<u>\$ 45,029</u>	<u>\$ 5,813</u>	<u>\$ -</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 \$329,892 thousand, \$1,553,502 thousand and \$493,624 thousand, respectively.

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.

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.

36. TRANSACTIONS WITH RELATED PARTIES

The Ministry of Transportation and Communications R.O.C. and National Development Fund held 35.66% and 39.93% of the ordinary shares of YMCT as of December 31, 2019 and 2018, 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 Group 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 Notes 16 and 18), operating commission contracts signed with TPC Corporation (see Note 38), and shipbuilding contracts signed with CSBC Corporation (see Note 38).

VI. Overview of the Company's Financial Status

Balances and transactions between the Group and its subsidiaries, which are related party of the Group, 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
Formosa International Development Corporation	Associates
Yang Ming (U.A.E.) LLC	Associates
Yang Ming (Australia) Pty. Ltd.	Associates
West Basin Container Terminal LLC	Associates
Corstor Ltd.	Associates
Yang Ming Shipping (Egypt) S.A.E.	Associates
Sino Trans PFS Cold Chain Logistics Co., Ltd.	Associates
Kao Ming Container Terminal Corp.	Associates
Yunn Wang Investment Co., Ltd.	Associates
LogiTrans Technology Private Limited	Joint ventures
YES LIBERAL Logistics Corp.	Joint ventures
Chang Ming Logistics Group Limited	Joint ventures
YES and HQL Logistics Group	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 Group, Limited	Government - related parties
Mega Bills Finance Co., Ltd.	Government - related parties
Bank of Taiwan	Government - related parties
Land Bank of Taiwan	Government - related parties
Bank Taiwan Securities Co., Ltd.	Government - related parties
Taiwan Stock Exchange Corporation	Government - related parties
Taipei Exchange	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 Group	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
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

(Continued)

Related Party Name	Relationship with the Group
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
Omega Intermodal Container Services Private Limited	Investors that have significant influence over the subsidiaries
Yang Ming Cultural Foundation	Other related parties

(Concluded)

b. Profit (loss) from operation

Line Item	Related Party Name	For the Year Ended December 31	
		2019	2018
Operating revenue	Government - related parties	\$ 319,635	\$ 393,540
	Joint ventures	1,159	775
	Associates	236,961	262,694
	Investors that have significant influence over the subsidiaries	<u>230</u>	<u>69</u>
		<u>\$ 557,985</u>	<u>\$ 657,078</u>
Operating cost	Associates	\$ 2,988,133	\$ 2,619,415
	Government - related parties	448,803	502,843
	Investors that have significant influence over the subsidiaries	369,504	330,108
	Joint ventures	<u>53,516</u>	<u>36,607</u>
	<u>\$ 3,859,956</u>	<u>\$ 3,488,973</u>	
Operating expenses	Government - related parties	\$ 36,752	\$ 35,934
	Joint ventures	48,534	47,553
	Other related parties	23,087	29,381
	Associates	738	-
	Investors that have significant influence over the subsidiaries	<u>8,659</u>	<u>10,694</u>
	<u>\$ 117,770</u>	<u>\$ 123,562</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, 2019 and 2018) balance were as follows:

Related Party Category/Name	December 31	
	2019	2018
Government - related parties		
Land Bank of Taiwan	\$ 1,929,329	\$ 2,104,244
Others	<u>4,933,737</u>	<u>5,220,838</u>
	<u>\$ 6,863,066</u>	<u>\$ 7,325,082</u>

VI. Overview of the Company's Financial Status

d. Contract assets

Line Item	Related Party Name	December 31	
		2019	2018
Contract assets	Associates	\$ <u>83,294</u>	\$ <u>103,089</u>

e. Contract liabilities

Line Item	Related Party Name	December 31	
		2019	2018
Contract liabilities	Government - related parties	\$ <u>2,152</u>	\$ <u>4,437</u>

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

Line Item	Related Party Name	December 31	
		2019	2018
Trade receivables	Associates	\$ 145,036	\$ 247,756
	Joint ventures	605	392
	Government - related parties	<u>100</u>	<u>120</u>
		<u>\$ 145,741</u>	<u>\$ 248,268</u>
Other receivables (included in other current assets)	Associates		
	West Basin Container Terminal LLC	\$ -	\$ 47,971
	Formosa International Development Corporation	<u>21,108</u>	<u>21,629</u>
		21,108	69,600
	Government - related parties	<u>21,289</u>	<u>24,242</u>
		<u>\$ 42,397</u>	<u>\$ 93,842</u>
Notes payable	Associates	\$ -	\$ 35
	Investors that have significant influence over the subsidiaries	<u>34</u>	<u>110</u>
		<u>\$ 34</u>	<u>\$ 145</u>
Trade payables	Associates	\$ 336,626	\$ 468,805
	Joint ventures	3,688	2,248
	Government - related parties	33,386	9,148
	Investors that have significant influence over the subsidiaries	<u>97,725</u>	<u>90,815</u>
		<u>\$ 471,425</u>	<u>\$ 571,016</u>
Other payables	Associates	\$ 2,374	\$ -
	Government - related parties	<u>392,496</u>	<u>85,492</u>
		<u>\$ 394,870</u>	<u>\$ 85,492</u>

For the years ended December 31, 2019 and 2018, no impairment losses were recognized for notes receivable, trade receivables, contract assets, and other receivables from related parties.

g. Prepayments

Line Item	Related Party Category/Name	December 31	
		2019	2018
Prepayments to shipping agents	Associates	\$ 51,029	\$ -
Prepayments	Government - related parties	\$ 113,262	\$ 31,572
	Associates	811	-
		<u>\$ 114,073</u>	<u>\$ 31,572</u>
Long-term prepayments for lease	Government - related parties Taiwan International Ports Corporation, Ltd.	\$ -	\$ 473,417

h. Lease arrangements

Acquisition of right-of-use assets

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Government-related parties	\$ 495,058	\$ -

Line Item	Related Party Category/Name	December 31	
		2019	2018
Lease liabilities	Associates	\$ 744	\$ -
	Government-related parties	646,395	-
	Investors that have significant influence over the subsidiaries	17,054	-
		<u>\$ 664,193</u>	<u>\$ -</u>

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

i. Bonds payable

Related Party Category/Name	December 31		
	2019	2018	
Government - related parties			
	Taiwan International Ports Corporation, Ltd.	\$ -	\$ 4,000,000
	Others	5,480,000	3,930,000
	5,480,000	7,930,000	
Investors that have significant influence	-	450,000	
	<u>\$ 5,480,000</u>	<u>\$ 8,380,000</u>	

Note: Original investment amount of privately placed bonds.

VI. Overview of the Company's Financial Status

j. Loans from related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Short-term borrowings	Government - related parties		
	Land Bank of Taiwan	\$ 300,000	\$ 800,000
	Chang Hwa Bank Ltd.	500,000	500,000
	Others	<u>414,880</u>	<u>389,320</u>
		<u>\$ 1,214,880</u>	<u>\$ 1,689,320</u>
Short-term commercial papers	Government - related parties	<u>\$ 2,089,602</u>	<u>\$ 2,289,330</u>
Long-term borrowings	Government - related parties		
	Secured borrowings		
	Bank of Taiwan	\$ 3,320,961	\$ 4,655,258
	Mega International Commercial Bank	3,300,046	3,739,995
	Others	<u>8,682,959</u>	<u>11,341,286</u>
		<u>\$ 15,303,966</u>	<u>\$ 19,736,539</u>
Unsecured borrowings	Government - related parties	<u>\$ 6,469,496</u>	<u>\$ 6,586,144</u>
Commercial papers	Government - related parties	<u>\$ 1,498,190</u>	<u>\$ 998,464</u>

k. Others

Line Item	Related Party Name	For the Year Ended December 31	
		2019	2018
Rental income	Other related parties	\$ 2,743	\$ 3,200
	Associates	<u>114</u>	<u>114</u>
		<u>\$ 2,857</u>	<u>\$ 3,314</u>
Interest income	Government - related parties		
	Land Bank of Taiwan	\$ 17,408	\$ 16,726
	Others	<u>20,959</u>	<u>11,750</u>
		<u>\$ 38,367</u>	<u>\$ 28,476</u>
Dividends	Government - related parties Taiwan Navigation Co., Ltd.	<u>\$ 91,986</u>	<u>\$ 49,531</u>
Finance cost	Government - related parties		
	Mega International Commercial Bank Co., Ltd.	\$ 208,821	\$ 251,335
	Others	<u>515,672</u>	<u>560,178</u>
		724,493	811,513
	Investors that have significant influence	1,799	-
	Associates	<u>11</u>	<u>-</u>
		<u>\$ 726,303</u>	<u>\$ 811,513</u>

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

1. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 39,098	\$ 47,925
Post-employment benefits	<u>2,864</u>	<u>4,323</u>
	<u>\$ 41,962</u>	<u>\$ 52,248</u>

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

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2019	2018
Property, plant and equipment, net	\$ 49,643,780	\$ 56,212,671
Deposit of stand-by letter of credit (included in financial assets at amortized cost)	2,883,329	3,078,116
Pledged time deposits (included in financial assets at amortized cost)	301,288	281,736
Investment properties, net	<u>4,795,387</u>	<u>4,764,430</u>
	<u>\$ 57,623,784</u>	<u>\$ 64,336,953</u>

38. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Table B, Notes 16, 20 and 24, commitments and contingent liability on reporting periods were as follows:

- a. Kuang Ming Shipping Corp. signed a contract, "operating commission", with Taiwan Power Group, 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 Group.
- b. 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, 2019 and 2018, rentals for contracts that were yet in effect were respectively estimated from US\$1,550,000 thousand to US\$1,867,000 thousand and from US\$1,706,000 thousand to US\$2,053,000 thousand.
- c. The Group's shipping and port business were secured by the letter of guarantee issued by a bank for \$614,811 thousand and \$588,259 thousand as of December 31, 2019 and 2018, respectively.
- d. The Group signed shipbuilding contracts with government - related parties. As of December 31, 2019 and 2018, prepayments for equipment for these contracts amounted to \$113,262 thousand and \$1,132,622 thousand, and unpaid amounts for these contracts were \$4,374,934 thousand and US\$141,988 thousand and \$5,113,560 thousand and US\$165,960 thousand, respectively.

39. 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, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 205,359	29.9800 (USD:NTD)	\$ 6,156,656
GBP	73,378	1.3134 (GBP:USD)	2,889,298
RMB	104,357	4.3037 (RMB:NTD)	449,123
USD	102,638	5.9485 (USD:TRY)	3,077,092
EUR	22,971	33.5986 (EUR:NTD)	771,799
GBP	5,039	39.3757 (GBP:NTD)	198,403
HKD	73,394	3.8502 (HKD:NTD)	282,583
JPY	3,958,900	0.2759 (JPY:NTD)	1,092,286
USD	8,950	6.9661 (USD:RMB)	268,323
CAD	360	22.9749 (CAD:NTD)	8,271
Non-monetary items			
Investments accounted for using equity method			
USD	44,053	29.9800 (USD:NTD)	1,320,695
AUD	1,292	21.0070 (AUD:NTD)	27,145
AED	6,102	8.1623 (AED:NTD)	49,809
INR	37,582	0.4826 (INR:NTD)	18,137
GBP	142	39.3757 (GBP:NTD)	5,600
RMB	99,284	4.3037 (RMB:NTD)	427,290
IDR	2,571,364	0.0022 (IDR:NTD)	5,657
VND	4,633,077	0.0013 (VND:NTD)	6,023
EGP	26,557	1.8705 (EGP:NTD)	49,674
Financial assets at FVTPL			
USD	136	29.9800 (USD:NTD)	4,077
<u>Financial liabilities</u>			
Monetary items			
USD	2,296,641	29.9800 (USD:NTD)	68,853,285
GBP	69,406	39.3757 (GBP:USD)	2,732,911
RMB	237,060	4.3037 (RMB:NTD)	1,020,234
EUR	27,701	33.5986 (EUR:NTD)	930,722
USD	27,478	29.9800 (USD:TRY)	823,800
JPY	1,370,346	0.2759 (JPY:NTD)	378,087
GBP	4,788	39.3757 (GBP:NTD)	188,538
USD	9,236	29.9800 (USD:RMB)	276,905

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

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were \$821,300 thousand and \$96,059 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

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: None;
 - 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 D attached;
 - 9) Trading in derivative instruments. (Note 7);
 - 10) Intercompany relationships and significant intercompany transactions: See Table E attached;
 - 11) 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 G 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.

41. 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, 2019				
	Containership Department	Bulk Shipping Department	Other Departments	Adjustment and Eliminations	Combined
Sales to customers	\$ 140,396,933	\$ 3,002,751	\$ 5,781,578	\$ -	\$ 149,181,262
Intercompany sales	<u>741,498</u>	<u>-</u>	<u>1,534,292</u>	<u>(2,275,790)</u>	<u>-</u>
Total revenue	<u>\$ 141,138,431</u>	<u>\$ 3,002,751</u>	<u>\$ 7,315,870</u>	<u>\$ (2,275,790)</u>	<u>\$ 149,181,262</u>
Segment operating income (loss)	<u>\$ (248,249)</u>	<u>\$ (303,752)</u>	<u>\$ 217,762</u>	<u>\$ 115,514</u>	\$ (218,725)
Administration cost					(321,301)
Other operating income and expenses					(474,659)
Other income					385,101
Other gains and losses					872,138
Financial costs					(3,982,954)
Share of profit of associates and joint ventures					<u>152,585</u>
Loss before income tax					<u>\$ (3,587,815)</u>

	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>

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, 2019		December 31, 2019
Domestic	\$ 11,908,033		\$ 11,986,578
America	56,590,338		231,729
Europe	47,746,960		639,546
Asia	32,922,171		734,866
Others	<u>13,760</u>		<u>8,632</u>
	<u>\$ 149,181,262</u>		13,601,351
Containers			10,978,087
Ships and construction in process			<u>111,900,760</u>
			<u>\$ 136,480,198</u>
	Revenue From External Customers		Noncurrent Assets
	For the Year Ended December 31, 2018		December 31, 2018
Domestic	\$ 9,572,160		\$ 8,381,205
America	56,173,883		13,720
Europe	42,710,841		36,066
Asia	33,367,067		480,031
Others	<u>8,978</u>		<u>95,161</u>
	<u>\$ 141,832,929</u>		9,006,183
Containers			12,387,076
Ships and construction in process			<u>65,113,287</u>
			<u>\$ 86,506,546</u>

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, 2019 and 2018.

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, 2019
(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.	Other receivables Other receivables	Y Y	\$ 1,000,000 6,000,000	\$ - 2,065,210	\$ - 1,535,210	- 1.5721%	1 1	\$ - 403,241	- -	\$ - -	\$ - -	\$ 6,585,413 6,585,413	\$ 8,231,767 8,231,767	B, C, D, and P	
1	Yang Ming Line (Singapore) Pte. Ltd.	Kung Ming (Liberia) Corp. Yang Ming Shipping (B.V.I.) Inc. Yang Ming Line (Hong Kong) Ltd. 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 Other receivables	Y Y Y Y Y Y Y	194,870 (US\$ thousand) 6,500 (US\$ thousand) 104,930 (US\$ thousand) 3,500 (US\$ thousand) 89,940 (US\$ thousand) 3,000 (US\$ thousand) 299,800 (US\$ thousand) 10,000 (US\$ thousand) 11,992 (US\$ thousand) 400 (US\$ thousand) 85,643 (US\$ thousand) 2,850 (US\$ thousand) 28,997 (THB thousand)	194,870 (US\$ thousand) 6,500 (US\$ thousand) -	194,870 (US\$ thousand) 6,500 (US\$ thousand) 89,940 (US\$ thousand) 3,000 (US\$ thousand) 299,800 (US\$ thousand) 10,000 (US\$ thousand) 11,992 (US\$ thousand) 400 (US\$ thousand) -	2.9366% - 2.9353% 3.2644% - - - 3.1967%	2 2 2 2 2 2 2	- - 403,241	Obtain working capital Obtain working capital Obtain working capital Obtain working capital Obtain working capital Obtain working capital Obtain working capital	- -	228,735 1,143,678 1,143,678 1,143,678 1,143,678 1,143,678 228,735	686,207 1,143,678 1,143,678 1,143,678 1,143,678 686,207	E and F		
2	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Kung Ming (Liberia) Corp.	Other receivables	Y	119,920 (US\$ thousand) 4,000 (US\$ thousand)	-	-	-	2	-	Obtain working capital	-	-	297,329	891,988	G and H	
3	Kung Ming Shipping Corp.	Kung Ming (Liberia) Corp.	Other receivables	Y	236,842	212,814	-	-	2	-	Obtain working capital	-	-	212,814	638,444	I and J	
4	Yes Logistics Corp.	Yes Logistics Europe GmbH Yes Logistics (Shanghai) Corp. Yes Logistics Benelux B.V.	Other receivables Other receivables Other receivables	Y Y Y	37,508 (EUR thousand) 1,116 (EUR thousand) 127,382 (US\$ thousand) 3,000 (US\$ thousand) 8,700 (RMB thousand) 3,528 (EUR thousand)	37,508 (EUR thousand) 1,116 (EUR thousand) 127,382 (US\$ thousand) 3,000 (US\$ thousand) 8,700 (RMB thousand) 3,528 (EUR thousand)	37,508 (EUR thousand) 1,116 (EUR thousand) 127,382 (US\$ thousand) 3,000 (US\$ thousand) 8,700 (RMB thousand) 3,528 (EUR thousand)	1.7500% 1.8500% 1.7200% 3.0000% 1.7500%	1 1 1	38,587 257,696 75,363	Obtain working capital Obtain working capital Obtain working capital	- -	- -	496,635 496,635 211,876	620,793 620,793 620,793	K and L	
5	Yang Ming Line Holding Co.	Triumph Logistics, Inc. Kung Ming (Liberia) Corp. Yang Ming (America) Co. Yang Ming Line (B.V.I.) Holding Co. Ltd.	Other receivables Other receivables Other receivables Other receivables	Y Y Y Y	47,968 (US\$ thousand) 1,600 (US\$ thousand) 194,870 (US\$ thousand) 6,500 (US\$ thousand) 299,800 (US\$ thousand) 10,000 (US\$ thousand) 119,920 (US\$ thousand) 4,000 (US\$ thousand)	23,984 (US\$ thousand) 800 (US\$ thousand) 194,870 (US\$ thousand) 6,500 (US\$ thousand) 299,800 (US\$ thousand) 10,000 (US\$ thousand) -	23,984 (US\$ thousand) 800 (US\$ thousand) 194,870 (US\$ thousand) 6,500 (US\$ thousand) 299,800 (US\$ thousand) 10,000 (US\$ thousand) -	3.7169% 2.9211% 3.2768% -	2 2 2 2	- -	Obtain working capital Obtain working capital Obtain working capital Obtain working capital	- -	1,078,539 215,707 1,078,539 215,707	1,078,539 647,123 1,078,539 647,123	M and N		

(Continued)

Notes:

- A. Nature of financing
1. Yang Ming Marine Transport Corporation (the Corporation) has transactions with the borrower.
 2. The borrower needs short-term financing.
- B. The maximum financing amount is 60% of the net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 50% of the net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of the net assets of the Corporation.
- C. For borrowers with transactions with the Corporation, maximum financing is the lower of 15% of the net assets of the Corporation or the total amount of transactions between the Corporation and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 5% of the net assets of the Corporation.
- D. For a borrower that is a subsidiary of the Corporation, maximum financing is the lower of 40% of the latest net assets audited or reviewed by CPA of the Corporation or the total amount of transactions between the Corporation and the subsidiary in the last five years.
- E. The maximum financing amount is 50% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 50% of the net assets of the lender. For the borrower needing short-term financing with direct or indirect holding of 100% voting right on none ROC corporation, maximum financing is 50% of the net total assets.
- F. For borrowers with transactions with the lender, maximum financing is the lower of 25% of the net assets of the lender or the total amount of transactions between the lender and the borrower in the last five years. For the borrower needing short-term financing, maximum financing is 10% of the net assets of the lender.
- G. The maximum financing amount is 50% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 50% of the net assets of the lender.
- H. For borrowers with transactions with the lender, maximum financing is the lower of 25% of the net assets of the lender and the borrower in the last five years. For the borrower needing short-term financing, maximum financing is 10% of the net assets of the lender.
- I. The maximum financing amount is the 60% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 30% of the net assets of the lender.
- J. For borrowers with transactions with the lender, maximum financing is 15% of the net assets of the lender or the total amount of transactions between the lender and the borrower in the last two years. For subsidiaries with transactions with the lender maximum financing is 30% of the latest net assets. For the borrower needing short-term financing maximum financing is 10% of the net assets of the lender.
- K. The maximum financing amount is 70% of the net assets of the lender. For borrowers with transactions with the lender, maximum financing is 50% of the net assets of the lender.
- L. For borrowers with transactions with the lender, maximum financing is the lower of 15% of the total amount financing amount or the total amount of transactions between the lender and the borrower in the last two years. For subsidiaries with transactions with the lender maximum financing is 40% of the latest net assets. For the borrower needing short-term financing, maximum financing is 10% of the financing amount.
- M. The maximum financing amount is 80% of the net assets of the lender. For borrower with transactions with lender maximum financing is 50% of the net total assets. For the borrower needing short-term financing with direct or indirect holding of 100% voting right on non ROC corporation, maximum financing is 50% of the net total assets.
- N. 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.
- O. United States dollars, Euros dollars and Ren Min Bi translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.98, THB=NT\$1.0034, EUR=NT\$33.5986 and RMB=NT\$4.3037 as of December 31, 2019.
- P. The Company's board of directors resolved in November 2018 to liquidate Yang Ming (Liberia) Corp. (Yang Ming Liberia) in February 2019.

(Concluded)

VI. Overview of the Company's Financial Status



TABLE B

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019

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

No.	Endorser/Guarantor	Endorser/Guaranteee		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	\$ 26,341,654 (Note B)	\$ 12,771,417 (US\$ 425,998 thousand) and 5,751,235 (US\$ 78,260 thousand)	\$ 3,429,469 (US\$ 114,392 thousand) and 4,966,531 (US\$ 72,854 thousand)	\$ 3,429,469 (US\$ 114,392 thousand) and 4,966,531 (US\$ 72,854 thousand)	\$ -	20.83	\$ 49,390,602 (Note A)	Y	N	N
		Kuang Ming Shipping Corp.	Subsidiary	26,341,654 (Note B)	and NTS 3,405,000 (thousand) 4,551,104 (US\$ 151,805 thousand) 239,840 (US\$ 8,000 thousand)	and NTS 2,782,380 (thousand) 3,808,779 (US\$ 127,044 thousand) 72,887 (thousand) 6,481 (US\$ 216 thousand)			34.93	49,390,602 (Note A)	Y	N	N
		Kuang Ming (Liberia) Corp.	Subsidiary	26,341,654 (Note B)					23.13	49,390,602 (Note A)	Y	N	N
		Yang Ming (American) Corp.	Subsidiary	26,341,654 (Note B)					1.46	49,390,602 (Note A)	Y	N	N
1	Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Investments in associates	903,979 (Note F)	133,370 (US\$ 4,449 thousand)	133,370 (US\$ 4,449 thousand)	82,607 (US\$ 2,755 thousand)	-	0.81	1,129,974 (Note E)	N	N	N
		United Terminal Leasing LLC	Investments in associates	903,979 (Note F)	52,918 (US\$ 1,765 thousand)	52,918 (US\$ 1,765 thousand)	31,404 (US\$ 1,048 thousand)	-	0.32	1,129,974 (Note E)	N	N	N
2	All Oceans Transportation, Inc.	Yang Ming Marine Transport Corporation	Parent	5,344,292 (Note H)	4,644,000	3,452,250	1,452,250	3,452,250 (Note P)	20.97	6,680,365 (Note G)	N	Y	N
3	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Subsidiary	29,089,135 (Note J)	1,788,409 (US\$ 9,000 thousand) JPY 5,504,000 (thousand)	1,133,948 (US\$ 15,000 thousand) JPY 2,480,000 (thousand)	191,331 (US\$ 6,382 thousand)	-	6.89	36,361,419 (Note I)	N	N	N
4	Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Line (M) Sdn. Bhd.	Subsidiary	918,694 (Note L)	29,299 (MYR 4,000 thousand)	29,299 (MYR 4,000 thousand)	28,966 (MYR 3,955 thousand)	-	0.18	1,148,368 (Note K)	N	N	N
5	Karlman Properties Limited	Yang Ming Marine Transport Corporation	Parent	352,816 (Note N)	310,000	232,500	232,500	232,500	1.41	441,020 (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 50 of the net asset value of Yang Ming Line (Singapore) Pte. Ltd.
- L. Represents 40 of the amount mentioned in Note M.
- M. Represents 500 of assets of KarIman 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\$29.98, JPY1=NT\$0.2759, and MYR1=NT\$7.3247 on December 31, 2019.
- P. Represents 10 ships used as guarantees, with carrying value of \$6,796,105 thousand as of December 31, 2019.

(Concluded)



TABLE C

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019

(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, 2019			Note
				Shares	Carrying Amount	Percentage of Ownership	
Yang Ming Marine Transport Corporation	Domestic unquoted shares	-	Financial assets at FVTOCI - non-current	51,000,000	\$ 505,102	9.81	\$ 505,102
	Taipei Port Container Terminal Co., Ltd. United Stevedoring Corp.	-	Financial assets at FVTOCI - non-current	500,000	6,432	10.00	
Ching Ming Investment Corp.	Domestic quoted shares	Governed by the MOTC	Financial assets at FVTOCI - non-current	70,758,243	1,255,959	16.96	1,255,959
	Taiwan Navigation Co., Ltd.						
Ching Ming Investment Corp.	Mutual funds	-	Financial assets at FVTPL - current	500,000	4,955	-	4,955
	Hua Nan Selected Income Multi-Asset Fund A						
	Domestic unquoted shares	-	Financial assets at FVTOCI - non-current	564,480	4,264	2.14	4,264
	Ascentek Venture Capital Corporation						
	Domestic quoted shares	-	Financial assets at FVTPL - current	60,000	3,102	0.30	3,102
	WPG Holdings Limited Preferred Stock A						
	Realtek Semiconductor Corp	-	Financial assets at FVTPL - current	50,000	11,750	0.01	11,750
	Sino-American Silicon Products Inc.	-	Financial assets at FVTPL - current	120,000	11,928	0.02	
	Macronix International Co., Ltd.	-	Financial assets at FVTPL - current	300,000	11,160	0.02	11,160
	Crowell Development Corp.	-	Financial assets at FVTPL - current	250,000	5,200	0.09	
	Areadyan Technology Corporation	-	Financial assets at FVTPL - current	90,000	8,469	0.04	8,469
	PixArt Imaging Inc.	-	Financial assets at FVTPL - current	90,000	13,320	0.07	
	President Chain Store Corporation	-	Financial assets at FVTPL - current	25,000	7,600	-	7,600
	Walsin Technology Corporation	-	Financial assets at FVTPL - current	60,000	14,340	0.01	
	Lotus Pharmaceutical Co., Ltd.	-	Financial assets at FVTPL - current	90,000	10,350	-	10,350
	Taiwan Semiconductor Manufacturing Co., Ltd. Common Stock	-	Financial assets at FVTPL - current	30,000	9,930	-	
	Novatek Microelectronics Corp. Common Stock	-	Financial assets at FVTPL - current	50,000	10,950	0.01	10,950
	Airtac International Group	-	Financial assets at FVTPL - current	29,000	13,529	0.02	
	Sun Yad Construction Co., Ltd	-	Financial assets at FVTPL - current	200,000	2,900	0.11	2,900
	Center Laboratories, Inc. Common Stock	-	Financial assets at FVTPL - current	80,495	4,829	0.02	
Highwealth Construction Corp. Common Stock	-	Financial assets at FVTPL - current	100,000	4,630	0.01	4,630	
Elite Advanced Laser Corporation	-	Financial assets at FVTPL - current	120,000	8,100	0.08		8,100
MediaTek Inc. Common Stock	-	Financial assets at FVTPL - current	25,000	11,088	-	11,088	
Allipon Technology Co., Ltd.	-	Financial assets at FVTPL - current	110,000	8,877	0.17		8,877
Chitrina Holding Limited	-	Financial assets at FVTPL - current	10,000	2,380	0.01	2,380	
TaiDoc Technology Corporation	-	Financial assets at FVTPL - current	50,000	6,525	0.06		6,525

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note
				Shares	Carrying Amount	Percentage of Ownership	
	Team Group Inc.	-	Financial assets at FVTPL - current	98,000	\$ 2,964	0.14	2,964
	Egis Technology Inc.	-	Financial assets at FVTPL - current	6,000	1,419	0.01	1,419
	Top Bright Holding Co., Ltd.	-	Financial assets at FVTPL - current	50,000	5,400	0.10	5,400
	Merry Electronic Co., Ltd.	-	Financial assets at FVTPL - current	10,000	1,675	-	1,675
	Accton Technology Corp	-	Financial assets at FVTPL - current	60,000	10,080	0.01	10,080
	Delta Electronic, Inc. Common Stock	-	Financial assets at FVTPL - current	10,000	1,515	-	1,515
	Makalor Industrial Co., Ltd.	-	Financial assets at FVTPL - current	10,000	1,575	-	1,575
	Bioteque Corporation	-	Financial assets at FVTPL - current	30,000	3,915	0.04	3,915
	Mutual funds						
	Global X Robotics & Artificial	-	Financial assets at FVTPL - current	2,100	1,377	-	1,377
	XLE.P Energy Select SPDR	-	Financial assets at FVTPL - current	1,500	2,700	-	2,700
	Yuanta Global Future Telecommunication	-	Financial assets at FVTPL - current	100,000	2,040	-	2,040
	ETF						
	Shin Kong Shiller Barclays CAPE@ US	-	Financial assets at FVTPL - current	150,000	3,000	-	3,000
	Sector Value ETF	-	Financial assets at FVTPL - current	175,919	1,914	-	1,914
	Shin Kong US Harvest Balanced TWD A	-	Financial assets at FVTPL - current	25,000	1,000	-	1,000
	Yuanta 15+ Year Emerging Markets	-	Financial assets at FVTPL - current	25,000	1,000	-	1,000
	Sovereign Bond ETF	-	Financial assets at FVTPL - current	300,000	3,035	-	3,035
	Yuanta China Policy Bank 5+ Year Bond	-	Financial assets at FVTPL - current	200,000	1,996	-	1,996
	ETF						
	Cathay US Multi-Income Balanced Fund B	-	Financial assets at FVTPL - current	92,717	981	-	981
	TWD						
	Schroder 2025 Maturity Emerging Market	-	Financial assets at FVTPL - current	100,000	1,030	-	1,030
	First Sovereign Bond Fund TWD	-	Financial assets at FVTPL - current	300,000	3,287	-	3,287
	Union Asian High Yield Bond Fund TWD	-	Financial assets at FVTPL - current	110,000	3,979	-	3,979
	A						
	Cathay Target Date 2029 Fund of Funds A	-	Financial assets at FVTPL - current	100,000	919	-	919
	TWD						
	Cathay Senior Secured High Yield Bond	-	Financial assets at FVTPL - current	5,000	1,432	-	1,432
	Fund A USD	-	Financial assets at FVTPL - current	100,000	1,019	-	1,019
	Cathay FTSE China A50 Daily Leveraged	-	Financial assets at FVTPL - current	20,000	6,273	-	6,273
	2X ETF						
	SinoPac Global Multi Income Fund TWD	-	Financial assets at FVTPL - current	178,407	2,024	-	2,024
	Acc						
	SinoPac Global Multi Income Fund USD	-	Financial assets at FVTPL - current	5,000	1,556	-	1,556
	Acc						
	Capital Aggressive Allocation Fund of	-	Financial assets at FVTPL - current	4,943	1,554	-	1,554
	Funds A TWD	-	Financial assets at FVTPL - current	5,496	1,484	-	1,484
	Taishin Global Short-Dated High Yield	-	Financial assets at FVTPL - current				
	Bond Fund						
	PineBridge Asia Pacific High Yield Bond	-	Financial assets at FVTPL - current				
	Fund						
	FSITC US Top 100 Bond Fund N Acc USD	-	Financial assets at FVTPL - current				
	Nomura Global Financial Bond Fund Inc	-	Financial assets at FVTPL - current				
	USD						
	Easispring Investments - Asian High Yield	-	Financial assets at FVTPL - current				
	Bond Fund						

(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, 2019			Note
				Shares	Carrying Amount	Percentage of Ownership	
	Manulife Global Preferred Income Fund A USD	-	Financial assets at FVTPL - current	4,850	\$ 1,608	-	\$ 1,608
	Allianz US Low Average Duration High Yield Fund USD A	-	Financial assets at FVTPL - current	10,000	3,092	-	3,092
	Nomura Frontier Markets Bond Fund Accumulate USD	-	Financial assets at FVTPL - current	4,716	1,555	-	1,555
	Fubon China CSI 500 Index ETF	-	Financial assets at FVTPL - current	194,000	3,496	-	3,496
	Fuh Hwa Developed Countries 300 Equity Index Fund TWD	-	Financial assets at FVTPL - current	100,000	1,047	-	1,047
	KGI Taiwan Multi-Asset Income Fund	-	Financial assets at FVTPL - current	300,000	3,045	-	3,045
	KGI Hospital & Dependency Related Industries Fund TWD	-	Financial assets at FVTPL - current	244,113	3,269	-	3,269
	Nomura Four Years Ladder Maturity Emerging Market Bond Fund CNY Acc	-	Financial assets at FVTPL - current	100,000	4,560	-	4,560
	Cathay Asian Growth Fund USD	-	Financial assets at FVTPL - current	234,444	2,919	-	2,919
	Hua Nan Selected Income Multi-Asset Fund ACC TWD	-	Financial assets at FVTPL - current	200,000	1,982	-	1,982
	Taishin North American Income Trust Fund USD A	-	Financial assets at FVTPL - current	63,939	1,523	-	1,523
	Nomura Global Equity Fund USD	-	Financial assets at FVTPL - current	3,602	1,596	-	1,596
	PineBridge China A-Shares Quantitative Equity Fund-A (CNY)	-	Financial assets at FVTPL - current	46,993	2,194	-	2,194
	Shin Kong Global Preferred Stock Income Fund A TWD	-	Financial assets at FVTPL - current	100,000	1,000	-	1,000
	Easispring Investments Target Maturity 3-6 Year Global EM Bond Fund Acc USD	-	Financial assets at FVTPL - current	10,000	3,039	-	3,039
	Sinopac ICE 1-3 Year US Treasury ETF	-	Financial assets at FVTPL - current	25,000	970	-	970
	Mega Danish Covered Mortgage Bond Index Fund TWD A	-	Financial assets at FVTPL - current	199,513	1,975	-	1,975
	UPAMC 10Y+ Aa-A USD Senior Corporate Bond ETF	-	Financial assets at FVTPL - current	40,000	1,497	-	1,497
	Yuanta S&P U.S. High Yield Preferred Stock ETF	-	Financial assets at FVTPL - current	100,000	2,049	-	2,049
	Taishin Senior Secured High Yield Bond Fund A USD	-	Financial assets at FVTPL - current	10,000	3,099	-	3,099
	Cathay Asia-Pacific Income Bal Acc CNH	-	Financial assets at FVTPL - current	440,723	5,019	-	5,019
	Nomura Global Financial Bond Fund Acc TWD	-	Financial assets at FVTPL - current	93,325	1,005	-	1,005
	Prudential Financial China FlexBal B TWD	-	Financial assets at FVTPL - current	252,325	2,909	-	2,909
	Yuanta MSCI CHINA A ETF	-	Financial assets at FVTPL - current	100,000	2,153	-	2,153
	JPM (Taiwan) New Silk Road Emerging Markets Fund	-	Financial assets at FVTPL - current	93,633	936	-	936
	M&G Optimal Income Fund - M&G Optimal Income Fund USD C-H Acc	-	Financial assets at FVTPL - current	29,964	9,864	-	9,864
	Fuh Hwa Global Short-Term Income Fund	-	Financial assets at FVTPL - current	164,677	1,995	-	1,995

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note
				Shares	Carrying Amount	Percentage of Ownership	
Yes Logistics Corp.	Corporate bond Cathay Life Insurance, 3% perp., TWD	-	Financial assets at amortized cost	20	\$ 20,000	-	\$ 20,000
	Domestic unquoted shares United Raw Material Solutions Inc./URMS	-	Financial assets at FVTOCI - non-current	319,751	1,136	2.76	1,136

(Concluded)



TABLE D

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, 2019

(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	\$ 1,535,797 (Note D)	-	\$ -	-	\$ -	-
	Young-Carrier Company Limited	A	939,083	-	-	-	939,083	-
	Yang Ming (India) Pvt. Ltd.	A	153,793	-	-	-	23,641	-
	Yang Ming Shipping (Vietnam) Co., Ltd.	A	117,048	-	-	-	117,048	-
	Yes Logistics Corp.	A	613,112 (Note E)	-	-	-	-	-
	Hong Ming Terminal & Stevedoring Corp.	A	164,813 (Note E)	-	-	-	-	-
Hong Ming Terminal & Stevedoring Corp.	Yang Ming Marine Transport Corporation	C	129,525	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	Yang Ming Marine Transport Corporation	C	139,896	-	-	-	-	-
Yang Ming Line (Singapore) Pte. Ltd.	All Oceans Transportation, Inc.	B	299,800 (Note D)	-	-	-	-	-
	Kuang Ming (Liberia) Corp.	B	194,870 (Note D)	-	-	-	-	-
Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	B	288,183	-	-	-	288,183	-
Yang Ming Line (Hong Kong) Ltd.	Yang Ming Marine Transport Corporation	C	125,410	-	-	-	125,410	-
Young-Carrier Company Limited	Yang Ming Marine Transport Corporation	C	927,491	-	-	-	599,701	-
Yang Ming Anatolia Shipping Agency S.A.	Yang Ming Marine Transport Corporation	C	127,712	-	-	-	127,712	-
Yang Ming Line Holding Co.	Yang Ming (America) Corp.	A	300,117 (Note F)	-	-	-	-	-
	Kuang Ming (Liberia) Shipping Corp.	B	194,870 (Note D)	-	-	-	-	-
Yang Ming (America) Corp.	Yang Ming Marine Transport Corporation	C	240,477	-	-	-	240,477	-
	Yang Ming (UK) Ltd.	B	117,124	-	-	-	117,124	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming (UK) Ltd.	A	4,246,742 (Note E)	-	-	-	-	-

(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 Shipping (Vietnam) Co., Ltd. Yes Logistics Corp.	Yang Ming Marine Transport Corporation Yes Logistics (Shanghai) Corp.	C A	\$ 105,901 158,408 (Note F)	- -	\$ -	- -	\$ 105,901 -	\$ -
Yang Ming (Japan) Co. Ltd.	Yang Ming Marine Transport Corporation	C	113,097	-	-	-	113,097	-
Yang Ming Line (Thailand) Co., Ltd.	Yang Ming Marine Transport Corporation	C	126,594	-	-	-	126,594	-
Yang Ming (UK) Ltd.	Yang Ming Marine Transport Corporation	C	276,710	-	-	-	-	-

Notes:

- A. Subsidiary of the Corporation.
- B. The same parent company.
- C. Parent company.
- D. Interest receivable, financing provided.
- E. Finance lease receivables and other receivables.
- F. Financing provided, interest receivable, and collection of freight and fees between related parties.
- G. Collections between related parties made according to "Agency Accounting Procedure" by the Corporation and local business conventions.

(Concluded)



TABLE E

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

(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	Other receivables	\$ 587	Conducted as agreed terms	-
				Long-term notes receivable and trade receivables	1,535,210	Conducted as agreed terms	0.01
				Right-of-use assets	27,507,654	Conducted as agreed terms	0.14
				Lease liabilities	6,577,628	Conducted as agreed terms	0.04
				Operating revenue	9,860	Conducted as agreed terms	-
				Operating cost	6,003,781	Conducted as agreed terms	0.04
				Interest revenue	14,280	Conducted as agreed terms	-
				Interest expense	133,843	Conducted as agreed terms	-
				Trade receivables	36	Conducted as agreed terms	-
				Other receivables	11,558	Conducted as agreed terms	-
				Other payables	129,525	Conducted as agreed terms	-
				Finance lease receivable	18,188	Conducted as agreed terms	-
				Long-term lease receivable	135,031	Conducted as agreed terms	-
				Operating revenue	11,976	Conducted as agreed terms	-
				Operating cost	394,090	Conducted as agreed terms	-
				Interest revenue	41,488	Conducted as agreed terms	-
				Right-of-use assets	4,032	Conducted as agreed terms	-
				Lease liabilities	4,064	Conducted as agreed terms	-
				Marketing expense	323	Conducted as agreed terms	-
				Rent income	943	Conducted as agreed terms	-
Interest expense	69	Conducted as agreed terms	-				
Other receivables	327	Conducted as agreed terms	-				
Other payables	139,896	Conducted as agreed terms	-				
Interest expense	118	Conducted as agreed terms	-				
Guarantee deposits received	130	Conducted as agreed terms	-				
Right-of-use assets	4,265	Conducted as agreed terms	-				
Lease liabilities	4,317	Conducted as agreed terms	-				
Operating revenue	2,064	Conducted as agreed terms	-				
Operating cost	645,158	Conducted as agreed terms	-				
Rent income	744	Conducted as agreed terms	-				
Guarantee deposits received	185	Conducted as agreed terms	-				
Rent income	1,194	Conducted as agreed terms	-				
Interest expense	2	Conducted as agreed terms	-				
Payables to shipping agents	24,069	Conducted as agreed terms	-				
Operating cost	183,816	Conducted as agreed terms	-				
Contract assets	14,089	Conducted as agreed terms	-				
Payables to shipping agents	125,410	Conducted as agreed terms	-				
Operating cost	109,740	Conducted as agreed terms	-				
		Jing Ming Transportation Co., Ltd.					
		Ching Ming Investment Corp.					
		Yang Ming Shipping (B.V.I.) Inc.					
		Yang Ming Line (Hong Kong) Ltd.					

(Continued)

Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Transaction Details		% to Total Sales or Assets
				Financial Statement Accounts	Amount (Note C)	
		Yang Ming Line (India) Pvt. Ltd.	1	Contract assets Trade receivables Advances to shipping agent Operating cost	\$ 3,976 153,793 44,373 27,277	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Yang Ming (Korea) Co., Ltd.	1	Contract assets Payables to shipping agents Operating cost	15,747 34,044 185,633	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Young-Carrier Company Ltd.	1	Contract assets Payables to shipping agents Operating cost	922,513 939,083 927,491	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Yang Ming (Japan) Co., Ltd.	1	Contract assets Trade receivables Payables to shipping agents Operating cost	561,532 135,753 64,125 113,097	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Mianwa & Co., Ltd. Yang Ming (Singapore) Pte. Ltd.	1 1	Administrative expense Trade receivables Contract assets	187 3,769 51,472	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Yang Ming Line (M) Sdn. Bhd.	1	Trade receivables Payables to shipping agents Operating cost Contract assets	61,830 1,755 140,846 22,040	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Sunbright Insurance Pte. Ltd. Yang Ming Shipping (Vietnam) Co., Ltd.	1 1	Trade receivables Payables to shipping agents Operating cost Contract assets	67,753 64,080 54,896 7,097	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Yang Ming Anatolia Shipping Agency S.A.	1	Trade receivables Payables to shipping agents Operating cost Contract assets	103,718 117,048 105,901 78,321	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Yang Ming Shipping Philippines, Inc.	1	Trade receivables Payables to shipping agents Operating cost Contract assets	45,161 48,397 127,712 59,105	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 agents Operating cost Contract assets	629 11,287 49,879	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Yang Ming Line (Thailand) Co., Ltd.	1	Payables to shipping agents Contract assets Trade receivables Payables to shipping agents Operating cost	2,201 24,937 54,122 33,995 126,594	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		Yang Ming Insurance Co., Ltd.	1	Operating cost Prepayment Operating cost	97,785 2,141 17,516	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms
		PY Yang Ming Shipping Indonesia	1	Trade receivables Operating cost Payables to shipping agents	15,419 65,393 88,448	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 (America) Corp.	1	Payables to shipping agents	\$ 240,477	Conducted as agreed terms	-
		Triumph Logistics, Inc.	1	Operating cost	1,129,895	Conducted as agreed terms	0.01
		Topline Transportation, Inc.	1	Trade payables	1,871	Conducted as agreed terms	-
		Yang Ming Shipping (Canada) Ltd.	1	Operating cost	121,176	Conducted as agreed terms	-
		Yang Ming (Belgium) N.V.	1	Trade payables	815	Conducted as agreed terms	-
		Yang Ming (Netherlands) B.V.	1	Operating cost	67,520	Conducted as agreed terms	-
			1	Payables to shipping agents	18,597	Conducted as agreed terms	-
			1	Operating cost	38,153	Conducted as agreed terms	-
			1	Contract assets	48,486	Conducted as agreed terms	-
			1	Trade receivables	63,557	Conducted as agreed terms	-
			1	Payables to shipping agents	28,705	Conducted as agreed terms	-
			1	Operating cost	50,668	Conducted as agreed terms	-
			1	Contract assets	106,114	Conducted as agreed terms	-
			1	Trade receivables	50,768	Conducted as agreed terms	-
			1	Payables to shipping agents	23,286	Conducted as agreed terms	-
			1	Operating revenue	10,212	Conducted as agreed terms	-
			1	Operating cost	75,103	Conducted as agreed terms	-
			1	Contract assets	122,610	Conducted as agreed terms	-
			1	Trade receivables	91,513	Conducted as agreed terms	-
			1	Payables to shipping agents	49,923	Conducted as agreed terms	-
			1	Operating cost	93,522	Conducted as agreed terms	-
			1	Contract assets	71,203	Conducted as agreed terms	-
			1	Trade receivables	72,618	Conducted as agreed terms	-
			1	Prepayment	18,663	Conducted as agreed terms	-
			1	Payables to shipping agents	11,160	Conducted as agreed terms	-
			1	Trade payables	276,710	Conducted as agreed terms	-
			1	Operating revenue	1,852,494	Conducted as agreed terms	0.01
			1	Operating cost	1,213,647	Conducted as agreed terms	0.01
			1	Contract assets	125,473	Conducted as agreed terms	-
			1	Trade receivables	45,335	Conducted as agreed terms	-
			1	Payables to shipping agents	73,089	Conducted as agreed terms	-
			1	Operating revenue	2,915	Conducted as agreed terms	-
			1	Operating cost	331,527	Conducted as agreed terms	-
			1	Trade receivables	9,028	Conducted as agreed terms	-
			1	Payables to shipping agents	3,185	Conducted as agreed terms	-
			1	Operating cost	10,723	Conducted as agreed terms	-
			1	Contract assets	67,385	Conducted as agreed terms	-
			1	Trade receivables	50,583	Conducted as agreed terms	-
			1	Payables to shipping agents	17,048	Conducted as agreed terms	-
			1	Operating cost	35,039	Conducted as agreed terms	-
			1	Payables to shipping agents	6,392	Conducted as agreed terms	-
			1	Operating cost	46,229	Conducted as agreed terms	-
			1	Interest revenue	10,303	Conducted as agreed terms	-
			1	Interest expense	36	Conducted as agreed terms	-
			1	Operating revenue	2,843	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	
				Right-of-use assets Lease liabilities Marketing expense Refundable deposits Rent income Operating revenue Trade receivables Other payables Finance lease receivable Long-term lease receivable Interest revenue Operating revenue Rent income Operating cost Marketing expense Other receivables Trade payables Other current liabilities Operating revenue Operating cost Trade payables Operating cost	\$ 2,799 2,815 701 126 4,444 63 692 4,103 36,433 575,987 14,773 548,439 5,873 14,004 204 14,289 568 19,762 168,371 1 2,608 52,704	Conducted as agreed terms Conducted as agreed terms	- -
1	All Oceans Transportation, Inc. Sunbright Insurance Pte. Ltd. Yang Ming Line (Singapore) Pte. Ltd. Yang Ming Insurance Co., Ltd.	Kuang Ming (Liberia) Shipping Corp. YES Logistics Corp.	1 1	Operating cost Interest expense Short-term debt payable Prepayment Operating cost	15,638 10,236 299,800 3,709 30,336	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - -
2	Honming Terminal & Stevedoring Co., Ltd.	Jing Ming Transportation Co., Ltd. YES Logistics Corp.	2 2	Other payables Guarantee deposits received Operating cost Other receivables Other payables Operating revenue Operating cost	19,618 1 72,993 79 5,630 9,942 32,159	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	- - - - - - -
3	Jing Ming Transportation Co., Ltd.	YES Logistics Corp.	2	Trade receivables Operating revenue	1,411 8,344	Conducted as agreed terms Conducted as agreed terms	- -
4	Yang Ming Line (Singapore) Pte. Ltd.	Young-Carrier Company Ltd. Yang Ming Line (Thailand) Co., Ltd. YES Logistics (Shanghai) Corp.	2 2 2	Other payables Guarantee deposits received Rent income Long-term notes receivable and trade receivables Interest revenue Guarantee deposits received Rent income	917 7,566 31,212 15,047 671 153 570	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	- - - - - - -

(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	
		Kuang Ming (Liberia) Shipping Corp. Yang Ming Shipping (B.V.I.) Inc. Yang Ming Line (Hong Kong) Ltd.	2 2 2	Other receivables Interest revenue Long-term notes receivable and trade receivables Interest revenue	\$ 194,870 5,213 3,293 89,940 151	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - - -
5	Yang Ming Insurance Co., Ltd.	Kuang Ming Shipping Corp. Kuang Ming (Liberia) Shipping Corp.	2 2	Advances from customers Operating revenue Advances from customers Operating revenue	333 2,832 3,005 26,958	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
6	Yang Ming (Singapore) Pte. Ltd.	Kuang Ming (Liberia) Shipping Corp.	2	Operating revenue	319	Conducted as agreed terms	-
7	Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	2	Trade receivables Marketing expense	288,183 37,885	Conducted as agreed terms Conducted as agreed terms	- -
8	Karlman Properties Limited	Yang Ming Line (Hong Kong) Ltd.	2	Guarantee deposits received Rent income	770 9,471	Conducted as agreed terms Conducted as agreed terms	- -
9	Yang Ming Line (Hong Kong) Ltd.	Young-Carrier Company Ltd. Yes Logistics Company Ltd.	2 2	Rent income Rent income	677 237	Conducted as agreed terms Conducted as agreed terms	- -
10	Yang Ming Line (India) Pte. Ltd.	Yes Logistics Corp. (USA)	2	Trade receivables Trade payables	32 2	Conducted as agreed terms Conducted as agreed terms	- -
11	Yang Ming (Japan) Co., Ltd.	Manwa & Co., Ltd. Kuang Ming (Liberia) Shipping Corp.	2 2	Other receivables Operating revenue Rent income Operating revenue	39 344 170 34	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
12	Manwa & Co., Ltd.	YES Logistics Corp.	2	Other current assets Operating revenue	65 158	Conducted as agreed terms Conducted as agreed terms	- -
13	Sunbright Insurance Pte. Ltd.	Kuang Ming Shipping Corp. Kuang Ming (Liberia) Shipping Corp.	2 2	Operating revenue Operating revenue	1,289 13,472	Conducted as agreed terms Conducted as agreed terms	- -
14	Yang Ming Line (Thailand) Co., Ltd.	Yang Ming Line Shipping (Thailand) Co., Ltd.	2	Trade payables Operating cost	2,042 16,458	Conducted as agreed terms Conducted as agreed terms	- -
15	Yang Ming Line Holding Corp	Yang Ming (America) Corp. Triumph Logistics, Inc. Yang Ming Line (B.V.I.) Holding Co., Ltd. Kuang Ming (Liberia) Shipping Corp.	2 2 2 2	Other receivables Long-term notes receivable and trade receivables Interest revenue Other receivables Interest revenue Other receivables Interest revenue	317 299,800 9,574 23,984 898 1,968 194,870 5,248	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	- - - - - - - -

(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	
		YES Logistics (Shanghai) Corp.	2	Trade receivables Long-term notes receivable and trade receivables Trade payables Operating revenue Operating cost Interest revenue Trade payables Operating cost Trade payables Trade receivables Trade payables Operating revenue Operating cost	\$ 31,026 127,382 77,914 75,849 257,696 2,760 152 1,855 13 443 354 118 322	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 Conducted as agreed terms	- - - - - - - - - - - - -
26	Yes Logistics Benelux B.V.	Yes Logistics Europe GmbH	2	Trade receivables Trade payables Operating revenue Operating cost Trade receivables Trade payables Operating cost	2,440 1,057 7,772 866 1 740 1,468 1,602	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	- - - - - - - -
27	Yes Logistics Company Ltd.	YES Logistics (Shanghai) Corp.	2	Trade receivables Trade payables Operating revenue Operating cost	16,864 22,530 134 5	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - - -
28	Yes Yangming Logistics (Singapore) Pte. Ltd.	Yes Logistics Corp. (USA)	2	Trade receivables Trade payables Operating revenue	24 2,322 25	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
29	Yes Logistics Corp. (USA)	Yes Logistics Company Ltd. YES Logistics (Shanghai) Corp. Golden Logistics USA Corporation Yes Logistics Europe GmbH PT. YES Logistics Indonesia	2 2 2 2 2	Trade payables Trade receivables Trade payables Operating revenue Operating cost Trade payables Operating revenue Operating cost Trade payables Operating revenue Operating cost	2 19,947 1,147 28,919 11,936 190 7 24 32 108 2 98	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	- - - - - - - - - - - -

(Continued)



Number (Note A)	Investee Company	Counterparty	Relationship (Note B)	Financial Statement Accounts	Transaction Details		
					Amount (Note C)	Payment Terms	% to Total Sales or Assets
30	YES Logistics (Shanghai) Corp.	Yes Logistics Europe GmbH PT. YES Logistics Indonesia YES MLC GmbH	2 2 2	Trade receivables Trade payables Operating revenue Operating cost Trade receivables Operating revenue Trade receivables	\$ 1,093 396 4,164 3,730 153 160 5	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	- - - - - - -
31	Yes Logistics Europe GmbH	YES MLC GmbH	2	Trade receivables Operating revenue Interest revenue	45,761 8,005 730	Conducted as agreed terms Conducted as agreed terms Conducted as agreed terms	- - -
32	YES MLC GmbH	Merlin Logistics GmbH	2	Trade payables	1,846	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)

TABLE I

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019		Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 5,867,216	\$ (35,763)	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	2,973,296	(78,533)	Subsidiary
	Kuang Ming Shipping Corp.	Taiwan	Shipping service, shipping agency and forwarding agency	8,927,857	7,928,163	395,327,339	98.88	2,039,841	(586,335)	Subsidiary
	Yang Ming Line (Singapore) Pre. Ltd.	Singapore	Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency	1,113,356	(Note C)	60,130,000	100.00	2,287,357	392,802	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	2,157,078	212,917	Subsidiary
	Ching Ming Investment Corp.	Taiwan	Investment	1,098,388	1,098,388	120,487,500	100.00	1,144,817	94,355	Subsidiary
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,399	3,399	-	-	-	57	Subsidiary
	All Oceans Transportation, Inc.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	294,493	92,477	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	531,813	75,061	Subsidiary
	Hong Terminal & Stevedoring Co., Ltd.	Taiwan	Terminal operation and stevedoring	79,273	79,273	7,016,908	79.17	127,481	(7,730)	Subsidiary
	Yang Ming International Co., Ltd.	Taiwan	Terminal operation and stevedoring	35,844	35,844	8,615,923	50.98	128,163	7,499	Subsidiary
	Yang Ming International Co., Ltd.	Taiwan	Investment	179,810	179,810	5,211,474	49.75	109,131	6,951	Investments in associates
	Taiwan Foundation International Pre. Ltd.	Singapore	Investment and subsidiaries management	103,802	103,802	3,400,000	34.00	103,312	1,899	Investments in associates
Ching Ming Investment Corp.	Homing Terminal & Stevedoring Co., Ltd	Taiwan	Terminal operation and stevedoring	24,988	24,988	2,083,092	20.83	33,529	(988,808)	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	548,286	548,286	55,630,977	46.36	575,600	-	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	221,485	-	Subsidiary
	Triumph Logistics, Inc.	U.S.A.	Container transportation	1,699	1,699	200	100.00	9,177	7,424	Subsidiary
	Topline Transportation Inc.	U.S.A.	Container transportation	4,860	4,860	100	100.00	10,751	(244)	Subsidiary
	Transcont Intermodal Logistics, Inc.	U.S.A.	Inland forwarding agency	326	2,444	200	100.00	257	(44)	Subsidiary
	Yang Ming Shipping (Canada) Ltd.	Canada	Shipping agency, forwarding agency and shipping managers	2,981	2,981	1,000	100.00	24,061	-	Subsidiary
	West Basin Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	132,050	132,050	(Note E)	40.00	935,257	596,950	Investments in associates
	United Terminal Leasing LLC	U.S.A.	Terminal operation and machine lease	34,750	34,750	(Note F)	40.00	282,126	29,962	Investments in associates
Yang Ming Line (B.V.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(2,843,516)	(149,841)	Subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	(2,843,800)	-	Subsidiary
Yang Ming Line B.V.	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	8,614	8,614	553	89.92	28,624	10,376	Subsidiary
	Yang Ming (Netherlands) B.V.	Netherlands	Shipping agency	15,285	15,285	400,000	100.00	123,708	96,945	Subsidiary
	Yang Ming (Italy) S.p.A.	Italy	Shipping agency	4,319	4,319	125,000	50.00	39,397	40,133	Subsidiary
	Yang Ming (UK) Ltd.	U.K.	Shipping agency, forwarding agency and shipping managers	70,709	70,709	1,500,000	100.00	(3,924,335)	-	Subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	29,697	29,697	(Note G)	100.00	162,154	2,802	Subsidiary
	YangMing (Russia) LLC.	Russia	Shipping agency	3,017	3,017	(Note H)	60.00	16,618	22,640	Subsidiary
	Yang Ming (Spain), S.L.	Spain	Shipping agency	2,213	2,213	60,000	60.00	109,984	-	Subsidiary
	Yang Ming (Greece) Marine Services Single-Member Limited Liability Company	Greece	Shipping agency, forwarding agency and shipping managers	39,379	18,150	11,000	100.00	37,386	-	Subsidiary
Yang Ming (Netherlands) B.V.	Yang Ming Shipping (Egypt) S.A.E.	Egypt	Shipping agency, forwarding agency and shipping managers	15,757	15,757	24,500	49.00	49,674	82,228	Investments in associates
Yang Ming (Belgium) N.V.	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	1,900	1,900	62	10.08	3,209	-	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, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount			
Yang Ming (UK) Ltd.	Corstor Ltd.	U.K.	Storage management and trailer transportation	\$ 25	\$ 25	500	50.00	\$ 5,600	\$ 3,449	-	Investments in associates
Yang Ming (Italy) S.p.A.	Yang Ming (Naples) S.r.l.	Italy	Forwarding agency	238	238	(Note 1)	60.00	246 (Note D)	(3,698)	-	Subsidiary
Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Shipping (B.V.I.) Inc.	British Virgin Islands	Forwarding agency and shipping agency	247,772	247,772	1,000	100.00	419,600	51,556	-	Subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	1,000,000	100.00	(299,155) (Note D)	(38,888)	-	Subsidiary
	Yang Ming Line (India) Pvt. Ltd.	India	Shipping agency, forwarding agency and shipping managers	2,228	2,228	300,000	60.00	53,158	99,034	-	Subsidiary
	Yang Ming (Korea) Co., Ltd.	Korea	Shipping agency, forwarding agency and shipping managers	10,107	10,107	60,000	60.00	36,000	9,587	-	Subsidiary
	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	14,926	14,926	1,000,000	100.00	312,933	88,077	-	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	28,033	2,074	-	Subsidiary
	Yangming Shipping (Singapore) Pte. Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	128,529	22,074	-	Subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	10,727	1,000,000	100.00	58,160	12,416	-	Subsidiary
	Sunbright Insurance Pte. Ltd.	Singapore	Insurance	32,440	32,440	5,000,000	100.00	193,062	14,911	-	Subsidiary
	Yang Ming Anatolia Shipping Agency	Turkey	Shipping agency, forwarding agency and shipping managers	1,077	1,077	50,000	50.00	174,074	383,324	-	Subsidiary
	Formosa International Development Corporation	Vietnam	Invest industry district and real estate	251,329	251,329	(Note J)	30.00	49,809	69,628	-	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	-	43,670	-	Investments in associates
	Yang Ming (Vietnam) Company Limited	Vietnam	Forwarding agency and shipping managers	3,197	3,197	(Note L)	49.00	4,416	-	-	Investments in associates
	Yang Ming Shipping (Vietnam) Co., Ltd.	Vietnam	Forwarding agency and shipping managers	9,881	9,881	(Note M)	100.00	45,817	6,348	-	Subsidiary
	Yang Ming (Australia) Pty. Ltd.	Australia	Shipping agency, forwarding agency and shipping managers	4,597	4,597	150,000	50.00	27,145	27,329	-	Investments in associates
	LogiTrans Technology Private Limited	India	Information system service	10,211	10,211	2,040,000	51.00	18,137	5,481	-	Investments in joint ventures
	Yang Ming Shipping Philippines, Inc.	Philippines	Forwarding agency and shipping managers	6,435	6,435	99,995	100.00	9,283 (Note D)	630	-	Subsidiary
	Yang Ming (Latin America) Corp.	Panama	Shipping agency, forwarding agency and shipping managers	6,020	6,020	200	100.00	7,374	495	-	Subsidiary
	Yang Ming Line (Thailand) Co., Ltd.	Thailand	Shipping agency, forwarding agency and shipping managers	3,589	3,589	3,920	49.00	11,555	8,444	-	Subsidiary
	Yang Ming Line shipping (Thailand) Co., Ltd.	Thailand	Shipping agency	2,282	2,282	2,450	49.00	6,850	5,155	-	Subsidiary
	Yang Ming Insurance Co., Ltd.	Bermuda	Insurance	7,740	7,740	250,000	100.00	33,728	27,056	-	Subsidiary
	PY Yang Ming Shipping Indonesia	Indonesia	Shipping agency, forwarding agency and shipping managers	40,946	-	18,865	49.00	44,424	7,486	-	Subsidiary
	PT. Formosa Sejahtera Logistik	Indonesia	Storage and stevedoring	5,701	5,701	1,875	15.00	5,657	105	-	Investments in associates
	Yang Ming Line shipping (Thailand) Co., Ltd.	Thailand	Shipping agency	2,328	2,328	2,500	50.00	6,990	5,155	-	Subsidiary
	Yang Ming Line (Thailand) Co., Ltd.	Thailand	Shipping agency, forwarding agency and shipping managers	3,678	3,678	3,920	49.00	11,555	8,444	-	Subsidiary
	Manwa & Co., Ltd.	Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,579	(140)	-	Subsidiary
	Karlman Properties Limited	Hong Kong	Property agency	4	4	24,000,000	100.00	86,891	192	-	Subsidiary
	Kuang Ming (Liberia) Shipping Corp.	Republic of Liberia	Forwarding agency	5,450,544 (Note N)	5,450,544 (Note N)	4	100.00	2,101,152	(255,051)	-	Subsidiary
	Yes Logistics Corp.	U.S.A.	Shipping agency, forwarding agency and shipping managers	179,763	179,763	2,173,411	100.00	(18,139) (Note D)	7,406	-	Subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment and subsidiaries management	37,263	37,263	1,607,984	100.00	24,776	874	-	Subsidiary
	PT. YES Logistik Indonesia	Indonesia	Forwarding agency	15,315	15,315	510,000	51.00	11,735	(2,368)	-	Subsidiary
	Yes LIBERAL Logistics Corp.	Taiwan	Storage	75,000	75,000	7,500,000	50.00	69,643	1,657	-	Investments in joint ventures

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note A)		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of Ownership	Carrying Amount			
Yes Yangming Logistics (Singapore) Pte. Ltd.	Yes Logistics Bendux B.V.	Netherlands	Forwarding agency	\$ 10,179	\$ 10,179	12,600	70.00	\$ (2,057) (Note D)	-	Subsidiary	
	Yes Logistics Company Ltd. YES and HQL Logistics Company	Hong Kong Vietnam	Forwarding agency Forwarding agency	32,351 3,128	32,351 3,128	7,882,278 (Note K)	100.00 31.00	24,020 1,607	(2,526) (2,341)	- -	Subsidiary Investments in joint ventures
Yes Logistics Corp. (USA)	Golden Logistics USA Corporation 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	12,521 (103,653) (Note D)	- -	Subsidiary Subsidiary	
	YES Logistics Europe GmbH	Germany	Import and export, storage and delivery, and other warehousing related business	10,826	10,826	(Note P)	100.00	(53,391) (Note D)	-	Subsidiary	
YES MLC GmbH	Merlin Logistics GmbH	Austria	Storage and logistics	1,380	1,380	(Note O)	100.00	340	-	Subsidiary	
Merlin Logistics GmbH	YES Logistics Bulgaria	Bulgaria	Cargo consolidation service and forwarding agency	740	740	500	100.00	(2,207) (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 income or loss recognized at fair value on the date of losing control.
- C. The original investment amount did not deduct the amount of offsetting the deficits of \$4,701,339 thousand in May 2017.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- E. This is equivalent to US\$3,800 thousand, and no shares were issued.
- F. This is equivalent to US\$1,000 thousand, and no shares were issued.
- G. This equivalent to EUR818 thousand and no shares were issued.
- H. This equivalent to US\$92 thousand and no shares were issued.
- I. This is equivalent to EUR6 thousand, and no shares were issued.
- J. This is equivalent to US\$7,700 thousand, and no shares were issued.
- K. This is equivalent to AED245 thousand, and no shares were issued.
- L. This is equivalent to US\$94 thousand, and no shares were issued.
- M. This equivalent to US\$300 thousand and no shares were issued.
- N. The Original investment amount did not deduct the amount of offsetting the deficits \$82,139,659 thousand in June 2017.
- O. This is equivalent to EUR1,025 thousand, and no shares were issued.
- P. This is equivalent to EUR290 thousand, and no shares were issued.
- Q. This is equivalent to EUR35 thousand, and no shares were issued.
- R. This equivalent to US\$102 thousand and no shares were issued.
- S. The information on investments in mainland China is provided in Table G.

(Continued)



TABLE G

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019 (Note F)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note F)	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount as of December 31, 2019 (Note E)	Accumulated Repatriation of Investment Income as of December 31, 2019
						Outflow	Inflow						
Yang Ming Marine Transport Corp.	Huan Ming (Shanghai) International Shipping Agency Co., Ltd.	Shipping agency, forwarding agency and shipping managers	US\$ 1,000 thousand	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	\$ -	\$ -	\$ -	\$ -	\$ (5,851)	51.00	\$ (2,984)	\$ 12,641	\$ -
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.	239,840 (US\$ 8,000 thousand)	-	239,840 (US\$ 8,000 thousand)	14,396	13,872	96.36	13,872	98,204	-
	Chung 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.	278,844 (US\$ 9,301 thousand)	-	278,844 (US\$ 9,301 thousand)	(19,933)	(9,412)	47.22	(9,412)	273,042	-
	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	184,797 (US\$ 6,164 thousand)	-	184,797 (US\$ 6,164 thousand)	18,377	2,361	12.85	2,361	71,826	-
	Shanghai United Cold Chain Logistics Co., Ltd. (Note C)	Stevedoring equipment, management and correlation service	RMB 50,000 thousand	Investee's direct investment in Mainland China	43,037 (RMB 10,000 thousand)	-	43,037 (RMB 10,000 thousand)	(17,505)	(3,373)	19.27	(3,373)	46,599	-
Ching Ming Investment Corp.	Sino Trans PFS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and correlation service	US\$ 46,242 thousand	Investee's direct investment in Mainland China	92,458 (US\$ 3,084 thousand)	-	92,458 (US\$ 3,084 thousand)	18,377	1,226	6.67	1,226	35,823	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (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	\$ -	\$ 210,969 (US\$ 7,037 thousand)	\$ 10,249,319
Yes Logistics Corp. (Note C)	733,869 (US\$ 17,301 thousand) (RMB 50,000 thousand)	733,869 (US\$ 17,301 thousand) (RMB 50,000 thousand)	(Note F)
Ching Ming Investment Corp. (Note D)	86,074 (RMB 20,000 thousand)	86,074 (RMB 20,000 thousand)	686,890

Notes:

- 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.
- 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.
- 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.
- 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.
- Calculated by the % ownership of direct or indirect investment.
- Yes Logistics Corp. applied for and obtained the Business Operations Headquarters letter on September 16, 2019, and the term for the letter is to September 16, 2022. Therefore, the restrictions on the amount of investment in China are not applicable to Yes Logistics Corp.
- 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.
- The Company was authorized to invest in Mainland China by Investment Commission, Ministry of Economic Affairs on December 25, 2019.
- United States dollars and Ren min bi Yuan translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.98 and RMB1=NT\$4.3037 as of December 31, 2019.

6.5 Individual Consolidated Financial Statements 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yang Ming Marine Transport Corporation

Opinion

We have audited the accompanying financial statements of Yang Ming Marine Transport Corporation (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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, 2019 are as follows:

Assessment of the Impairment of Tangible Assets (Not Including Investment Properties), Right-of-Use Assets and Intangible Assets

The carrying amount of tangible assets (not including investment properties), right-of-use assets and intangible assets in the aggregate was NT\$111,335,180 thousand, and the subsidiaries' carrying amount of tangible assets (not including investment properties), right-of-use assets and intangible assets in the aggregate was NT\$18,814,496 thousand, which amounted to NT\$130,149,676 thousand in total. 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 to form 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), right-of-use assets and intangible assets as a key audit matter.

The assessment of impairment of the tangible assets (not including investment properties), right-of-use assets 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, right-of-use and intangible assets into consideration and focused on the performance of each component. When the indicator 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.

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 as 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 26 to the accompanying financial statements.

We tested the accuracy of the timing of the revenue recognition. Through subsequent information on 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 the Company's management and of the revenue resulting from voyages.

Other Matter

We did not audit the financial statements of some subsidiaries, associates and joint ventures of Yang Ming Line (Singapore) Pte. Ltd, Yang Ming Line Holding Co., some subsidiaries, associates and joint ventures of Yes Logistics Company Ltd., and some subsidiaries and associates of Yang Ming Line (B.V.I) Holding Co., Ltd. as of and for the year ended December 31, 2018. 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 expressed herein, 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 was NT\$3,905,758 thousand, representing 3.34% of the Company's total assets as of December 31, 2018. The amount of profit or loss recognized on investments accounted for by equity method was NT\$644,583 thousand, representing (9.96%) of the Company's total comprehensive income or loss for the year ended December 31, 2018.

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

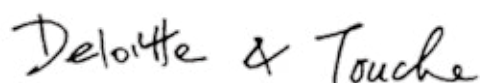
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 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 30, 2020

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.

VI. Overview of the Company's Financial Status

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 11,561,085	7	\$ 12,444,370	11
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	4,955	-	70	-
Financial assets at amortized cost - current (Notes 4, 9 and 34)	-	-	500,000	-
Contract assets, net (Notes 4, 26 and 34)	3,516,865	2	3,083,823	3
Trade receivables, net (Notes 4, 10 and 26)	4,074,570	3	3,188,356	3
Trade receivables from related parties (Notes 4, 10, 26 and 34)	1,973,519	1	2,171,269	2
Financial lease receivables (Notes 3, 4, 11 and 34)	74,296	-	-	-
Other receivables from related parties (Notes 4 and 34)	30,363	-	90,981	-
Shipping fuel (Notes 4 and 12)	3,310,791	2	3,408,746	3
Prepayments (Notes 3, 4, 17 and 34)	332,494	-	409,987	-
Prepayments to shipping agents (Note 34)	125,688	-	80,616	-
Other current assets (Note 28)	531,367	-	489,925	-
Total current assets	25,535,993	15	25,868,143	22
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	1,767,493	1	1,695,305	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 35)	623	-	5,469	-
Investments accounted for using equity method (Notes 4, 5 and 13)	17,745,298	10	17,958,987	15
Property, plant and equipment (Notes 4, 5, 14 and 35)	34,649,013	20	34,537,154	30
Right-of-use assets (Notes 3, 4, 15 and 34)	76,223,022	45	-	-
Investment properties (Notes 4, 16 and 35)	6,761,116	4	6,720,305	6
Other intangible assets (Notes 4 and 5)	78,223	-	57,220	-
Deferred tax assets (Notes 4 and 28)	5,460,334	3	5,213,029	5
Prepayments for equipment (Note 36)	384,922	-	1,171,074	1
Refundable deposits	360,630	-	361,756	-
Financial lease receivable - non-current (Notes 3, 4, 11 and 34)	878,176	1	-	-
Long-term prepayments for leases (Notes 3, 4, 5, 17 and 34)	-	-	473,417	-
Long-term receivables from related parties (Note 34)	1,535,210	1	22,731,797	20
Total non-current assets	145,844,060	85	90,925,513	78
TOTAL	\$ 171,380,053	100	\$ 116,793,656	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 18 and 34)	\$ 2,050,000	1	\$ 3,000,000	2
Short-term bills payable (Notes 18 and 34)	13,087,347	8	9,302,823	8
Financial liabilities at FVTPL - current (Notes 4, 7 and 19)	67,549	-	37,460	-
Financial liabilities for hedging - current (Notes 4, 15 and 33)	7,002,378	4	-	-
Contract liabilities - current (Notes 4 and 26)	84,699	-	41,439	-
Trade payables (Note 20)	9,124,328	5	10,018,091	9
Trade payables to related parties (Notes 20 and 34)	2,876,319	2	3,153,913	3
Other payables (Note 21)	2,077,063	1	1,912,943	2
Other payables to related parties (Note 34)	645,146	-	257,844	-
Provision - current (Notes 4 and 22)	1,032,332	1	1,896	-
Lease liabilities - current (Notes 3, 4, 15 and 34)	930,911	1	-	-
Current portion of long-term liabilities (Notes 4, 18, 19, 23, 34 and 35)	12,535,831	7	10,644,157	9
Other advance account	99,551	-	167,116	-
Other current liabilities	213,191	-	168,339	-
Total current liabilities	51,826,645	30	38,706,021	33
NON-CURRENT LIABILITIES				
Lease liabilities for hedging - non-current (Notes 4, 15 and 33)	41,888,032	24	-	-
Bonds payable (Notes 4, 19, 34 and 35)	12,210,456	7	13,164,195	11
Long-term borrowings (Notes 18, 34 and 35)	38,705,152	23	40,330,163	35
Deferred tax liabilities (Notes 4 and 28)	1,601,498	1	1,596,411	1
Lease liabilities - non-current (Notes 3, 4, 15 and 34)	6,132,344	4	-	-
Other advance account - non-current	150,163	-	765,068	1
Net defined benefit liabilities - non-current (Notes 4 and 24)	2,334,579	1	2,352,923	2
Other non-current liabilities	67,650	-	50,867	-
Total non-current liabilities	103,089,874	60	58,259,627	50
Total liabilities	154,916,519	90	96,965,648	83
EQUITY				
Share capital - ordinary shares	26,013,357	15	23,230,248	20
Capital surplus	1,939,381	1	4,739,792	4
Accumulated deficits	(11,462,514)	(6)	(7,131,851)	(6)
Other equity	(26,690)	-	(1,010,181)	(1)
Total equity	16,463,534	10	19,828,008	17
TOTAL	\$ 171,380,053	100	\$ 116,793,656	100

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

(With Deloitte & Touche auditors' report dated March 30, 2020)

YANG MING MARINE TRANSPORT CORPORATION
**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Loss Per Share)**

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 26 and 34)	\$ 129,368,247	100	\$ 119,440,265	100
OPERATING COSTS (Notes 4, 12, 27 and 34)	<u>129,299,112</u>	<u>100</u>	<u>124,346,683</u>	<u>104</u>
GROSS PROFIT (LOSS)	<u>69,135</u>	<u>-</u>	<u>(4,906,418)</u>	<u>(4)</u>
OPERATING EXPENSES (Notes 27 and 34)				
Selling and marketing expenses	1,476,556	1	1,446,803	1
General and administrative expenses	321,122	1	349,940	-
Expected credit loss	<u>17,489</u>	<u>-</u>	<u>2,811</u>	<u>-</u>
Total operating expenses	<u>1,815,167</u>	<u>2</u>	<u>1,799,554</u>	<u>1</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 15 and 27)	<u>(520,180)</u>	<u>-</u>	<u>370,713</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(2,266,212)</u>	<u>(2)</u>	<u>(6,335,259)</u>	<u>(5)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 27 and 34)				
Other income	329,332	-	591,629	1
Other gains and losses	639,933	-	132,469	-
Finance costs	(3,153,480)	(2)	(1,088,641)	(1)
Share of profits or loss of subsidiaries and associates	<u>146,505</u>	<u>-</u>	<u>(948,125)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(2,037,710)</u>	<u>(2)</u>	<u>(1,312,668)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(4,303,922)	(4)	(7,647,927)	(6)
INCOME TAX BENEFIT (EXPENSE) (Notes 4, 5 and 28)	<u>(6,035)</u>	<u>-</u>	<u>1,056,972</u>	<u>1</u>
NET LOSS FOR THE YEAR	<u>(4,309,957)</u>	<u>(4)</u>	<u>(6,590,955)</u>	<u>(5)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 24, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(54,444)	-	(209,853)	-
Unrealized gain on investments in equity instruments at FVTOCI	72,188	-	86,868	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2019		2018	
	Amount	%	Amount	%
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	\$ 30,527	-	\$ 3,660	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>10,889</u>	<u>-</u>	<u>58,938</u>	<u>-</u>
	<u>59,160</u>	<u>-</u>	<u>(60,387)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(302,008)	-	175,958	-
Gain on hedging instruments	1,218,522	1	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>3,712</u>	<u>-</u>	<u>2,233</u>	<u>-</u>
	<u>920,226</u>	<u>1</u>	<u>178,191</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>979,386</u>	<u>1</u>	<u>117,804</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (3,330,571)</u>	<u>(3)</u>	<u>\$ (6,473,151)</u>	<u>(5)</u>
LOSS PER SHARE (Note 29)				
Basic	<u>\$(1.66)</u>		<u>\$(2.53)</u>	
Diluted	<u>\$(1.66)</u>		<u>\$(2.53)</u>	

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

(With Deloitte & Touche auditors' report dated March 30, 2020)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 25)	Capital Surplus (Notes 25 and 30)	Accumulated Deficit to Be Compensated	Exchange Differences on Translating the Financial Statements of Foreign Operations (Notes 4 and 25)	Other Equity Unrealized Valuation Gain/Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 25)	Gain on Hedging Instruments (Notes 4 and 25)	Total Equity
	Shares (In Thousands)	Amount					
BALANCE AT JANUARY 1, 2018	2,323,025	\$ 23,230,248	\$ (1,527,607)	\$ (85,841)	\$ (1,201,784)	\$ -	\$ 25,986,506
Equity component of convertible bonds issued by the Company	-	-	-	-	-	-	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 income (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 30)	-	-	-	-	-	-	5,718
Change in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	170
BALANCE AT DECEMBER 31, 2018	2,323,025	23,230,248	(7,131,851)	92,350	(1,102,531)	-	19,828,008
Effect of retrospective application and retrospective restatement	-	-	(29,138)	-	-	-	(29,138)
BALANCE AT JANUARY 1, 2019, AS RESTATED	2,323,025	23,230,248	(7,160,989)	92,350	(1,102,531)	-	19,798,870
Capital surplus used to offset accumulated deficits	-	-	17,325	-	-	-	-
Net loss for the year ended December 31, 2019	-	-	(4,309,957)	-	-	-	(4,309,957)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	(4,104)	(298,296)	63,264	1,218,522	979,386
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	(4,314,061)	(298,296)	63,264	1,218,522	(3,330,571)
Convertible bonds converted to ordinary shares	278,311	2,783,109	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries (Note 30)	-	-	(4,788)	-	-	-	(4,785)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (loss) by associates	-	-	(1)	-	1	-	-
BALANCE AT DECEMBER 31, 2019	2,601,336	\$ 26,013,357	\$ (11,462,514)	\$ (205,946)	\$ (1,039,266)	\$ 1,218,522	\$ 16,463,534

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated March 30, 2020)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FORM OPERATING ACTIVITIES		
Loss before income tax	\$ (4,303,922)	\$ (7,647,927)
Adjustments for:		
Depreciation expenses	13,503,568	2,822,932
Amortization expenses	29,073	18,815
Expected credit loss	17,489	2,811
Net loss on fair value change of financial assets/liabilities at FVTPL	23,754	6,937
Finance costs	3,153,480	1,088,641
Interest income	(143,393)	(448,367)
Dividend income	(92,721)	(50,237)
Share of profit (loss) of subsidiaries and associates	(146,505)	948,125
Gain on disposal of property, plant and equipment	(470,339)	(304,001)
Loss on disposal of associates	-	1,260
(Reversal of) write-down of shipping fuel	(119,399)	98,349
Net gain on foreign currency exchange	(72,432)	-
Net loss on repurchase of bonds payable	-	466
(Gain) loss on change in fair value of investment properties	(40,811)	17,289
Amortization of long-term prepayments for leases	-	31,572
Gain on right-of-use assets sublease	(57,732)	-
Recognition of provisions	1,079,405	1,896
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	5,954	15,172
Contract assets	(437,713)	(809,109)
Trade receivables	(895,053)	(1,612,026)
Trade receivables from related parties	197,750	793,274
Other receivables from related parties	60,618	23,719
Shipping fuel	217,354	(1,149,972)
Prepayments	45,921	55,959
Prepayments to shipping agents	(45,072)	264,741
Other current assets	(45,255)	(702,866)
Financial liability held for trading	(4,504)	-
Contract liabilities	43,260	41,439
Trade payables	(893,763)	1,051,532
Trade payables to related parties	(277,594)	(309,563)
Other payables	225,222	111,093
Other payables to related parties	51,001	(60,613)
Other advances account	107,418	(197,643)
Other current liabilities	31,759	79,918
Net defined benefit liabilities	(72,788)	11,619
Cash generated from (used in) operations	10,674,030	(5,804,765)
Interest received	144,763	920,212
Dividend received	504,905	496,119
Interest paid	(3,289,525)	(1,173,966)
Income tax paid	(235,188)	(183,603)
Net cash generated from (used in) operating activities	<u>7,798,985</u>	<u>(5,746,003)</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION
**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	\$ 504,846	\$ 351,230
Acquisition of associates	-	(103,802)
Proceeds from capital reduction of associates	-	60,331
Net cash inflow from liquidation of subsidiaries	642,320	-
Payments for property, plant and equipment	(2,099,954)	(2,828,197)
Proceeds from disposal of property, plant and equipment	917,755	511,870
Decrease in refundable deposits	1,126	254,455
(Increase) decrease in long-term receivables from related parties	(3,252,683)	682,461
Payments for intangible assets	(50,076)	-
Payments for investment properties	-	(5,915)
Increase in financial lease receivables	(98,176)	-
Increase in prepayments for equipment	(262,621)	(1,149,551)
Net cash used in investing activities	<u>(3,697,463)</u>	<u>(2,227,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(950,000)	-
Proceeds from short-term bills payable	3,802,000	2,200,000
Repurchase of bonds payable	-	(149,200)
Proceeds from bonds payable	5,000,000	7,676,000
Repayments of bonds payable	(6,024,000)	(1,275,952)
Proceeds from long-term borrowings	32,128,500	27,700,000
Repayments of long-term borrowings	(31,723,009)	(23,074,970)
Payments for obligations under finance leases	-	(40,201)
Repayments of the principal portion of lease liabilities	(6,221,491)	-
Decrease in other financial liabilities	(13,896)	(52,566)
Increase in other non-current liabilities	16,783	696
Acquisition of subsidiaries	(999,694)	-
Net cash (used in) generated from financing activities	<u>(4,984,807)</u>	<u>12,983,807</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(883,285)	5,010,686
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,444,370</u>	<u>7,433,684</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,561,085</u>	<u>\$ 12,444,370</u>

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

(With Deloitte & Touche auditors' report dated March 30, 2020)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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 GDRs listed on London Stock Exchange were delisted on December 5, 2019.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by YMTC’s board of directors on March 26, 2020.

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 did not have any material impact on the Company’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Company elects 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 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes 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 are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

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

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

If the Company determines that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 "Revenue from Contracts with Customers" to be accounted for as a sale of an asset, it is accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Prior to the application of IFRS 16, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

The Company does 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 applies to the leaseback portion. In addition, for the leases previously accounted for as a finance lease under IAS 17, the Company continues to amortize any gains on sales over the lease term. For the leases previously accounted for as a sale and an operating lease

VI. Overview of the Company's Financial Status

under IAS 17, the Company adjusts the leaseback right-of-use assets for any deferred gains or losses recognized on January 1, 2019.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.728%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 126,330,783
Less: Recognition exemption for short-term leases	(3,565,267)
Less: Recognition exemption for leases of low-value assets	(23,311,234)
Less: Recognition of non-lease components of the contracts	<u>(16,667,147)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 82,787,135</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 75,963,053
Add: Finance lease liabilities on December 31, 2018	<u>-</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 75,963,053</u>

The Company as lessor

Except for sublease transaction, the Company does not make any adjustments for leases in which it is a lessor and it accounts 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 was classified as an operating lease under IAS 17. The Company determines the sublease is classified as a finance lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019, and the Company accounts for the sublease as a new finance lease entered into at that date.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on 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 prepayments for leases	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	(29,138)	17,929,849
Right-of-use assets	<u>-</u>	<u>75,087,436</u>	<u>75,087,436</u>
Total effect on assets	<u>\$ 53,379,545</u>	<u>\$ 75,144,027</u>	<u>\$ 128,523,572</u>

(Continued)

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Other advances received	\$ 167,116	\$ (119,680)	\$ 47,436
Other advances received - non-current	765,068	(670,208)	94,860
Lease liabilities - current	-	8,729,839	8,729,839
Lease liabilities - non-current	<u>-</u>	<u>67,233,214</u>	<u>67,233,214</u>
Total effect on liabilities	<u>\$ 932,184</u>	<u>\$ 75,173,165</u>	<u>\$ 76,105,349</u>
Accumulated deficits	<u>\$ (7,131,851)</u>	<u>\$ (29,138)</u>	<u>\$ (7,160,989)</u>
Total effect on equity	<u>\$ (7,131,851)</u>	<u>\$ (29,138)</u>	<u>\$ (7,160,989)</u> (Concluded)

- b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e., the Company's share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, 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 parent company only 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 and associates. 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 and associates, the share of other comprehensive income of subsidiaries and associates 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 Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., 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 in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from 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 translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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 are reclassified to profit or loss.

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 accounted for as 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.

Profit or loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investment 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.

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. The Company also recognizes the changes in the Company's share of the equity of associates 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 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 Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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 is not allocated to any asset, including goodwill, that 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.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant, and equipment also included assets held under finance leases.

Property, plant and equipment in the course of construction are measured 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 their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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 and/or for capital appreciation. Investment properties include land held for a currently undetermined future use.

Freehold 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 corresponding 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 on 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 the Company 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 issuance 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

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, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 33.

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.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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 Company 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 Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables, finance lease 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.

For internal credit risk management purposes, the Company determines that when internal or external information shows that the debtor is unlikely to pay its creditors, it is indicated that a financial asset is in default (without taking into account any collateral held by the Company).

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss 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.

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 the Company 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 Company are recognized at the proceeds received, net of direct issue costs.

The 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, issuance 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:

i. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in profit or loss. Fair value is determined in the manner described in Note 33.

ii. Financial guarantee contract

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

- i) The amount of the loss allowance reflecting expected credit losses; and
- ii) Amortized cost.

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 (i.e., 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 upon 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 premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

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 oil swap and oil swap option.

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

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. Hedge accounting

The Company designates certain hedging instruments, which include non-derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the related hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

n. 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.

o. Revenue recognition

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 container shipping service

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) Other operating revenues

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

p. Leasing

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At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Company allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Company as lessor

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

When the Company subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

2018

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.

q. Borrowing costs

Borrowing costs directly attributable to an 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 that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

r. 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 in which 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 retained earnings 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.

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 on unappropriated earnings is provided for 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 recognized only 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 liabilities are settled or the assets are 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

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.

Key Sources of Estimation Uncertainty

a. Non-financial assets impairment

The Company's major operating assets are ships and containers, other intangible assets, right-of-use assets and prepayments for equipment. 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.

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. 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

	December 31	
	2019	2018
Cash on hand	\$ 1,323	\$ 1,441
Checking accounts and demand deposits	9,846,471	8,922,789
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	1,713,291	3,520,140
	\$ 11,561,085	\$ 12,444,370

The market rate intervals of time deposits at the end of the reporting period were as follows:

	<u>December 31</u>	
	2019	2018
Time deposits	0.60%-2.95%	0.60%-3.30%

7. FINANCIAL INSTRUMENT AT FVTPL - CURRENT

	<u>December 31</u>	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	\$ <u>4,955</u>	\$ <u>70</u>
<u>Financial liabilities at FVTPL - current</u>		
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 19)	<u>67,549</u>	<u>16,887</u>
	<u>\$ 67,549</u>	<u>\$ 37,460</u>

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 were settled in US\$431 thousand and US\$0 thousand every month for the years ended December 31, 2019 and 2018, respectively. The terms of the derivatives mentioned above did not qualify as effective hedging instruments, thus hedge accounting was not applied.

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

	Maturity Date	<u>Unsettled Amount</u>	
		Notional Amount	Fair Value
December 31, 2018	2019.06.30	US\$2,586 thousand	\$ (20,573)

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

	<u>December 31</u>	
	2019	2018
<u>Domestic investments in equity instruments</u>		
Listed shares and emerging market shares		
Ordinary shares - Taiwan Navigation Co., Ltd.	\$ 1,255,959	\$ 1,344,407
Unlisted shares		
Ordinary shares - Taipei Port Container Terminal CO., LTD.	505,102	346,302
Ordinary shares - United Stevedoring Corp.	<u>6,432</u>	<u>4,596</u>
	<u>\$ 1,767,493</u>	<u>\$ 1,695,305</u>

VI. Overview of the Company's Financial Status

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 Company's strategy of holding these investments for long-term purposes.

Dividends of \$92,721 thousand and \$50,237 thousand were recognized during 2019 and 2018, respectively.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
<u>Current</u>		
Domestic privately placed unsecured bonds - Kuang Ming Shipping Corp.	\$ <u> -</u>	\$ <u>500,000</u>
<u>Non-current</u>		
Time deposits with original maturity of more than 3 months	\$ 623	\$ -
Restricted bank balance (Note 35)	<u> -</u>	<u>5,469</u>
	<u>\$ 623</u>	<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. The corporate bond is repaid in the 3, 4, and 5 years since the release day, and fully repaid on November 27, 2019.

10. TRADE RECEIVABLES

	December 31	
	2019	2018
<u>Trade receivables</u>		
At amortized cost		
Trade receivable	\$ 4,090,404	\$ 3,196,473
Trade receivable - related parties	1,973,519	2,171,269
Less: Allowance for impairment loss	<u>(15,834)</u>	<u>(8,117)</u>
	<u>\$ 6,048,089</u>	<u>\$ 5,359,625</u>

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

The Company measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECLs. 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, 2019

	<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	0.24%	0.59%-1.59%	
Gross carrying amount	\$ 5,904,079	\$ 159,844	\$ 6,063,923
Loss allowance (Lifetime ECLs)	<u>(14,321)</u>	<u>(1,513)</u>	<u>(15,834)</u>
Amortized cost	<u>\$ 5,889,758</u>	<u>\$ 158,331</u>	<u>\$ 6,048,089</u>

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 ECLs)	<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>

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

	2019	2018
Balance at January 1	\$ 8,117	\$ 10,094
Add: Recognition of loss allowance	8,839	-
Less: Recognition of loss allowance	-	(979)
Less: Amounts written off	<u>(1,122)</u>	<u>(998)</u>
Balance at December 31	<u>\$ 15,834</u>	<u>\$ 8,117</u>

11. FINANCE LEASE RECEIVABLES

2019

	December 31, 2019
<u>Undiscounted lease payments</u>	
Year 1	\$ 116,577
Year 2	116,577
Year 3	116,577
Year 4	116,577
Year 5	116,577
Year 6 onwards	<u>579,607</u>
	1,162,492
Less: Unearned finance income	<u>(210,020)</u>
Net investment in leases presented as finance lease receivables	<u>\$ 952,472</u>
Current	<u>\$ 74,296</u>
Non-current	<u>\$ 878,176</u>

The Company entered into finance lease arrangement for certain port equipment with quarterly fixed lease payment of \$11,042 thousand.

The Company has been subleasing its container yard located in Keelung with monthly and quarterly fixed lease payments of \$1,834 thousand and \$1,796 thousand. Also, the Company has been subleasing its logistics center located in Kaohsiung with quarterly fixed lease payment of \$10,804 thousand. As the Company subleases the container yard and the logistics center for all the remaining lease term of the main lease to the sublessee, the sublease contracts are classified as a finance lease.

The interest rates inherent in leases are fixed at the contract dates for the entire term of the lease. The range of interest rates inherent in the finance leases were approximately 0.40%-17.71% per annum as of December 31, 2019.

The Company measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. The respective leased equipment served as collateral for the finance lease receivables. As of December 31, 2019, no finance lease receivable was past due. The Company has not recognized a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

12. SHIPPING FUEL

	<u>December 31</u>	
	2019	2018
Shipping fuel	<u>\$ 3,310,791</u>	<u>\$ 3,408,746</u>

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2019 and 2018, was \$21,086,531 thousand and \$20,779,392 thousand, respectively.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2019 and 2018 included reversals of shipping fuel write-downs of \$119,399 thousand and shipping fuel write-downs of \$98,349 thousand, respectively. Previous write-downs were reversed as a result of increased profit from marine operations.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2019	2018
Investments in subsidiaries	\$ 11,665,339	\$ 11,752,026
Investments in associates	<u>6,079,959</u>	<u>6,206,961</u>
	<u>\$ 17,745,298</u>	<u>\$ 17,958,987</u>

a. Investments in subsidiaries

	<u>December 31</u>	
	2019	2018
Unlisted shares		
Yang Ming Shipping (B.V.I.) Inc.	\$ 2,973,296	\$ 3,138,527
Yang Ming Line (Singapore) Pte Ltd.	2,287,357	2,272,087
Yang Ming Line Holding Co.	2,157,078	1,997,780
Kuang Ming Shipping Corp.	2,030,841	1,701,808
Ching Ming Investment Corp.	1,144,817	1,057,131
Yang Ming (Liberia) Corp.	-	642,263
Yes Logistics Corp.	521,813	494,887
All Oceans Transportation Inc.	294,493	202,016
Jing Ming Transportation Co., Ltd.	128,163	126,107
Honming Terminal & Stevedoring Co., Ltd.	<u>127,481</u>	<u>119,420</u>
	<u>\$ 11,665,339</u>	<u>\$ 11,752,026</u>

VI. Overview of the Company's Financial Status

Name of Subsidiaries	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
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)	98.88%	98.52%
Ching Ming Investment Corp.	100.00%	100.00%
Yang Ming (Liberia) Corp. (Note b)	-	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%

Note a: The Company's board of directors resolved in January 2019 to apply for the capital increase by cash of Kuang Ming on March 8, 2019. The Company injected for \$999,694 thousand for 99,969 thousand shares, with a par value of \$10, and increased its continuing interest from 98.52% to 98.88%.

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 Table B 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	
	2019	2018
Associates that are not individually material		
Kao Ming Container Terminal Corp.	\$ 5,867,216	\$ 5,987,984
Yunn Wang Investment Co., Ltd.	109,431	115,002
Taiwan Foundation International Pte. Ltd. (Note a)	103,312	103,975
Transyang Shipping Pte. Ltd. (Note b)	-	-
	\$ 6,079,959	\$ 6,206,961

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	
	2019	2018
The Company's share of:		
Net gain (loss) for the year	\$ (26,913)	\$ 10,347
Other comprehensive income (loss)	<u>(6,324)</u>	<u>11,600</u>
Total comprehensive income (loss) for the year	<u>\$ (33,237)</u>	<u>\$ 21,947</u>

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 financial statements which have been audited in 2019. 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 financial statements which 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 which have not been audited.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Company	\$ 34,390,025
Assets leased under operating leases	<u>258,988</u>
	<u>\$ 34,649,013</u>

a. Assets used by the Company - 2019

	Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Property under Construction	Total
<u>Cost</u>									
Balance at January 1, 2019	\$ 343,210	\$ 773,258	\$ 25,441,327	\$ 27,835,089	\$ 689,790	\$ 146,272	\$ 2,262,429	\$ -	\$ 57,491,375
Adjustments on initial application of IFRS 16	-	-	-	-	(689,790)	-	-	-	(689,790)
Balance at January 1, 2019 (restated)	343,210	773,258	25,441,327	27,835,089	-	146,272	2,262,429	-	56,801,585
Additions	-	127	-	543,266	-	-	63,130	1,832,528	2,439,051
Disposals	-	-	(2,376,058)	(39,999)	-	-	(1,128,888)	-	(3,544,945)
Reclassification	-	-	689,790	9,087	-	-	20,326	1,019,360	1,738,563
Balance at December 31, 2019	<u>\$ 343,210</u>	<u>\$ 773,385</u>	<u>\$ 23,755,059</u>	<u>\$ 28,347,443</u>	<u>\$ -</u>	<u>\$ 146,272</u>	<u>\$ 1,216,997</u>	<u>\$ 2,851,888</u>	<u>\$ 57,434,254</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2019	\$ -	\$ 296,669	\$ 13,142,072	\$ 7,051,840	\$ 677,016	\$ 146,272	\$ 1,934,997	\$ -	\$ 23,248,866
Adjustments on initial application of IFRS 16	-	-	-	-	(677,016)	-	-	-	(677,016)
Balance at January 1, 2019 (restated)	-	296,669	13,142,072	7,051,840	-	146,272	1,934,997	-	22,571,850
Disposals	-	-	(2,106,536)	(39,999)	-	-	(964,087)	-	(3,110,622)
Depreciation expenses	-	13,591	1,503,792	1,325,959	-	-	49,869	-	2,893,211
Reclassification	-	-	689,790	-	-	-	-	-	689,790
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 310,260</u>	<u>\$ 13,229,118</u>	<u>\$ 8,337,800</u>	<u>\$ -</u>	<u>\$ 146,272</u>	<u>\$ 1,020,779</u>	<u>\$ -</u>	<u>\$ 23,044,229</u>
Carrying amounts at December 31, 2019	<u>\$ 343,210</u>	<u>\$ 463,125</u>	<u>\$ 10,525,941</u>	<u>\$ 20,009,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,218</u>	<u>\$ 2,851,888</u>	<u>\$ 34,390,025</u>

VI. Overview of the Company's Financial Status

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

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

The dry dock is a significant component of ships.

Property, plant and equipment used by the Company and pledged as collateral for bank borrowings are set out in Note 35.

b. Assets leased under operating leases - 2019

	Ships
<u>Cost</u>	
Balance at January 1, 2019	\$ 503,735
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	503,735
Additions	-
Balance at December 31, 2019	<u>\$ 503,735</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	\$ 209,090
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	209,090
Disposals	-
Depreciation expenses	35,657
Balance at December 31, 2019	<u>\$ 244,747</u>
Carrying amounts at December 31, 2019	<u>\$ 258,988</u>

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2019
Year 1	\$ 32,791
Year 2 onwards	-
	<u>\$ 32,791</u>

At the end of the lease terms of ships under operating leases, the Company determines the demand of voyage line whether reclassifying to freehold or adjusting the rent by market rent and continue leasing to reduce the risk of the residual assets of the lease assets.

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Ships	25 years
Dry dock	2.5 years

The dry dock is a significant component of ships.

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 35.

c. 2018

	Freehold Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Total
<u>Cost</u>								
Balance at January 1, 2018	\$ 343,210	\$ 773,258	\$ 23,724,529	\$ 28,314,219	\$ 689,790	\$ 146,272	\$ 2,346,808	\$ 56,338,086
Additions	-	-	2,739,802	53,163	-	-	26,472	2,819,437
Disposals	-	-	(1,023,004)	(32,000)	-	-	(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>\$ 25,441,327</u>	<u>\$ 28,338,824</u>	<u>\$ 689,790</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	\$ 12,621,730	\$ 6,094,084	\$ 600,373	\$ 146,272	\$ 1,961,439	\$ 21,705,527
Disposals	-	-	(920,527)	(32,000)	-	-	(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>\$ 13,142,072</u>	<u>\$ 7,260,930</u>	<u>\$ 677,016</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>\$ 12,299,255</u>	<u>\$ 21,077,894</u>	<u>\$ 12,774</u>	<u>\$ -</u>	<u>\$ 327,432</u>	<u>\$ 34,537,154</u>

Operating leases relate to leases of freehold property, plant and equipment with lease terms of two years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating leases are as follows:

	December 31, 2018
Year 1	\$ 94,844
Year 2 onwards	<u>-</u>
	<u>\$ 94,844</u>

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

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.

The Company's property, plant and equipment pledged as collaterals for the secured loans is set out in Note 35.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	Land	Buildings	Container and Chassis	Ships	Miscellaneous Equipment	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments on initial application of IFRS 16	6,096	8,697	892,685	74,841,411	15,563	75,764,452
Balance at January 1, 2019 (restated)	6,096	8,697	892,685	74,841,411	15,563	75,764,452
Additions	-	503,014	476,376	10,923,658	310	11,903,358
Disposals	-	(193,072)	-	-	-	(193,072)
Reclassified	-	-	(689,790)	-	-	(689,790)
Balance at December 31, 2019	<u>\$ 6,096</u>	<u>\$ 318,639</u>	<u>\$ 679,271</u>	<u>\$ 85,765,069</u>	<u>\$ 15,873</u>	<u>\$ 86,784,948</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments on initial application of IFRS 16	-	-	677,016	-	-	677,016
Balance at January 1, 2019 (restated)	-	-	677,016	-	-	677,016
Additions	4,064	34,213	241,492	10,286,475	8,456	10,574,700
Reclassified	-	-	(689,790)	-	-	(689,790)
Balance at December 31, 2019	<u>\$ 4,064</u>	<u>\$ 34,213</u>	<u>\$ 228,718</u>	<u>\$ 10,286,475</u>	<u>\$ 8,456</u>	<u>\$ 10,561,926</u>
Carrying amounts at December 31, 2019	<u>\$ 2,032</u>	<u>\$ 284,426</u>	<u>\$ 450,553</u>	<u>\$ 75,478,594</u>	<u>\$ 7,417</u>	<u>\$ 76,223,022</u>

For the Year Ended December 31, 2019

Income from the sublease of right-of-use assets (presented in operating revenue) \$ 421,627

b. Lease liabilities - 2019

	December 31, 2019
Land	\$ 2,044
Buildings	554,497
Container and chassis	440,444
Ships	54,949,283
Miscellaneous equipment	<u>7,397</u>
	<u>\$ 55,953,665</u>
<u>Carrying amounts</u>	
Current	<u>\$ 930,911</u>
Non-current	<u>\$ 6,132,344</u>

(Continued)

**December 31,
2019**

Lease liabilities designated as hedging (included in financial liabilities for hedging)

Current	<u>\$ 7,002,378</u>
Non-current	<u>\$ 41,888,032</u>
	(Concluded)

Financial liabilities designated as hedging

The Company designated part of US dollar lease liabilities as hedging instruments to avoid future US dollar operating revenue foreign currency risk and designated as cash flow hedges. The information of the contracts were as follow:

	Maturity Period	Account	Carrying Amount
December 31, 2019	2019/01/01-2029/03/31	Financial liabilities for hedging	\$ 48,890,410

Impact on comprehensive income (loss):

	Recognized in Other Comprehensive Income	Amount Reclassified to Profit or Loss
For the year ended December 31, 2019	<u>\$ 1,171,856</u>	<u>\$ 46,666</u>

There was no other source of hedge ineffectiveness during hedging period.

The lease term and the range of discount rate for lease liabilities (including USD-denominated lease contracts designated as hedge instruments) was as follows:

	Lease term	For the Year Ended December 31, 2019
Land	2015/07/01-2020/06/30	1.14%
Buildings	2000/08/22-2036/09/30	0.95%-1.79%
Container and chassis	2014/06/01-2025/02/28	3.00%-3.87%
Ships	2007/11/27-2040/03/31	1.08%-4.08%
Miscellaneous equipment	2017/10/27-2021/04/30	1.00%-3.80%

VI. Overview of the Company's Financial Status

c. Material lease-in activities and terms

Many of the ship leases across the Company contain extension options. These terms are used to maximize operational flexibility in terms of managing contracts. When the rents are lower than the market price of lease market, the Company will extent the lease term. These terms are not reflected in measuring lease liabilities in many cases because the options are not reasonably certain to be exercised. The table below summarizes potential future rental payments relating to periods following the exercise dates of extension options.

Containership Department	Lease Liabilities Recognized (Discounted)	Potential Future Lease Payments Not Included in Lease Liabilities (Discounted)	Historical Rate of Exercise of Extension Options
<u>December 31, 2019</u>			
Ships	\$ 41,544,188	\$ 11,401,944	0%

The Company's subsidiary signed a leaseback contract of YM Uberty and subleased to the Company in August 2008. After evaluating in 2019, the ship's repurchase option price in the contract was higher than market price. The subsidiary had sent ship returning notification to ship owner. However, according to the lease contract, if the subsidiary didn't exercise the repurchase option, according to the Company's evaluation, it could bear the risk of compensation responsibility of approximately \$1,077,322 thousand in the range of ship owner's creditor bank unsettle principal and interest after the term expires. The Company had recognized probable maximum loss in 2019 according to conservative accounting standard.

d. Subleases

In addition to the sublease transactions described in Note 11, the other sublease transactions are set out below.

Sublease of right-of-use assets - 2019

The Company subleases its right-of-use assets for property, plant and equipment under operating leases with lease terms between 1 year. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating subleases was as follows:

	December 31, 2019
Year 1	\$ 90,800
Year 2 onwards	-
	<u>\$ 90,800</u>

e. Other lease information

Lease arrangements under operating leases for the leasing out of freehold property, plant and equipment and investment properties are set out in Notes 14 and 16. Lease arrangements for the leasing out of assets under finance leases are set out in Note 11.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 2,980,077</u>
Expenses relating to low-value asset leases	<u>\$ 4,878,337</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 3,836</u>
Expenses relating to service cost payments not included in the measurement of lease liabilities	<u>\$ 5,242,811</u>
Total cash outflow for leases	<u>\$ (21,432,155)</u>

The Company has elected to apply the recognition exemption of short-term leases and low-value asset leases and thus, did not recognize right-of-use assets and lease liabilities for these leases.

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. The amount of lease commitments for short-term leases for which the recognition exemption is applied was \$18,766,796 thousand as of December 31, 2019.

The amount of lease commitments for future service cost which was recognized as non-lease components of contracts was \$36,956,962 thousand as of December 31, 2019.

2018

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

	December 31, 2018
Not later than 1 year	\$ 20,485,130
Later than 1 year and not later than 5 years	64,042,450
Later than 5 years	<u>41,803,203</u>
	<u>\$ 126,330,783</u>

16. INVESTMENT PROPERTIES

	Completed Investment Property
Balance at January 1, 2018	\$ 6,731,679
Additions	5,915
Loss on change in fair value of investment properties	<u>(17,289)</u>
Balance at December 31, 2018	6,720,305
Additions	-
Gain on change in fair value of investment properties	<u>40,811</u>
Balance at December 31, 2019	<u>\$ 6,761,116</u>

The investment properties are leased out for 1 to 5.17 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 maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 78,096
Year 2	37,920
Year 3	12,354
Year 4	3,690
Year 5	654
Year 6 onwards	<u>-</u>
	<u>\$ 132,714</u>

The future minimum lease payment receivable under operating lease of investment properties as of December 31, 2018 is as follows:

	December 31, 2018
Not later than 1 year	\$ 83,753
Later than 1 year and not later than 5 years	101,348
Year 6 onwards	<u>-</u>
	<u>\$ 185,101</u>

The lease contract includes lessee's use limitation, guarantee deposit, punishment of breaching contracts, and responsibilities of maintenance, and the Company follows its general risk management strategy to reduce the residual asset risk related to investment properties at the end of the relevant lease.

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

	December 31	
	2019	2018
Independent valuation	<u>\$ 6,761,116</u>	<u>\$ 6,720,305</u>

As of December 31, 2019 and 2018, the fair values were based on the valuations carried out on January 8, 2020 and January 7, 2019, 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 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 January 1, 2018	\$ 325,082	\$ 5,823,296	\$ 583,301	\$ 6,731,679
Recognized in profit or loss (gain (loss) 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	326,582	5,808,200	585,523	6,720,305
Recognized in profit or loss (gain arising from the change in fair value of investment property)	3,658	31,291	5,862	40,811
Purchases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 330,240</u>	<u>\$ 5,839,491</u>	<u>\$ 591,385</u>	<u>\$ 6,761,116</u>
Unrealized gain (loss) arising from the change in fair value of investment properties for the year ended December 31				
2019	<u>\$ 3,658</u>	<u>\$ 31,291</u>	<u>\$ 5,862</u>	<u>\$ 40,811</u>
2018	<u>\$ (3,653)</u>	<u>\$ (15,858)</u>	<u>\$ 2,222</u>	<u>\$ (17,289)</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>	
	2019	2018
Expected future cash inflows	\$ 5,741,317	\$ 5,857,431
Expected future cash outflows	<u>(436,502)</u>	<u>(465,612)</u>
Expected future cash inflows, net	<u>\$ 5,304,815</u>	<u>\$ 5,391,819</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 \$3 thousand in 2019, and between \$0.5 thousand and \$2.5 thousand per ping (35.59 square feet) in 2019 and 2018. The market rentals for comparable properties were between \$0.4 thousand and \$2.5 thousand per ping (35.59 square feet) in 2019 and between \$0.4 thousand and \$3.1 thousand per ping (35.59 square feet) in 2018.

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

VI. Overview of the Company's Financial Status

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%.

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	
	2019	2018
Estimated total sale price	<u>\$ 7,480,431</u>	<u>\$ 5,981,809</u>
Rate of return	14%-20%	14%-20%
Overall capital interest rate	1.50%-4.78%	1.54%-4.22%

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 35.

17. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2019	2018
Current asset (included in prepayments)	\$ -	\$ 31,572
Non-current asset	<u>-</u>	<u>473,417</u>
	<u>\$ -</u>	<u>\$ 504,989</u>

For the purpose of managing the storage, reforming, 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.

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,550,000	\$ 2,000,000
Loans from related parties (Note 34)	<u>500,000</u>	<u>1,000,000</u>
	<u>\$ 2,050,000</u>	<u>\$ 3,000,000</u>

1) The range of weighted average effective interest rate on credit borrowings was 1.77% and 1.40%-1.55% per annum as of December 31, 2019 and 2018, respectively.

2) Loans from related parties of the Company were the amounts repayable to government-related entities. Interest rate was 1.56% and 1.48%-1.56% per annum as of December 31, 2019 and 2018, respectively.

b. Short-term bills payable

	December 31	
	2019	2018
Commercial paper	\$ 11,030,000	\$ 7,028,000
Less: Unamortized discount on bills payable	<u>32,255</u>	<u>14,507</u>
	<u>10,997,745</u>	<u>7,013,493</u>
Loans from related parties (Note 34)	2,100,000	2,300,000
Less: Unamortized discount on bills payable	<u>10,398</u>	<u>10,670</u>
	<u>2,089,602</u>	<u>2,289,330</u>
	<u>\$ 13,087,347</u>	<u>\$ 9,302,823</u>

Interest rate of the outstanding short-term bills payable was 1.04%-1.77% and 1.08%-2.07% per annum as of December 31, 2019 and 2018, respectively. Interest rate of the outstanding short-term bills payable from related parties was 1.16% and 1.15%-1.23% per annum as of December 31, 2019 and 2018 respectively.

c. Long-term borrowings

	December 31	
	2019	2018
<u>Secured borrowings (Note 35)</u>		
Secured bank loans	\$ 2,977,900	\$ 4,313,200
Loans from related parties (Note 34)	9,822,219	11,714,263
Others borrowings	<u>616,021</u>	<u>756,686</u>
	<u>13,416,140</u>	<u>16,784,149</u>

(Continued)

VI. Overview of the Company's Financial Status

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings	\$ 6,300,233	\$ 10,333,325
Loans from related parties (Note 34)	6,463,500	6,550,000
	12,763,733	16,883,325
Commercial paper		
Line of credit borrowings	17,700,000	10,300,000
Less: Unamortized discount on bills payable	24,440	12,766
	17,675,560	10,287,234
Loans from related parties (Note 34)	1,500,000	1,000,000
Less: Unamortized discount on bills payable	1,810	1,536
	1,498,190	998,464
Total	45,353,623	44,953,172
Less: Current portion	6,648,471	4,623,009
Long-term borrowings	\$ 38,705,152	\$ 40,330,163
		(Concluded)

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 1.45%-1.79% and 1.44%-1.79% on December 31, 2019 and 2018, respectively. The Company's ships, investment properties, 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 1.33%-1.90% and 1.32%-1.90% on December 31, 2019 and 2018, 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, 2019 and 2018. The loans are repayable in installment at varying amounts before March 25, 2022. The Company's containers 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 September 27, 2022. Interest rates were 1.28%-1.89% and 1.31%-2.50% on December 31, 2019 and 2018, 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 May 15, 2031. Interest rates were 1.30%-1.76% and 1.37%-1.76% on December 31, 2019 and 2018, respectively.

Commercial paper

YMTC signed 3-5 years underwriting contracts for the issuance of commercial paper with a bill finance institution. 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 March 2024. 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, 2019 and 2018, YMTC had met the above requirements.

1) Line of credit borrowings

The Company's commercial papers will be fully repaid before December 19, 2022. Interest rates were 1.52%-1.62% and 1.25%-1.58% on December 31, 2019 and 2018, respectively.

2) Loans from related parties

The Company's loans from related parties are borrowings repaid in the New Taiwan dollars from government - related entities. The loans are expected to be fully repaid before March 14, 2024. Interest rates were 1.51%-1.57% and 1.50% on December 31, 2019 and 2018, respectively.

19. BONDS PAYABLE

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Domestic privately placed secured mandatory convertible bonds	\$ -	\$ 170,025
Domestic privately placed unsecured bonds	-	3,850,000
Secured domestic bonds	6,931,207	3,974,454
Unsecured domestic bonds	3,900,000	3,900,000
Domestic unsecured convertible bonds	-	-
Domestic secured convertible bonds	<u>7,266,609</u>	<u>7,276,968</u>
	18,097,816	19,171,447
Less: Current portion	<u>5,887,360</u>	<u>6,007,252</u>
	<u>\$ 12,210,456</u>	<u>\$ 13,164,195</u>

a. Domestic privately placed secured mandatory convertible bonds

YMTC issued seven-year domestic privately placed secured mandatory convertible bonds with an aggregate par 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.

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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. Due to June 27, 2019, there were \$5,800,000 thousand of maturity bonds converted into 278,311 thousand common shares, and \$4,413,702 thousand of capital surplus - share warrants had been transferred to \$1,630,593 thousand of capital surplus - issuance of ordinary shares and \$2,783,109 thousand of share capital - common shares.

Movements of the convertible bonds' liability and equity component for the years ended December 31, 2019 and 2018 were as follows:

	Liability Component	Equity Component
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>
January 1, 2019	\$ 170,025	\$ 4,413,702
Interest charged using effective interest rate method	3,975	-
Bonds payable converted into common shares	-	(4,413,702)
Interest paid	<u>(174,000)</u>	<u>-</u>
December 31, 2019	<u>\$ -</u>	<u>\$ -</u>

The bond is guaranteed by banks (including government-related 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, 2019 and 2018, unamortized cost of issuance was recognized as other financial liabilities (Note 23).

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, YMTC had received waivers to the above 1) to 4).

b. Domestic privately placed unsecured bonds

YMTC issued the third privately placed unsecured bonds with an aggregate par value of \$3,850,000 thousand on July 8, 2014 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. The bond had been 100% repaid as of July 8, 2019.

c. Secured domestic bonds

YMTC issued five-year domestic secured bonds with an aggregate par 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 par value: \$2,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.
	Type B - aggregate par value: \$1,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.
	Type C - aggregate par value: \$500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.
	Type D - aggregate par value: \$500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, an annual simple interest rate of 1.10%.

YMTC issued the five-year domestic secured bonds with an aggregate par value of \$5,000,000 thousand on November 28, 2019 (the November 2019 Bonds).

The bond features and terms are as follows:

Bonds issued in November 2019:	Type A - aggregate par value: \$1,000,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type B - aggregate par value: \$1,500,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type C - aggregate par value: \$1,000,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type D - aggregate par value: \$1,000,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.
	Type E - aggregate par value: \$500,000 thousand; repayments: 50% - November 28, 2023 and 50% - November 28, 2024, an annual simple interest rate of 0.74%.

The bonds are guaranteed by banks (\$3,000,000 thousand and \$5,000,000 thousand, respectively are guaranteed by government-related banks).

d. Domestic unsecured bonds

On various dates, YMTC issued domestic unsecured bonds; the dates and the aggregate par 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 par 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.
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Type B - aggregate par 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 par value of \$4,600,000 thousand and the issuance price was 100.2% of par value. Bond settlement is as follows:

- 1) Lump-sum payment to the holders upon maturity at the par 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 par 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. Due to June 27, 2018, there were \$2,642,900 thousand of maturity bonds converted into 185,727 thousand common shares of YMTC as of June 27, 2018.

The bondholders could request YMTC to repurchase the convertible bonds at the par value before 40 days of the issuance for 3 years. Due to June 27, 2018 the repurchase amount of maturity bonds were \$1,807,900 thousand and the loss of bonds redemption were \$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.

When outstanding carrying amounts were lower than 10% of original par value, the Company can redeem outstanding bonds at par value at any time. The Company redeemed the bonds at March 21, 2018 at \$149,200 thousand. The difference between the redeemed price and liability components were recognized as redeemed loss of \$466 thousand. The redeemed bond contained liability component and equity component. The equity component was transferred from capital surplus - share warrants to capital surplus - treasury share transactions of \$11,437 thousand.

Movements of the convertible bonds' liability and equity components for the years ended December 31, 2018 were as follows:

	Liability Component		Equity
	Bond	Financial Liability	Component Option
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	<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 par value of \$7,600,000 thousand, and the issuance price was 101% of the par value. Bond settlement is as follows:

- 1) Lump-sum payment to the holders upon maturity at the par 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 par 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 - share warrants of \$308,765 thousand. The bondholders could request YMTC to repurchase bonds at par value before 30 days of the issuance for 3 years.

VI. Overview of the Company's Financial Status

Movements of the convertible bonds' liability and equity components from May 29, 2018 to December 31, 2018 and January 1, 2019 to December 31, 2019 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 loss	<u>-</u>	<u>1,535</u>	<u>-</u>
December 31, 2018	<u>\$ 7,276,968</u>	<u>\$ 16,887</u>	<u>\$ 308,765</u>
January 1, 2019	\$ 7,276,968	\$ 16,887	\$ 308,765
Interest charged using effective interest rate method	48,999	-	-
Interest paid	(59,358)	-	-
Valuation loss	<u>-</u>	<u>50,662</u>	<u>-</u>
December 31, 2019	<u>\$ 7,266,609</u>	<u>\$ 67,549</u>	<u>\$ 308,765</u>

The bond is guaranteed by banks (\$7,100,000 thousand is guaranteed by government-related banks).

20. TRADE PAYABLES

	December 31	
	2019	2018
<u>Trade payables - operating</u>		
Trade payables - non-related parties	\$ 9,124,328	\$ 10,018,091
Trade payables - related parties	<u>2,876,319</u>	<u>3,153,913</u>
	<u>\$ 12,000,647</u>	<u>\$ 13,172,004</u>
Payable for cost of voyage in sailing	\$ 8,701,816	\$ 9,919,325
Payable for fuel	2,750,734	2,979,487
Payable for space hire	<u>548,097</u>	<u>273,192</u>
	<u>\$ 12,000,647</u>	<u>\$ 13,172,004</u>

21. OTHER PAYABLES

	December 31	
	2019	2018
Other payables - non-related parties	\$ 2,212,590	\$ 2,034,168
Other payables - related parties	<u>509,619</u>	<u>136,619</u>
	<u>\$ 2,722,209</u>	<u>\$ 2,170,787</u>
Payable for container lease	\$ 1,024,525	\$ 1,096,328
Payable for salary and bonus	10,124	10,179
Payable for interest expenses	48,667	99,850
Payable for equipment M&R expenses	174,533	89,800
Payable for annual leave	128,965	139,320
Payable for vessel charter hire	117,239	62,317
Payable for purchases of equipment	339,097	-
Others	<u>879,059</u>	<u>672,993</u>
	<u>\$ 2,722,209</u>	<u>\$ 2,170,787</u>

22. PROVISIONS

	December 31	
	2019	2018
Other provisions	<u>\$ 1,032,332</u>	<u>\$ 1,896</u>

Other provisions are mainly the risk of compensation responsibility in the range of ship owner's creditor bank unsettle principle and interest after the term expired if the Company didn't exercise the repurchase option. Refer to Note 15 for additional information.

23. OTHER FINANCIAL LIABILITIES (INCLUDED IN CURRENT PORTION OF LONG-TERM LIABILITIES)

	December 31	
	2019	2018
Cost of issuance of bonds (Note 19,a)	<u>\$ -</u>	<u>\$ 13,896</u>

24. 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.

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	
	2019	2018
Present value of defined benefit obligation	\$ 3,015,060	\$ 3,051,841
Fair value of plan assets	(680,481)	(698,918)
Net defined benefit liability	<u>\$ 2,334,579</u>	<u>\$ 2,352,923</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	\$ 2,816,940	\$ (685,489)	\$ 2,131,451
Current service cost	86,077	-	86,077
Net interest expense (income)	34,798	(8,419)	26,379
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 - experience adjustments	<u>230,105</u>	<u>-</u>	<u>230,105</u>
Recognized in other comprehensive loss (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>
Current service cost	80,138	-	80,138
Net interest expense (income)	37,618	(8,624)	28,994
Recognized in profit or loss	<u>117,756</u>	<u>(8,624)</u>	<u>109,132</u>
Remeasurement			
Return on plan assets	-	(23,362)	(23,362)
Actuarial gain - changes in demographic assumptions	(4,240)	-	(4,240)
Actuarial loss - changes in financial assumptions	130,130	-	130,130
Actuarial gain - experience adjustments	<u>(48,084)</u>	<u>-</u>	<u>(48,084)</u>
Recognized in other comprehensive loss (income)	<u>77,806</u>	<u>(23,362)</u>	<u>54,444</u>
Contributions from the employer	-	(17,725)	(17,725)
Benefits paid	<u>(232,343)</u>	<u>68,148</u>	<u>(164,195)</u>
Balance at December 31, 2019	<u>\$ 3,015,060</u>	<u>\$ (680,481)</u>	<u>\$ 2,334,579</u>

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

	For the Year Ended December 31	
	2019	2018
Current service cost	\$ 80,138	\$ 86,077
Net interest expense	28,994	26,379
Less: Other receivables - related	<u>(29,265)</u>	<u>(28,289)</u>
	<u>\$ 79,867</u>	<u>\$ 84,167</u>
An analysis by function		
Operating costs	\$ 39,359	\$ 39,658
Selling and marketing expenses	32,668	36,478
General and administrative expenses	<u>7,840</u>	<u>8,031</u>
	<u>\$ 79,867</u>	<u>\$ 84,167</u>

VI. Overview of the Company's Financial Status

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:

	December 31	
	2019	2018
Discount rates	0.80%	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:

	December 31	
	2019	2018
Discount rates		
0.50% increase	<u>\$ (144,002)</u>	<u>\$ (153,528)</u>
0.50% decrease	<u>\$ 156,531</u>	<u>\$ 167,319</u>
Expected rates of salary increase		
0.50% increase	<u>\$ 153,091</u>	<u>\$ 164,348</u>
0.50% decrease	<u>\$ (142,410)</u>	<u>\$ (152,435)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 18,168</u>	<u>\$ 28,868</u>
The average duration of the defined benefit obligation	10.7 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 \$10,677 thousand and \$5,315 thousand for the years ended December 31, 2019 and 2018, respectively.

25. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2019	2018
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>2,601,336</u>	<u>2,323,025</u>
Shares issued	<u>\$ 26,013,357</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 change in the Company's share capital was mainly due to the domestic privately placed secured mandatory convertible bonds converted into ordinary shares on June 27, 2019. Bonds holders converted into the Company's ordinary share \$2,783,109 thousand (278,311 shares). On August 13, 2019, the Board of directors determined the subscription base date to be August 13, 2019 and finished changing registration in September 2019.

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, 2019 and 2018, there were 896 units outstanding, representing 8,971 shares, which was 0.0003% and 0.0004% of the total issued shares, respectively. In addition, the Company's board of directors resolved to terminate issuing GDRs on August 13, 2019 and delist them on December 5, 2019. However, as of March 26, 2020, the Company had not settled with investors, so the GDRs are still outstanding.

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 depository bank.

b. Capital surplus

	May Be Used to Offset A Deficit, Distributed as Cash Dividends, or Transferred to Share Capital (1)			May Be Used to Offset A Deficit Only			May Not Be Used for Any Purpose Share Warrants	Total
	Issuance of Ordinary Shares	The Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition	Donations	Expiration of Employee Share Options	Treasury Share Transactions	Changes in Percentage of Ownership Interests in Subsidiaries (2)		
Balance at January 1, 2018	\$ 1,128,344	\$ -	\$ 7	\$ 18,000	\$ -	\$ -	\$ 4,425,139	\$ 5,571,490
The difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	-	5,718	-	-	-	-	-	5,718
Equity component of convertible bonds issued by the Company	-	-	-	-	11,437	-	297,328	308,765
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	170	-	170
Capital surplus used to offset accumulated deficits	(1,128,344)	-	(7)	(18,000)	-	-	-	(1,146,351)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 5,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,437</u>	<u>\$ 170</u>	<u>\$ 4,722,467</u>	<u>\$ 4,739,792</u>
Balance at January 1, 2019	\$ -	\$ 5,718	\$ -	\$ -	\$ 11,437	\$ 170	\$ 4,722,467	\$ 4,739,792
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	23	-	23
Convertible bonds converted to ordinary shares	1,630,593	-	-	-	-	-	(4,413,702)	(2,783,109)
Capital surplus used to offset accumulated deficits	-	(5,718)	-	-	(11,437)	(170)	-	(17,325)
Balance at December 31, 2019	<u>\$ 1,630,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 308,765</u>	<u>\$ 1,939,381</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 27(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 statements of deficit compensated for 2018 approved in the shareholders' meetings on June 25, 2019 were 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>

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 the financial statements of foreign operations

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 92,350	\$ (85,841)
Effect of change in tax rate	-	(1,049)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(302,008)	174,698
Related income tax	3,712	3,282
Reclassification adjustment		
Disposal of foreign operations	-	1,260
Other comprehensive income (loss) recognized for the year	(298,296)	178,191
Balance at December 31	\$ (205,946)	\$ 92,350

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (1,102,531)	\$ (1,201,784)
Recognized for the year		
Unrealized gain (loss)		
Equity instruments	72,188	86,868
Share from associates accounted for using the equity method	(8,924)	12,385
Other comprehensive income (loss) recognized for the year	63,264	99,253
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal by associates	1	-
Balance at December 31	\$ (1,039,266)	\$ (1,102,531)

3) Gain on hedging instruments

	Cash Flow Hedge
Balance at January 1, 2019	\$ -
Recognized for the year	
Foreign currency risk - lease liabilities	1,171,856
Reclassification adjustments	
Foreign currency risk - operating revenue	46,666
Other comprehensive income recognized for the year	1,218,522
Balance at December 31, 2019	\$ 1,218,522

26. REVENUE

	For the Year Ended December 31	
	2019	2018
Cargo revenue	\$ 115,447,763	\$ 109,017,463
Rental revenue on vessel	3,688,873	1,164,351
Slottage revenue	1,846,953	790,819
Agency revenue	164,444	187,459
Other operating revenue	<u>8,220,214</u>	<u>8,280,173</u>
	<u>\$ 129,368,247</u>	<u>\$ 119,440,265</u>

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Trade receivables (Note 10)	<u>\$ 6,048,089</u>	<u>\$ 5,359,625</u>	<u>\$ 4,539,894</u>
Contract assets			
Cargo revenue	\$ 3,525,326	\$ 3,087,613	\$ 2,278,504
Less: Allowance for impairment loss	<u>(8,461)</u>	<u>(3,790)</u>	<u>-</u>
Contract assets	<u>\$ 3,516,865</u>	<u>\$ 3,083,823</u>	<u>\$ 2,278,504</u>
Contract liabilities - current			
Advance on contract	<u>\$ 84,699</u>	<u>\$ 41,439</u>	<u>\$ -</u>

The Company measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the container shipping services have been completed, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Company concluded that the expected loss rates for trade receivables can be applied to the contract assets (Note 10).

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 3,790	\$ -
Add: Net remeasurement of loss allowance	<u>4,671</u>	<u>3,790</u>
Balance at December 31	<u>\$ 8,461</u>	<u>\$ 3,790</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.

b. Disaggregation of revenue

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

27. NET LOSS

Net loss included items below:

a. Other operating income and expenses

	For the Year Ended December 31	
	2019	2018
Gain on disposal and retirement of property, plant and equipment	\$ 470,339	\$ 304,001
Reimbursement income	86,803	66,712
Reimbursement loss (Note 15 (c))	<u>(1,077,322)</u>	<u>-</u>
	<u>\$ (520,180)</u>	<u>\$ 370,713</u>

b. Other income

	For the Year Ended December 31	
	2019	2018
Rental income - operating leases	\$ 93,218	\$ 93,025
Interest income		
Long-term receivables - related	14,280	381,155
Bank deposits	58,958	48,149
Net investments in leases	58,856	-
Short-term bills	994	570
Others	10,305	18,493
Dividends	<u>92,721</u>	<u>50,237</u>
	<u>\$ 329,332</u>	<u>\$ 591,629</u>

c. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net foreign exchange gains	\$ 638,836	\$ 242,285
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	10,839	15,171
Financial liabilities mandatorily classified as at FVTPL	(34,593)	(22,108)
Gain (loss) arising from the change in fair value of investment properties	40,811	(17,289)
Gain arising from the subleasing of right-of-use assets	57,732	-
Others	<u>(73,692)</u>	<u>(85,590)</u>
	<u>\$ 639,933</u>	<u>\$ 132,469</u>

d. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 499,213	\$ 577,620
Interest on obligations under finance leases	-	539
Interest on lease liabilities (including U.S. dollars lease contract designated as hedging instrument)	2,098,662	-
Interest on bonds	267,490	318,632
Interest on commercial papers	274,846	157,973
Other interest expenses	28,512	33,877
Less: amounts included in the cost of qualifying assets	<u>(15,243)</u>	<u>-</u>
	<u>\$ 3,153,480</u>	<u>\$ 1,088,641</u>

Information about capitalized interest is as follows:

	December 31	
	2019	2018
Capitalized interest amount	\$ 15,243	\$ -
Capitalized rate	1.42%-1.90%	-

e. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Right-of-use assets	\$ 10,574,700	\$ -
Property, plant and equipment	2,928,868	2,822,932
Intangible assets	<u>29,073</u>	<u>18,815</u>
	<u>\$ 13,532,641</u>	<u>\$ 2,841,747</u>
 An analysis of depreciation by function		
Operating costs	\$ 13,439,500	\$ 2,769,573
Operating expenses	<u>64,068</u>	<u>53,359</u>
	<u>\$ 13,503,568</u>	<u>\$ 2,822,932</u>
 An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>29,073</u>	<u>18,815</u>
	<u>\$ 29,073</u>	<u>\$ 18,815</u>

VI. Overview of the Company's Financial Status

f. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits		
Defined contribution plans	\$ 64,463	\$ 61,658
Defined benefit plans (Note 24)	<u>79,867</u>	<u>84,167</u>
	144,330	145,825
Termination benefits	10,677	5,315
Other employee benefits	<u>2,092,265</u>	<u>2,052,059</u>
 Total employee benefits expense	 <u>\$ 2,247,272</u>	 <u>\$ 2,203,199</u>
 An analysis of employee benefits by function		
Operating costs	\$ 960,266	\$ 941,454
Operating expenses	<u>1,287,006</u>	<u>1,261,745</u>
	 <u>\$ 2,247,272</u>	 <u>\$ 2,203,199</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, 2019 and 2018.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. INCOME TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 233,652	\$ 177,124
Adjustments for prior years	<u>-</u>	<u>-</u>
	233,652	177,124
Deferred tax		
In respect of the current year	(218,752)	(714,358)
Adjustments for prior years	(8,865)	2,888
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>(522,626)</u>
	<u>(227,617)</u>	<u>(1,234,096)</u>
 Income tax expense (benefit) recognized in profit or loss	 <u>\$ 6,035</u>	 <u>\$ (1,056,972)</u>

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

	For the Year Ended December 31	
	2019	2018
Loss before tax	<u>\$ (4,303,922)</u>	<u>\$ (7,647,927)</u>
Tax benefit calculated at the statutory rate	\$ (860,784)	\$ (1,529,585)
Nondeductible expenses in determining taxable income	7,260	17,413
Tax-exempt income	65,713	103,482
Unrecognized loss carryforwards	369,332	677,538
Offshore income tax	233,652	177,124
Effect of tax rate changes	-	(522,626)
Others	<u>190,862</u>	<u>19,682</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 6,035</u>	<u>\$ (1,056,972)</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

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

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Change in tax rate	\$ -	\$ (15,918)
In respect of the current year:		
Translation of foreign operations	(3,712)	(3,282)
Remeasurement on defined benefit plans	<u>(10,889)</u>	<u>(41,971)</u>
	<u>\$ (14,601)</u>	<u>\$ (61,171)</u>

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable (included in other current assets)	<u>\$ 13,269</u>	<u>\$ 11,734</u>
Current tax liabilities		
Income tax payable	<u>\$ -</u>	<u>\$ -</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Tax losses	\$ 4,688,658	\$ (61,878)	\$ -	\$ 4,626,780
Temporary differences				
Unrealized shipping fuel valuation losses	26,378	(23,880)	-	2,498
Investment loss on investments accounted for using equity method	93	(93)	-	-
Defined benefit plan	438,329	5,557	10,889	454,775
Payable for annual leave	27,864	(2,071)	-	25,793
Unrealized loss on voyage in sailing	11,472	(10,811)	-	661
Others	<u>20,235</u>	<u>329,592</u>	<u>-</u>	<u>349,827</u>
	<u>\$ 5,213,029</u>	<u>\$ 236,416</u>	<u>\$ 10,889</u>	<u>\$ 5,460,334</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	\$ 825,358	\$ (65,595)	\$ -	\$ 759,763
Reserve for land value increment tax	656,958	5,436	-	662,394
Investment properties	18,038	695	-	18,733
Property, plant and equipment	27,424	1,069	-	28,493
Exchange differences on translating the financial statements of foreign operations	3,712	-	(3,712)	-
Gain on foreign currency exchange	<u>64,921</u>	<u>67,194</u>	<u>-</u>	<u>132,115</u>
	<u>\$ 1,596,411</u>	<u>\$ 8,799</u>	<u>\$ (3,712)</u>	<u>\$ 1,601,498</u>

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 the financial statements of foreign operations	5,945	-	(2,233)	3,712
Gain on foreign currency exchange	<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>

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2019	2018
Loss carryforwards		
Expire in 2019	\$ -	\$ 771,391
Expire in 2021	9,187,088	9,187,088
Expire in 2022	2,470,428	2,470,428
Expire in 2023	7,692,031	7,692,031
Expire in 2025	4,393,098	4,335,107
Expire in 2026	<u>2,560,060</u>	<u>-</u>
	<u>\$ 26,302,705</u>	<u>\$ 24,456,045</u>

- f. Information about unused loss carryforward

As of December 31, 2019, unused loss carryforwards comprised:

Unused Amount	Expiry Year
\$ 9,187,088	2021
2,470,428	2022
7,692,031	2023
4,393,098	2025
12,831,315	2026
4,610,703	2027
5,987,603	2028
<u>2,264,338</u>	2029
<u>\$ 49,436,604</u>	

- g. Income tax assessments

The income tax returns through 2017, have been assessed by the tax authorities.

29. LOSS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic loss per share	\$ (1.66)	\$ (2.53)
Diluted loss per share	\$ (1.66)	\$ (2.53)

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

Net Loss for the Year

	For the Year Ended December 31	
	2019	2018
Loss used in the computation of basic loss per share	\$ (4,309,957)	\$ (6,590,955)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	-
Loss used in the computation of diluted loss per share	<u>\$ (4,309,957)</u>	<u>\$ (6,590,955)</u>

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

	For the Year Ended December 31	
	2019	2018
Outstanding shares	2,601,336	2,323,025
Not exercised number of convertible shares of mandatory convertible bonds	-	278,311
Weighted average number of ordinary shares used in the computation of basic loss per share	2,601,336	2,601,336
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	-
Weighted average number of ordinary shares used in the computation of diluted loss per share	<u>2,601,336</u>	<u>2,601,336</u>

The Company did not consider the potential shares of convertible bonds in the calculation of diluted EPS for the years ended December 31, 2019 and 2018 due to their anti-dilutive effect.

30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- a. In March 2019, 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 98.52% to 98.88%.

	Total
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	\$ (4,788)
Line items adjusted for equity transaction	
Accumulated deficits	<u>\$ (4,788)</u>

- b. In 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>

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

31. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Short-term borrowings	\$ 3,000,000	\$ (950,000)	\$ -	\$ -	\$ 2,050,000
Short-term bills payable	9,302,823	3,802,000	-	(17,476)	13,087,347
Long-term borrowings	44,953,172	405,491	-	(5,040)	45,353,623
Bonds payable	19,171,447	(1,024,000)	-	(49,631)	18,097,816
Lease liabilities (Notes 3 and 15)	75,963,053	(6,221,491)	11,903,358	(25,691,255)	55,953,665
Other financial liabilities	13,896	(13,896)	-	-	-
Other non-current liabilities	<u>50,867</u>	<u>16,783</u>	<u>-</u>	<u>-</u>	<u>67,650</u>
	<u>\$ 152,455,258</u>	<u>\$ (3,985,113)</u>	<u>\$ 11,903,358</u>	<u>\$ (25,763,402)</u>	<u>\$ 134,610,101</u>

In 2019, according to the agreement with All Oceans Transportation Inc., the Company offset the long-term receivables of \$24,449,270 thousand and lease liabilities between them.

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Short-term borrowings	\$ 3,000,000	\$ -	\$ -	\$ -	\$ 3,000,000
Short-term bills payable	7,112,324	2,200,000	-	(9,501)	9,302,823
Long-term borrowings	40,332,263	4,625,030	-	(4,121)	44,953,172
Bonds payable	13,303,238	6,250,848	-	(382,639)	19,171,447
Lease payable	40,682	(40,201)	-	(481)	-
Other financial liabilities	66,462	(52,566)	-	-	13,896
Other non-current liabilities	<u>50,171</u>	<u>696</u>	<u>-</u>	<u>-</u>	<u>50,867</u>
	<u>\$ 63,905,140</u>	<u>\$ 12,983,807</u>	<u>\$ -</u>	<u>\$ (396,742)</u>	<u>\$ 76,492,205</u>

32. CAPITAL MANAGEMENT

- a. 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 and other equity).

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

	December 31	
	2019	2018
Debt (1)	\$ 154,848,970	\$ 96,928,188
Cash and cash equivalents	<u>(11,561,085)</u>	<u>(12,444,370)</u>
Net debt	<u>\$ 143,287,885</u>	<u>\$ 84,483,818</u>
Equity (2)	<u>\$ 16,463,534</u>	<u>\$ 19,828,008</u>
Net debt to equity ration	<u>870.33%</u>	<u>426.08%</u>

- 1) Debt is defined as long-term and short-term borrowing (excluding derivative instruments and financial guarantee contracts).
 - 2) Equity includes all capital, capital surplus, retained earnings and other equity, of the Company that are managed as capital.
- b. Since the global container shipping industry remained in an oversupply situation in 2019 due to weak market demand, the Company incurred net loss in 2019. In addition, financial structure was impacted due to adoption of IFRS 16 "Leasing" since 2019. As of December 31, 2019, the current ratio was 49.27% and the liability ratio was 90.39%. To operate in more competitive industrial environment, the Company adopted the following strategies:
- 1) Enhance alliance cooperation: New member, HMM, joins THE alliance and signed a ten-year contract. Cooperate with non-alliance carriers to develop the niche market. Reduce the scale of under-performing services, and reinforce stable performance market. Upgrade Intra-Asia services and accelerate Southeast Asia network layout;
 - 2) Operational process improvement: Employ customer-oriented service strategy to improve value and productivity;
 - 3) Information system integration and upgrade: Promote IT applications considering the trend of digitalization;
 - 4) Centralized management of the Company: Establish own agencies and plan to increase its equity in joint ventures to improve management control. Evaluate and adjust the structure of holding companies in order to streamline organization structure;
 - 5) Investment strategies and application: Focus on the maritime industry for vertical integration, and comprehensively review and track the performance of the reinvestment business. Increase the equity in operated agencies to enhance management control and competitiveness, with a view to achieving profitability and disperse the risks of the maritime industry;

- 6) Operating cost control: Explicitly set targets for all agencies and evaluate the Company's performance on a monthly basis;
- 7) Activate usage of assets: Dispose of securities and investment properties and activate assets with the most optimal methods;
- 8) Increase operating capital: Plan projects of increase equity funds and enrich operating capital to improve financial structure.

33. FINANCIAL INSTRUMENTS

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

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial lease receivables	\$ 952,472	\$ -	\$ 952,757	\$ -	\$ 952,757
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Secured domestic bonds	\$ 6,931,207	\$ -	\$ 6,931,175	\$ -	\$ 6,931,175
Unsecured domestic bonds	3,900,000	-	3,933,700	-	3,933,700
Domestic secured convertible bonds	7,266,609	-	7,380,695	-	7,380,695
	<u>\$ 18,097,816</u>	<u>\$ -</u>	<u>\$ 18,245,570</u>	<u>\$ -</u>	<u>\$ 18,245,570</u>

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 secured convertible bonds	7,276,968	-	7,399,948	-	7,399,948
	<u>\$ 19,185,343</u>	<u>\$ -</u>	<u>\$ 19,278,459</u>	<u>\$ 185,577</u>	<u>\$ 19,464,036</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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ <u>4,955</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,955</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares	\$ 1,255,959	\$ -	\$ -	\$ 1,255,959
Unlisted shares	<u>-</u>	<u>-</u>	<u>511,534</u>	<u>511,534</u>
	<u>\$ 1,255,959</u>	<u>\$ -</u>	<u>\$ 511,534</u>	<u>\$ 1,767,493</u>
Financial liabilities at FVTPL				
Derivatives				
Put option of bond	\$ <u>-</u>	\$ <u>-</u>	\$ <u>67,549</u>	\$ <u>67,549</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ <u>70</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>70</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed 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>

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, 2019

	Equity Instruments
<u>Financial assets at FVTOCI</u>	
Balance at January 1, 2019	\$ 350,898
Recognized in other comprehensive income (included in unrealized valuation gain on financial assets at FVTOCI)	<u>160,636</u>
Balance at December 31, 2019	<u>\$ 511,534</u>
Unrealized gain for the current year included in other comprehensive income relating to assets held at the end of the year	<u>\$ 160,636</u>

	<u>Derivatives</u>			Total
	Foreign Currency Option	Oil Swap and Oil Swap Options	Repurchase on Bonds Payable	
<u>Financial liabilities at FVTPL</u>				
Balance at January 1, 2019	\$ -	\$ 20,573	\$ 16,887	\$ 37,460
Recognized in profit or loss (included in other gains and losses)	(831)	(15,238)	50,662	34,593
Sales/settlements	831	(5,335)	-	(4,504)
Transfers out of Level 3	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,549</u>	<u>\$ 67,549</u>
Unrealized loss for the current year included in profit or loss relating to liabilities held at the end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,662</u>	<u>\$ 50,662</u>

For the year ended December 31, 2018

	Equity Instruments
<u>Financial assets at FVTOCI</u>	
Balance at January 1, 2018	\$ 433,850
Recognized in other comprehensive income (included in unrealized valuation gain on financial assets at FVTOCI)	<u>(82,952)</u>
Balance at December 31, 2018	<u>\$ 350,898</u>
Unrealized loss for the current year included in other comprehensive income relating to assets held at the end of the year	<u>\$ (82,952)</u>

VI. Overview of the Company's Financial Status

	Derivatives		
	Oil Swap and Oil Swap Options	Repurchase on Bonds Payable	Total
<u>Financial liabilities at FVTPL</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>
Unrealized loss for the current year included in profit or loss relating to liabilities held at the end of the year	<u>\$ 20,573</u>	<u>\$ 1,535</u>	<u>\$ 22,108</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.

c. Categories of financial instruments

	December 31	
	2019	2018
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 4,955	\$ 70
Financial assets at amortized cost (1)	19,217,452	41,157,264
Financial assets at FVTOCI		
Equity instruments	1,767,493	1,695,305
<u>Financial liabilities</u>		
FVTPL		
Mandatorily classified as at FVTPL	67,549	37,460
Financial liabilities for hedging	48,890,410	-
Amortized cost (2)	93,172,553	91,634,630

- 1) 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).
 - 2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills 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, trade receivable, financial assets at amortized cost, trade payables, other payables, bonds payable, borrowings, lease liabilities 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, 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 37.

Sensitivity analysis

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

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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, EUR, and HKD. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit and other equity associated with New Taiwan dollars strengthen 1% against U.S. dollars, GBP, RMB, EUR and HKD. For a 1% weakening of New Taiwan dollars against the U.S. dollars, GBP, RMB, EUR 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	
	2019	2018
Profit or loss (i)		
U.S. dollars	\$ (57,374)	\$ (54,893)
GBP	132	3,123
RMB	(6,015)	(7,144)
EUR	(2,816)	(701)
HKD	2,869	2,287
Equity (ii)		
U.S. dollars	(488,904)	-

- i. This was mainly attributable to the exposure of outstanding foreign currency deposits, receivables, payables, and bank loans at the end of the reporting period.
- ii. This was mainly attributable to the exposure of changing in foreign exchange rates of lease contracts designated as cash flow hedge.

The Company's sensitivity to foreign currency exchange rate during the current period was mainly due to the increase in U.S. dollars' monetary liabilities; increase in RMB dollars' monetary assets; decrease in EUR dollars' monetary asset; decrease in HKD dollars' monetary liabilities; decrease in GBP dollars' monetary assets.

Hedge accounting

The Company's hedging strategy is to enter into USD-denominated lease liabilities to avoid exchange rate exposure of 100% of highly probable forecast USD-denominated operating revenue. Those transactions are designated as cash flow hedges.

The Company expects that the value of the U.S. dollars lease liabilities and the value of the corresponding hedged items will systematically change in opposite directions.

The source of hedge ineffectiveness in these hedging relationships is the USD-denominated operating revenue of the Company is lower than the distribution amount of settlement of lease liabilities.

Refer to Note 15(b) for information relating to foreign exchange rates hedging instruments.

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	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 1,770,439	\$ 2,624,739
Financial liabilities	89,804,849	32,244,852
Cash flow interest rate risk		
Financial assets	10,386,011	9,484,207
Financial liabilities	44,737,602	44,196,486

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, 2019 would decrease/increase by \$34,352 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, 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.

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 (loss) for the years ended December 31, 2019 would increase/decrease by \$88,375 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 (loss) for the years ended December 31, 2018 would increase/decrease by \$84,765 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 (loss) for the years ended December 31, 2019 would have increased/decreased by \$248 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 (loss) 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.

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 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.

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, 2019 and 2018, the Company had available unutilized bank loans facilities \$15,022,795 thousand and \$4,012,268 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, 2019

	Less than 1 Year	1-5 Years	5+ Years
Non-interest bearing	\$ 14,722,856	\$ 67,650	\$ -
Lease liabilities	8,405,388	32,839,555	13,970,653
Variable interest rate liabilities	7,173,477	37,524,222	1,566,542
Fixed interest rate liabilities	21,464,221	5,619,513	-
Short-term and low-value lease commitment	4,283,680	14,483,116	-
Financial guarantee liabilities	<u>13,229,323</u>	<u>-</u>	<u>-</u>
	<u>\$ 69,278,945</u>	<u>\$ 90,534,056</u>	<u>\$ 15,537,195</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 8,405,388</u>	<u>\$ 32,839,555</u>	<u>\$ 13,938,290</u>	<u>\$ 26,550</u>	<u>\$ 5,813</u>	<u>\$ -</u>

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>

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.

34. TRANSACTIONS WITH RELATED PARTIES

The Ministry of Transportation and Communications R.O.C. (MOTC) and National Development Fund held 35.66% and 39.93% of the ordinary shares of YMCT as of December 31, 2019 and 2018, 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-related banks (see Notes 18 and 19), concession rights of the Port of Kaohsiung, Taiwan International Ports Corporation Kaohsiung harbor intercontinental container and logistics center (see Note 17), operating commission contracts signed with Taiwan Power Company (TPC) Corporation (see Note 36), and shipbuilding contracts signed with China Ship Building Corporation (CSBC) (see Note 36).

Besides information disclosed elsewhere in the other notes and Tables A and B, details of transaction between the Company and other related parties are disclosed as follows.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
All Oceans Transportation, Inc.	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
Triumph Logistics, Inc.	Subsidiaries
Topline Transportation, Inc.	Subsidiaries
Yang Ming Shipping (Canada) Ltd.	Subsidiaries
Yang Ming Line (B.V.I) Holding Co., Ltd.	Subsidiaries
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

(Continued)

Related Party Name	Relationship with the Company
Yang Ming Line (Thailand) Co., Ltd.	Subsidiaries
Yang Ming (Mediterranean) Marine Services Single-Member Limited Liability Company	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 Insurance Co., Ltd.	Subsidiaries
PT Yang Ming Shipping Indonesia	Subsidiaries
Yang Ming (U.A.E.) LLC	Associates
Yang Ming (Australia) Pty. Ltd.	Associates
West Basin Container Terminal LLC	Associates
Yang Ming Shipping (Egypt) S.A.E.	Associates
Kao Ming Container Terminal Corp.	Associates
Yunn Wang Investment Co., Ltd.	Associates
Taiwan Foundation International Pte. Ltd.	Associates
LogiTrans Technology Private 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
Mega Securities	Government - related parties
Chung Kuo Insurance Company, Limited	Government - related parties
Mega Bills Finance Co., Ltd.	Government - related parties
Bank of Taiwan	Government - related parties
Land Bank of Taiwan	Government - related parties
Band Taiwan Securities Co., Ltd.	Government - related parties
Taiwan Stock Exchange Corporation	Government - related parties
Taipei Exchange	Government - related parties
The Export-Import Bank of the Republic of China	Government - related parties
Taiwan Cooperative Bank Co., Ltd.	Government - related parties
Taiwan Cooperative Bill Finance Co.,	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
Central Reinsurance Corporation	Government - related parties
First Financial Holding Co., Ltd.	Government - related parties
Yang Ming Cultural Foundation	Other related parties

(Concluded)

VI. Overview of the Company's Financial Status

b. Operating transaction

Line Item	Related Party Name	For the Year Ended December 31	
		2019	2018
Operating revenue	Subsidiaries	\$ 2,609,236	\$ 1,739,205
	Government - related parties	104,993	180,771
	Associates	<u>482</u>	<u>295</u>
		<u>\$ 2,714,711</u>	<u>\$ 1,920,271</u>
Operating cost	Subsidiaries	\$ 8,975,398	\$ 10,289,078
	Associates	2,987,778	2,618,286
	Government - related parties	<u>205,859</u>	<u>336,004</u>
		<u>\$ 12,169,035</u>	<u>\$ 13,243,368</u>
Operating expenses	Government - related parties	\$ 28,008	\$ 31,033
	Other related parties	23,086	26,881
	Subsidiaries	393	1,117
	Joint ventures	<u>48,534</u>	<u>47,553</u>
		<u>\$ 100,021</u>	<u>\$ 106,584</u>

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

c. Bank deposits

Bank deposits on reporting period balance were as follows:

Related Party Category/Name	December 31	
	2019	2018
Government - related parties		
Bank of Taiwan	\$ 1,164,676	\$ 1,351,331
Taiwan Cooperative Bank Co., Ltd.	1,235,067	943,095
Other	<u>3,078,313</u>	<u>3,518,252</u>
	<u>\$ 5,478,056</u>	<u>\$ 5,812,678</u>

d. Contract assets

Related Party Name	For the Year Ended December 31	
	2019	2018
Subsidiaries		
Young-Carrier Company Limited	\$ 922,513	\$ 747,124
Others	<u>987,979</u>	<u>619,211</u>
	1,910,492	1,366,335
Associates	<u>83,294</u>	<u>102,841</u>
	<u>\$ 1,993,786</u>	<u>\$ 1,469,176</u>

e. Receivables and payables from related parties

Line Item	Related Party Name	December 31	
		2019	2018
Trade receivables	Subsidiaries		
	Young-Carrier Company Limited	\$ 939,083	\$ 1,058,285
	Others	<u>950,260</u>	<u>965,077</u>
		1,889,343	2,023,362
	Associates	<u>84,176</u>	<u>147,907</u>
	<u>\$ 1,973,519</u>	<u>\$ 2,171,269</u>	
Other receivables	Subsidiaries		
	Honming Terminal & Stevedoring Co., Ltd.	\$ 11,558	\$ 77,716
	YES Logistics Corp. (USA)	14,289	4,952
	Others	<u>914</u>	<u>6,863</u>
		26,761	89,531
	<u>3,602</u>	<u>1,450</u>	
	<u>\$ 30,363</u>	<u>\$ 90,981</u>	
Long-term receivables	Subsidiaries		
	All Oceans Transportation, Inc.	<u>\$ 1,535,210</u>	<u>\$ 22,731,797</u>
Trade payables	Subsidiaries	\$ 2,506,523	\$ 2,676,038
	Associates	336,410	468,726
	Government - related parties	<u>33,386</u>	<u>9,149</u>
		<u>\$ 2,876,319</u>	<u>\$ 3,153,913</u>
Other payables	Subsidiaries	\$ 273,524	\$ 217,406
	Associates	2,374	-
	Government - related parties	<u>369,248</u>	<u>40,438</u>
		<u>\$ 645,146</u>	<u>\$ 257,844</u>

For the years ended December 31, 2019 and 2018, no impairment losses were recognized for trade receivables, contract assets, and other receivables from related parties.

f. Financial assets at amortized cost

Related Party Name	December 31	
	2019	2018
Subsidiaries		
Kuang Ming Shipping Corp.	<u>\$ -</u>	<u>\$ 500,000</u>

VI. Overview of the Company's Financial Status

g. Prepayments

Line Item	Related Party Category/Name	December 31	
		2019	2018
Prepayments to shipping agents	Associates		
	Yang Ming Shipping (Egypt) S.A.E	\$ 51,029	\$ -
	Subsidiaries		
	Yang Ming Line (India) Pvt. Ltd.	44,373	61,983
	Others	-	25
		<u>44,373</u>	<u>62,008</u>
		<u>\$ 95,402</u>	<u>\$ 62,008</u>
Prepayments	Subsidiaries		
	All Oceans Transportation, Inc.	\$ -	\$ 58,105
	Others	20,804	7,095
		<u>20,804</u>	<u>65,200</u>
	Government - related parties	-	31,572
		<u>\$ 20,804</u>	<u>\$ 96,772</u>
Long-term prepayments for lease	Government - related parties Taiwan International Ports Corporation, Ltd.	\$ -	\$ 473,417

h. Lease arrangements - Company is lessee

Related Party Category/Name	For the Year Ended December 31		
	2019	2018	
<u>Acquisition of right-of-use assets</u>			
Subsidiaries	\$ 8,451	\$ -	
Government - related parties	<u>495,058</u>	<u>-</u>	
	<u>\$ 503,509</u>	<u>\$ -</u>	
Line Item	Related Party Category/Name	December 31	
		2019	2018
Lease liabilities	Subsidiaries		
	All Oceans Transportation, Inc.	\$ 6,577,628	\$ -
	Others	11,196	-
		<u>6,588,824</u>	<u>-</u>
	Associates	744	-
	Government-related parties	<u>544,226</u>	<u>-</u>
		<u>\$ 7,133,794</u>	<u>\$ -</u>
Interest expense	Subsidiaries	\$ 134,065	\$ -
	Associates	11	-
	Government-related parties	<u>8,790</u>	<u>-</u>
		<u>\$ 142,866</u>	<u>\$ -</u>

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

i. Lease arrangements - the Company is lessor/Sublease arrangements

Lease arrangements - the Company is lessor under finance leases

The Company leased out certain duck port equipment included in property, plant, and equipment to its subsidiary Hong Ming Terminal & Stevedoring Corp. under finance leases with a lease term of 6.5 years, and the net investment in leases was \$165,289 thousand at the inception of the lease. As of December 31, 2019, the balance of finance lease receivables was \$153,219 thousand, and no impairment loss was recognized for the years ended December 31, 2019.

Lease arrangements - sublease arrangements under finance leases

The Company subleased container yard at Keelung included in right-of-use assets to its subsidiary YES Logistics Corp. under finance leases with a lease term of 10 years, and the net investment in leases was \$44,555 thousand at the inception of the lease. As of December 31, 2019, the balance of finance lease receivables was \$41,939 thousand.

The Company subleased the First and Second Logistics Centers of the Kaohsiung Third Container Center to its subsidiary YES Logistics Corp. under finance leases with lease terms of 13.5 years and 18 years, and the net investment in leases was \$207,491 thousand and \$396,001 thousand at the inception of the lease. As of December 31, 2019, the balance of finance lease receivables was \$192,500 thousand and \$377,981 thousand.

No impairment loss was recognized for the year ended December 31, 2019.

j. Bonds payable

Related Party Category/Name	December 31	
	2019	2018
Government - related parties		
Taiwan International Ports Corporation, Ltd.	\$ -	\$ 4,000,000
Others	<u>5,480,000</u>	<u>3,930,000</u>
	5,480,000	7,930,000
Investors that have significant influence	<u>-</u>	<u>450,000</u>
	<u>\$ 5,480,000</u>	<u>\$ 8,380,000</u>

Note: Original investment amount of privately placed bonds.

k. Loans from related parties

Line Item	Related Party Category/Name	December 31	
		2019	2018
Short-term borrowings	Government - related parties		
	Chang Hwa Bank Ltd.	\$ 500,000	\$ 500,000
	Land Bank of Taiwan	<u>-</u>	<u>500,000</u>
		<u>\$ 500,000</u>	<u>\$ 1,000,000</u>
Short-term bills payable	Government - related parties	<u>\$ 2,089,602</u>	<u>\$ 2,289,330</u>

(Continued)

VI. Overview of the Company's Financial Status

Line Item	Related Party Category/Name	December 31	
		2019	2018
Long-term borrowings			
Secured borrowings	Government - related parties	\$ <u>9,822,219</u>	\$ <u>11,714,263</u>
Unsecured borrowings	Government - related parties	\$ <u>6,463,500</u>	\$ <u>6,550,000</u>
Commercial papers	Government - related parties	\$ <u>1,498,190</u>	\$ <u>998,464</u> (Concluded)
1. Others			
Line Item	Related Party Name	For the Year Ended December 31	
		2019	2018
Rental income	Subsidiaries	\$ 13,198	\$ 13,160
	Other related parties	2,723	3,200
	Government - related parties	<u>114</u>	<u>114</u>
		<u>\$ 16,035</u>	<u>\$ 16,474</u>
Interest income	Subsidiaries		
	All Oceans Transportation, Inc.	\$ 14,280	\$ 378,309
	Hong Ming Terminal & Stevedoring Corp.	41,488	-
	YES Logistics Corp.	14,773	17,651
	Others	<u>10,303</u>	<u>2,846</u>
		80,844	398,806
	Government - related parties	<u>16,666</u>	<u>9,589</u>
		<u>\$ 97,510</u>	<u>\$ 408,395</u>
Dividend revenue	Government - related parties		
	Taiwan Navigation Co., Ltd.	\$ <u>91,986</u>	\$ <u>49,531</u>
Finance cost	Government - related parties		
	Mega International Commercial Bank Co., Ltd.	\$ 135,792	\$ 155,989
	Bank of Taiwan	69,849	87,998
	Others	<u>230,279</u>	<u>245,209</u>
		435,920	489,196
	Subsidiaries	<u>3</u>	<u>2</u>
		<u>\$ 435,923</u>	<u>\$ 489,198</u>

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

m. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 39,098	\$ 47,925
Post-employment benefits	<u>2,864</u>	<u>4,323</u>
	<u>\$ 41,962</u>	<u>\$ 52,248</u>

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

35. 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	
	2019	2018
Restricted bank balance (included in Financial assets at amortized cost)	\$ -	\$ 5,469
Property, plant and equipment, net	25,122,532	27,015,065
Investment properties, net	<u>4,795,387</u>	<u>4,764,430</u>
	<u>\$ 29,917,919</u>	<u>\$ 31,784,964</u>

36. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Table B, Notes 15, 19 and 22, 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, 2019 and 2018, rentals for contracts that were yet in effect were respectively estimated from US\$1,550,000 thousand to US\$1,867,000 thousand and from US\$1,706,000 thousand to US\$2,053,000 thousand.
- b. The Company's shipping and port business were secured by the letter of guarantee issued by a government - related bank for \$499,480 thousand and \$490,425 thousand as of December 31, 2019 and 2018, respectively.
- c. The Company signed shipbuilding contract with government - related parties. As of December 31, 2019 and 2018, prepayments for equipment for these contracts amounted to \$113,262 thousand and \$1,132,622 thousand, and unpaid amounts for these contracts were \$4,374,934 thousand and US\$141,988 thousand and \$5,113,560 thousand and US\$165,960 thousand, respectively.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 185,553	29.9800 (USD:NTD)	\$ 5,562,868
GBP	5,022	39.3757 (GBP:NTD)	197,762
EUR	18,509	33.5986 (EUR:NTD)	621,891
RMB	92,489	4.3037 (RMB:NTD)	398,045
JPY	3,877,174	0.2759 (JPY:NTD)	1,069,737
HKD	74,528	3.8502 (HKD:NTD)	286,947
CAD	358	22.9749 (CAD:NTD)	8,229
Non-monetary items			
Investments accounted for using equity method			
USD	250,869	29.9800 (USD:NTD)	7,521,043

Financial liabilities

Monetary items			
USD	2,007,693	29.9800 (USD:NTD)	60,190,649
GBP	4,688	39.3757 (GBP:NTD)	184,588
EUR	26,890	33.5986 (EUR:NTD)	903,469
RMB	232,262	4.3037 (RMB:NTD)	999,584
JPY	1,340,229	0.2759 (JPY:NTD)	369,778
CAD	5,758	22.9749 (CAD:NTD)	132,286

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:NTD)	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

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
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:NTD)	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
			(Concluded)

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were \$638,836 thousand and \$242,285 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company.

38. 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: None;
- 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 D attached;
- 9) Trading in derivative instruments: (Note 7).

- 10) Information on investees: See Table E 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 F 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, 2019
(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. (Note E) All Oceans Transportation, Inc.	Other receivables Other receivables	Y Y	\$ 1,000,000 6,000,000	\$ - 2,065,210	\$ - 1,535,210	- 1.5721%	1 1	\$ - 403,241	- -	\$ - -	- -	\$ 6,585,413 6,585,413	\$ 8,231,767 8,231,767	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 borrower 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 five years. For the Corporation's subsidiary borrower, maximum financing is lower of 40% 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 Company's subsidiary borrower, maximum financing is 5% of the net assets of the Corporation.
- D. United States dollars, translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.98 as of December 31, 2019.
- E. The Company's board of directors resolved in November 2018 to liquidate Yang Ming (Liberia) Corp. (Yang Ming Liberia) in February 2019.



TABLE B

YANG MING MARINE TRANSPORT CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 B and D)	Maximum Amount Endorsed/Guaranteed During the Period (Notes E)	Outstanding Endorsement/Guarantee at the End of the Period (Notes E)	Actual Borrowing Amount (Notes E)	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit (Notes A and C)	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	\$ 26,341,654 (Note B)	\$ 12,771,417 (US\$ 425,998 thousand) 5,751,235 (US\$ 78,260 thousand) and NT\$ 3,405,000 (thousand)	\$ 3,429,469 (US\$ 114,392 thousand) 5,751,235 (US\$ 78,260 thousand) and NT\$ 3,405,000 (thousand)	\$ 3,429,469 (US\$ 144,392 thousand) 4,966,531 (US\$ 72,854 thousand)	\$ -	20.83	\$ 49,390,602 (Note A)	Y	N	N
		Kuang Ming Shipping Corp.	Subsidiary	26,341,654 (Note B)	5,751,235 (US\$ 78,260 thousand) and NT\$ 3,405,000 (thousand)	5,751,235 (US\$ 78,260 thousand)	72,854 (US\$ 800 thousand)	-	34.93	49,390,602 (Note A)	Y	N	N
		Kuang Ming (Liberia) Corp.	Subsidiary	26,341,654 (Note B)	4,551,104 (US\$ 151,805 Thousand)	3,808,779 (US\$ 127,044 Thousand)	2,185,139 (US\$ 72,887 thousand)	-	23.13	49,390,602 (Note A)	Y	N	N
		Yang Ming (America) Corp.	Subsidiary	26,341,654 (Note B)	239,840 (US\$ 8,000 thousand)	239,840 (US\$ 8,000 thousand)	6,481 (US\$ 216 thousand)	-	1.46	49,390,602 (Note A)	Y	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.

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

E. United States dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.98 as of December 31, 2019.

TABLE C

YANG MING MARINE TRANSPORT CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(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, 2019			Note
				Shares	Carrying Amount	Percentage of Ownership	
Yang Ming Marine Transport Corporation	Domestic unlisted shares Taipei Port Container Terminal Co., Ltd. United Stevedoring Corp.	- -	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	51,000,000 500,000	\$ 505,102 6,432	9.81 10.00	\$ 505,102 6,432
	Domestic listed shares Taiwan Navigation Co., Ltd.	Government - related party	Financial assets at FVTOCI - non-current	70,758,243	1,255,959	16.96	1,255,959
	Mutual funds Hua Nan Sele Inc Multi-Asset Fd MD TWD	-	Financial assets at FVTPL - current	500,000	4,955	-	4,955



TABLE D

YANG MING MARINE TRANSPORT CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 DECEMBER 31, 2019
 (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	\$ 1,535,797 (Note A)	-	-	\$ -	-	\$ -
	Yang Ming Line (India) Pvt. Ltd.	Subsidiary	153,793	-	-	-	23,641	-
	Young-Carrier Company Limited	Subsidiary	939,083	-	-	-	939,083	-
	Yang Ming (Vietnam) Company Limited	Subsidiary	117,048	-	-	-	117,048	-
	YES Logistics Corp.	Subsidiary	613,112 (Note B)	-	-	-	-	-
	Hong Ming Terminal & Stevedoring Corp.	Subsidiary	164,813 (Note B)	-	-	-	-	-

Notes:

- A. Interest receivable, and financing provided.
- B. Financial lease receivables and other receivables.
- C. Collections between related parties made according to "Agency Accounting Procedure" by the Corporation and local business conventions.

TABLE E

YANG MING MARINE TRANSPORT CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019		Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 5,867,216	\$ (35,763) (Note B)	Investments in associates
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	3,272,005	3,272,005	10,351	100.00	2,973,296	(78,533)	Subsidiary
	Kuang Ming Shipping Corp.	Taiwan	Shipping service, shipping agency and forwarding agency	8,927,857	7,928,163	395,327,339	98.88	2,030,841	(586,335)	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	2,287,357	392,802	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	2,157,078	212,917	Subsidiary
	Ching Ming Investment Corp.	Taiwan	Investment	1,098,388	1,098,388	120,487,500	100.00	1,144,817	94,355	Subsidiary
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,399	3,399	-	-	-	57	Subsidiary
	All Oceans Transportation, Inc.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	294,493	92,477	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	521,813	38,917	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Taiwan	Terminal operation and stevedoring	79,273	79,273	7,916,908	79.17	127,481	(739)	Subsidiary
	Jing Ming Transportation Co., Ltd.	Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	128,163	14,704	Subsidiary
	Yann Wang Investment Co., Ltd.	Taiwan	Investment	179,810	179,810	3,211,474	49.75	109,431	6,951	Investments in associates
	Taiwan Foundation International Pte. Ltd.	Singapore	Investment and subsidiaries management	103,802	103,802	3,400,000	34.00	103,312	1,900	Investments in associates

Notes:

- This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- This is an adjustment to the remainder investment income or loss recognized at fair value on the date of losing control.
- The Original investment amount did not deduct the amount of offsetting the deficits of \$4,701,339 thousand in May 2017.



TABLE I

YANG MING MARINE TRANSPORT CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019 (Note I)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note I)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount as of December 31, 2019 (Note E)	Accumulated Repatriation of Investment Income as of December 31, 2019
						Outflow	Inflow						
Yang Ming Marine Transport Corporation	Huan Ming (Shanghai) International Shipping Agency Co., Ltd. (Note H)	Shipping agency, forwarding agency and shipping managers	US\$ 1,000 thousand	Indirect investment through Singapore-based subsidiary's direct investment in Mainland China	\$ -	\$ -	\$ -	\$ -	\$ (5,851)	51.00	\$ (2,984)	\$ 12,641	\$ -
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.	239,840 (US\$ thousand)	-	239,840 (US\$ thousand)	14,396		96.36	13,872	98,204	-
	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.	278,844 (US\$ thousand)	-	278,844 (US\$ thousand)	(19,933)		47.22	(9,412)	273,042	-
	Sino Trans PPS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and correlation service	US\$ 46,242 thousand	Investee's direct investment in Mainland China	184,797 (US\$ thousand)	-	184,797 (US\$ thousand)	18,377		12.85	2,361	71,826	-
	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	43,037 (RMB thousand)	-	43,037 (RMB thousand)	(17,505)		19.27	(3,373)	46,599	-
Chang Ming Investment Corp.	Sino Trans PPS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and correlation service	US\$ 46,242 thousand	Investee's direct investment in Mainland China	92,458 (US\$ thousand)	-	92,458 (US\$ thousand)	18,377		6.67	1,226	35,823	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019 (Note I)	Investment Amounts Authorized by Investment Commission, MOEA (Note I)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Yang Ming Marine Transportation Corporation	\$ -	\$ 210,969 (US\$ 7,037 thousand)	\$ 10,249,319
Yes Logistics Corp. (Note C)	733,869 (US\$ 17,301 thousand) (RMB 50,000 thousand)	733,869 (US\$ 17,301 thousand) (RMB 50,000 thousand)	(Note F)
Chang Ming Investment Corp. (Note D)	86,074 (RMB 20,000 thousand)	86,074 (RMB 20,000 thousand)	686,890

Notes:

- 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.
- 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.
- 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.
- Chang 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.
- Calculated by the % ownership of direct or indirect investment.
- Yes Logistics Corp. applied for and obtained the Business Operations Headquarters letter on September 16, 2019, and the term for the letter is to September 15, 2022. Therefore, the restrictions on the amount of investment in China are not applicable to Yes Logistics Corp.
- 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.
- The Company was authorized to invest in Mainland China by Investment Commission, Ministry of Economic Affairs on December 25, 2019
- United States dollars and Ren Min Bi Yuan translated into New Taiwan dollars at the exchange rate of US\$1=RNT\$29.98 and RMB1=NT\$4.037 as of December 31, 2019.

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	2019	2018	Increase/Decrease	
				Amount	%
Current assets		35,818,085	34,639,473	1,178,612	3.40
Properties, plants and equipment		72,258,682	78,371,995	(6,113,313)	(7.80)
Intangible assets		122,234	98,222	24,012	24.45
Other assets		82,802,838	26,863,409	55,939,429	208.24
Total assets		191,001,839	139,973,099	51,028,740	36.46
Current liabilities		61,249,304	47,496,628	13,752,676	28.96
Other liabilities		112,670,336	72,181,727	40,488,609	56.09
Total liabilities		173,919,640	119,678,355	54,241,285	45.32
Capital stock		26,013,357	23,230,248	2,783,109	11.98
Capital surplus		1,939,381	4,739,792	(2,800,411)	(59.08)
Retained earnings		(11,462,514)	(7,131,851)	(4,330,663)	(60.72)
Other adjustments		591,975	(543,445)	1,135,420	208.93
Total stockholders' equity		17,082,199	20,294,744	(3,212,545)	(15.83)

Notes:

Analysis of increase or decrease above 20%:

1. Increase in intangible assets mainly due to increase in computer software.
2. Increase in other assets and total assets mainly due to increase in right of assets.
3. Increase in current liabilities, other liabilities and total liabilities mainly due to increase in lease liabilities.
4. Decrease in capital surplus mainly due to conversion of bonds payable into common stocks.
5. Decrease in retained earnings and total stockholders' equity mainly due to financial losses this year.
6. Increase in other adjustments mainly due to the depreciation of USD causing increase in unrealized gain on cash flow hedges.
7. Contingency plans for factors of significant impact: Improve capital structure continuously.

7.2 Analysis of the Company's Financial Performance

Unit: NT\$ 1000

Item	Year	2019	2018	Increase/Decrease	
				Amount	%
Operating revenue		149,181,262	141,832,929	7,348,333	5.18
Operating costs		143,106,496	141,790,706	1,315,790	0.93
Gross profit (loss)		6,074,766	42,223	6,032,543	14,287.34
Operating expenses		6,614,792	6,136,581	478,211	7.79
Other income and gains, expenses and loss		(474,659)	427,966	(902,625)	(210.91)
Operating income (loss)		(1,014,685)	(5,666,392)	4,651,707	82.09
Non-operating income and gains		1,409,824	415,695	994,129	239.15
Non-operating expenses and losses		(3,982,954)	(1,829,511)	(2,153,443)	(117.71)
Income before tax (loss)		(3,587,815)	(7,080,208)	3,492,393	49.33
Tax expense (gains)		410,081	(773,852)	1,183,933	152.99
Net income (loss)		(3,997,896)	(6,306,356)	2,308,460	36.61
Cumulative effect of changes in accounting principles		-	-	-	-
Net income (loss) for the year		(3,997,896)	(6,306,356)	2,308,460	36.61

Notes:

Analysis of increase or decrease above 20%:

1. Increase in gross profit, operating income, income before tax, and net income for the year mainly due to increase in total sales volume shipping price.
2. Decrease in other income and expenses mainly due to compensation loss.
3. Increase of non-operating income and gains mainly due to gain in exchange.
4. Increase in non-operating expenses and losses mainly due to increase in interest expense of lease liabilities.
5. Increase of tax expense mainly due to the improvement of operating condition this year.
6. Contingency plans for factors of significant impact: Improve capital structure continuously.

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	Cash surplus (deficit) ① + ② - ③	Leverage of cash deficit	
				Investment plan	Financing plan
17,399,750	11,193,575	11,415,986	17,177,339	-	-

Cash flow analysis and liquidity analysis of the past year:

1. Operating activities: Net cash inflow from operating activities of NT\$ 11,193,575,000.
2. Investing activities: spent NT\$ 1,480,672,000 to acquire funds and financial assets, bulk carriers, and machine equipment.
3. Fundraising activities: paid off debts and conducted fundraising for businesses development needs.
4. Remedies for cash deficit: not applicable.

7.3.2 Cash Flow Analysis for the Coming Year (2020)

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
17,177,339	16,724,511	17,804,783	16,097,067	-	-

Cash flow analysis and liquidity analysis of the coming year (2020):

1. Operating activities: Net cash inflow from operating activities is estimated to be NT\$ 16,724,511,000, including Right-of-use asset depreciation NT\$ 10,860,007,000.
2. Investing activities: spent NT\$ 11,738,552,000 to acquire funds and financial assets, bulk carriers, and machine equipment.
3. Fundraising activities: pay off debts and conduct fundraising for businesses development needs.
4. Remedies for cash deficit: not applicable.

7.4 Impact of major capital expenditure on finance and business: None.

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. Consolidated profit from re-investment accounted for under the equity method is NT\$ 152,585,000, mainly from return on investment in 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. Furthermore, in order to enhance the management effectiveness, improve operating performance and lower the operating cost, the Company will continuously develop the shipping agency business in Europe.

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 risk

The Company continues to improve financial structure and flexibly adjusts short, medium and long-term loans to reduce interest rate risk.

After considering IFRS 16, net interest expense throughout the year amounts to NT\$ 3,780,701,000, accounting for 2.53% of net operating revenue. Loss before tax is NT\$ 3,587,815,000. Net interest income (expense) accounts for 105.38% of loss before tax.

However, interest expense recognized by lease assets doesn't affect the Company's profit and loss by interest rate volatility. Therefore, while all major interest rate indices continue to remain low, net interest expense of loans related to interest rate changes throughout the year is NT\$ 1,256,532,000, accounting for 0.85% of net operating revenue. Loss before tax is NT\$ 3,587,815,000. Net interest income (expense) accounts for 35.02% of loss before tax.

(2) Foreign exchange rates risk

The Company is multinational operation company which is subject to exchange rate risks arising from multi-currency, mainly US dollars, euros and Japanese yen.

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. Any long or short position, the Company trades spot exchange rate to maintain foreign exchange exposure at an acceptable level.

(3) Inflation

NIL.

2. Future response strategies

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 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 in IMO 2020 New Sulfur Limited, the Company will got bunker surcharge and shipping cost transfer, fuel usage reduction efforts to reduce consumption. in order to maintain 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. Smart ship upgrade project.
2. Ship's VSAT and WIFI and other information infrastructure.
3. Construction of Kongsberg's big data analysis system.
4. Construction of SPECTEC marine management system
5. The retrofit projects of Scrubber for using HFO to meet 2020 Sulphur Cap regulations.
6. Internet of Things (IOT) application
7. Implementation of Robotic Process Automation (RPA)
8. Broadband on board and Big Data
9. Web Application System
10. Study and evaluate the feasibility to apply Alternative Fuel for future New Building Project.
11. YANG MING will keep studying and evaluate to install scrubber equipment in existing vessels so as to save fuel cost and meet 2020 IMO low sulfur requirement as well.

The above R&D plans require an estimated investment of NT\$1,226 million.

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. Sales

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 requirements from the ports; as well as increase energy efficiency. The Company continues to implement environmental protection and anti-pollution control to our fleet. All new container ships meet the international standards and regulations of low fuel usage 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, updated Electronic Navigation Chart (EVC) and information system, 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. There are 20 charter 14,000TEU energy-efficient ships have been deployed and operated in 2019 in order to strengthen the fuel consumption saving 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 peak times such as Chinese New Year, Labor Day holidays and National Day holidays in China, Golden Week in Japan, or down times such as winter, routes are adjusted, and shipment space is consolidated to lower shipping costs and increase load factors.

3. Temporary route adjustments

Aside from the seasonal adjustment, we adopt the necessary measures such as closely tracking the development, performing additional service adjustment and withdrawing redundant capacity appropriately to cope with unexpected global trade incidents and potential risk resulted in imbalanced supply-demand.

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 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 has submitted the case to Constitutional Court, Judicial Yuan for judicial interpretation in March 2019, which is 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 contract and therefore, within controllable risks of the Company.

7.6.13 Other Significant Risks and Response Strategies

1. Please refer to Page 48 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 department 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 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.

YMTC	: Yang Ming Marine Transport Corp.
YML(SG)	: Yang Ming Line (Singapore) Pte Ltd
YM(HK)	: Yang Ming Line (Hong Kong) Ltd.
YC	: Young-Carrier Company Ltd.
YM(PH)	: Yang Ming Shipping Philippines, Inc.
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.
YM(LA)	: Yang Ming (Latin America) Corp.
YMS(BVI)	: Yang Ming Shipping (B.V.I.) Inc.
KARLMAN	: Karlman Properties Limited
YM INSURANCE	: Yang Ming Insurance Co., Ltd.
YM(IN)	: Yang Ming Line (India) Pvt. Ltd.
YM(KR)	: Yang Ming (Korea) Co. Ltd.
HUNG MING	: Huan Ming (Shanghai) International Shipping Agency 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(ID)	: PT Yang Ming Shipping Indonesia
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.
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, 2019
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	Citico 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	TWD4,000,000	Ocean shipmen service, shipping agency, and sales and purchase of ships and ship parts
Hong Ming Terminal & Stevedoring Corp.	1997.12.01	No.10, Ya Tai Rd., Hsiao-Kang District, Kaohsiung City	TWD100,000	Terminal operation and stevedoring
Jing Ming Transportation Co. Ltd.	1998.08.31	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 (America) Corp.	2003.07.01	One Newark Center, 1085 Raymond Boulevard, 9 th 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 Country, 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	USD10	Inland forwarding agency
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	Schottgatweg Oost 44, P.O. Box 812, Curaçao	USD1,500	Commercial investment, shipping agency, forwarding agency and freight management service

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
Yang Ming Line B.V.	1997.01.28	Albert Plesmanweg 61D, 3088 GB Rotterdam, 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	4 th Floor, No. 328-330, Leof. Andrea Siggrou, 17673, Kallithea, Greece	EUR1,100	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 Pta 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
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	19 TH /20 TH Floor, Sebang Bldg, 433, Seolleung-ro, Gangnam-Gu, Seoul, Korea, 06212	KRW500,000	Shipping agency, forwarding agency and freight management service



Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
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.	2008.09.18	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	19 th 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, 5 th 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., 20 th 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., 20 th Floor, Unit 2009, 1788 New Phetchaburi Road, Bangkok, Huai Kwang, Bangkok, 10310	THB5,000	Shipping agency
Yang Ming Insurance Co., Ltd.	2019.04.05	Power House, 7 Par-La-Ville Rd, Hamilton HM 11, Bermuda	USD250	Insurance
PT Yang Ming Shipping Indonesia	2018.12.21	Cowell Tower 9 th Floor Suite 901 Jl. Senen Raya 135 Jakarta Indonesia 10410	IDR38,500,000	Shipping agency, forwarding agency and shipping managers
Huan Ming (Shanghai) International Shipping Agency Co., Ltd	2019.04.24	Floor 23, Harbour Ring Plaza, No. 18 Xi Zang Middle Road, Huangpu District, Shanghai, China	USD1,000	Shipping agency, forwarding agency and shipping managers
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
Kuang Ming (Liberia) Corp.	2008.07.16	80 Broad Street, Monrovia, Republic of Liberia	USD109,691	Forwarding agency
YES Logistics Corp.	2000.02.11	1013 Centre Road Wilmington Delaware 19805	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 27 th 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

Company	Date of Incorporation	Address	Paid-in Capital	Business Activities
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	45 Maria Louisa Blvd., 1202 Sofia, Bulgaria	BGN5	Cargo consolidation service and forwarding agency
PT. YES Logistics Indonesia	2017.06.16	Cowell Tower 9 th Floor Suite 901 Jl. 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 Business scope of the Group:

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, 2019

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.: Yeoung-Shuenn Ho, Yi-Ta Wu, Shih-Chou Lee	1,000	100.00
	General Manager	Yeoung-Shuenn Ho	-	-



Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
YES Logistics Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Tsang-Ta Tsai, Shu-Chin Tu, Mei-Chi Shih, Kuen-Rong Pai, Ying-Tung Lin	60,000,000	50.00
	Supervisor General Manager	Ching Ming Investment Corp.: Yu-Wen Su Ying-Tung Lin	55,630,977 1,000	46.36 0.001
Kuang Ming Shipping Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Kuen-Rong, Pai, Yeoung-Shuenn Ho, Mei-Chi Shih, Chen-Huei Yeh, Chih-Cheng Kuo	395,527,339	98.88
	Supervisor General Manager	Shih-Chou Lee Chih-Cheng Kuo	2,550 2,550	- -
Hong Ming Terminal & Stevedoring Corp.	Director	Representative of Yang Ming Marine Transport Corp.: Guo-Liang Huang, Mei-Chi Shih, Chin-Lung Liu	7,916,908	79.17
	Supervisor General Manager	Ching Ming Investment Corp.: Yu-Wen Su Kun-Chi Hsu	2,083,092 -	20.83 -
Jing Ming Transportation Co., Ltd.	Director	Representative of Yang Ming Marine Transport Corp.: Mei-Chi Shih, Yaung-Tai Lin Guo-Liang Huang, Shu-Chin Tu	8,615,923	50.98
	Director	Zhong Yeh	2,138,058	12.65
	Director	Jin-Xing Wang, Peng-Chi Fong	-	-
	Supervisor	Yi-Xing Juang	447,191	2.65
	Supervisor General Manager	Yu-Wen Su 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 (America) Corp.	Director	Representative of Yang Ming Line Holding Co.: Wen-Chung Yeh, Chih-Chien Tsao, Wen-Bor Lin	5,000	100.00
	General Manager	Chih-Chien Tsao	-	-
Triumph Logistics, Inc.	Director	Representative of Yang Ming Line Holding Co.: Stephen Hsu, Wen-Jin Lee, Pao-Lin Lee	200	100.00
	General Manager	Stephen Hsu	-	-

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Topline Transportation, Inc.	Director	Representative of Yang Ming Line Holding Co.: Stephen Hsu, Wen-Jin Lee, Pao-Lin Lee	100	100.00
	General Manager	Stephen Hsu	-	-
Transcont Intermodal Logistics, Inc.	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
	General Manager	Mei-Chen Yang	-	-
Yang Ming Line N.V.	Director	Representative of Yang Ming Line (B.V.I.) Holding Co., Ltd. Shih-Chou Lee	1,500,000	100.00
Yang Ming Line B.V.	Director	Representative of Yang Ming Line N.V.: Shih-Chou Lee, Wei-Chen Tien	2,500	100.00
Yang Ming (UK) Ltd.	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	General Manager	Representative of Yang Ming Line B.V.: Tsai-Ding Chou	(Note 1)	100.00
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
	General Manager	Mei-Ying Yang	-	-
Yang Ming (Belgium) N.V.	Director	Representative of Yang Ming Line B.V.: Tsai-Ding Chou, Wen-Hao Chen	553	89.92
	General Manager	Wen-Hao Chen	-	-
Yang Ming (Netherlands) B.V.	Director	Representative of Yang Ming Line B.V.: Tsai-Ding Chou, Chao-Feng Chang, Wei-Chen Tien	400,000	100.00
	General Manager	Wei-Chen Tien	-	-



Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Yang Ming (Russia) LLC	Director	Representative of Yang Ming Line B. V.: Tsai-Ding Chou, 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, Zong-Yi Lin	60,000	60.00
	Director	Representative of Catalana Del Mar, S.A.: Carlos Mestre López, Sergio Prat Artal	40,000	40.00
	General Manager	Zong-Yi Lin	-	-
Yang Ming (Mediterranean) Marine Services Single-member Limited Liability Company	General Manager	Representative of Yang Ming Line B. V.: Tien-Shun Wu	11,000	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	Mariner: Andrea Mastellone	(Note 4)	40.00
Yangming (Japan) Co., Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Shu-Chin Tu, Shih-Nan Huang, Shang-Chien Su		
	Supervisor	Representative of Yang Ming Line (Singapore) Pte Ltd: Yu-Wen Su	3,000	100.00
	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 Wang	1,000	100.00
Young-Carrier Company Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Chih-Chien Hsieh, Wen-Bor Lin, Kuen-Rong Pai, Tair-Shing Chia	1,000,000	100.00
	General Manager	Tair-Shing Chia	-	-
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	-	-

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
Yang Ming (Singapore) Pte. Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Li-Ping Hsiung, 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: Li-Ping Hsiung, Zheng-Zhan Shi, Kuo-Hao Sun	1,000,000	100.00
	General Manager	Zheng-Zhan Shi	-	-
Yang Ming Line (India) Pvt. Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Kuen-Rong Pai, Shu-Chin Tu, 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: Shu-Chin Tu, 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, Shih-Chou Lee, 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, Ming-Sheng Lin	(Note 5)	100.00
	General Manager	Ming-Sheng 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	Guan-Yu Chen	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, Shu-Chin Tu, Li-Ping Hsiung	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, Inkonkul Mapafoonkij	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, Punnada Tuesue	2,450	49
	General Manager	Chun-Yuan Chen	-	-
Yang Ming Insurance Co., Ltd.	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Mei-Chi Shih, Shih-Chou Lee, Nicolas Plianthos	250,000	100
	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Rui-Xiang Wu, Shi-Nan Huang	18,865	49
PT Yang Ming Shipping Indonesia	Supervisor	Yu-Wen Su		
	Director	Representative of Yang Ming Line (Singapore) Pte Ltd: Tai-Shing Chia, Wen-Bor Lin, Kuen-Rong Pai, Shu-Chin Tu	(Note 6)	51
Karlman Properties Limited	Director	Representative of Yang Ming Shipping (B.V.I.) Inc. Sheng-Hsien Wang, Ping-Jen Tseng	24,000,000	100.00
	Director	Yangming (Japan) Co., Ltd.: Leng-Hui Wang, Shang-Chien Su, Ryo Yonekura	200	100.00
Manwa Co., Ltd.	Supervisor	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

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
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	-	-
Yes Logistics (Shanghai) Corp.	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 7)	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 8)	100.00
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
PT. YES Logistics Indonesia	Director	Representative of Yes Logistics Company Ltd.: Kuo-Hsi Hsu, Chun-Nan Chou, Ying-Tung Lin	510,000	51.00
	Supervisor	Representative of Yes Logistics Company Ltd.: Wei-Nan Chen		
	Director	IRWANTO SALIM		
	Director	HANDY KORNIAWAN	-	-
YES MLC GmbH	Supervisor	LIO KURNIAWAN	490,000	49.00
	General Manager	Peter Poots	-	-
Merlin Logistics GmbH	General Manager	Peter Poots	-	-

Company	Title	Name or Representative	Shareholding	
			Shares	Share percentage (%)
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 Sergeyevech Luzinov amounted to RUB2,000,000 and investment of Aleksey Sergeyevech 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: Yang Ming Line (Singapore) Pte Ltd held 51% shares, which amounted to USD510,000

Note 7: 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 8: YES Logistics Corp. held 100% shares, which amounted to EUR1,025,000

8.1.6 Operational Highlights of the Company's Affiliates

December 31, 2019

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

Company	Capital Stock	Asset	Liabilities	Net Worth	Net Revenues	Income from Operation	Net Income (Loss)	Earnings (Loss) Per Share	Note
All Oceans Transportation Inc.	3,235	6,680,365	6,385,873	294,492	2,715,586	111,536	92,477	92,477.00	
Yang Ming (Liberia) Corp.	0	0	0	0	0	0	57		(Note 2)
Hong Ming Terminal & Stevedoring Corp.	100,000	607,923	446,958	160,965	741,899	40,455	(989)	(0.10)	
Jing Ming Transportation Co., Ltd.	169,006	473,794	222,400	251,394	967,470	16,361	14,704	0.87	
Ching Ming Investment Corp.	1,204,875	1,156,759	11,942	1,144,817	0	(15,894)	94,355	0.78	
Yang Ming Line (Singapore) Pte Ltd	1,339,499	2,296,737	9,379	2,287,358	0	(9,552)	392,802	6.53	
Yang Ming Line Holding Co.	134,910	2,259,950	102,871	2,157,079	0	(1,703)	212,917	15,771.63	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	3,103,081	5,709,811	2,736,515	2,973,296	0	(67)	(78,533)	(7,587.36)	
Kuang Ming Shipping Corp.	4,000,000	9,090,354	6,962,207	2,128,147	893,138	(175,340)	(592,758)	(1.48)	
YES Logistics Corp.	1,200,000	2,235,402	993,814	1,241,588	2,341,733	126,254	75,961	0.63	
Yang Ming Shipping (B.V.I.) Inc.	30	437,922	18,228	419,694	183,816	3,459	51,556	51,556.00	
Yang Ming Line (Hong Kong) Ltd.	3,850	261,063	560,218	(299,155)	171,546	(44,450)	(38,888)	(38.89)	
Karlman Properties Limited	92,405	88,204	1,313	86,891	0	(9,187)	192	0.01	
Yang Ming Line (India) Pvt. Ltd.	2,102	389,078	300,481	88,597	250,191	123,191	99,034	198.07	
Yang Ming (Korea) Co. Ltd.	12,968	93,425	33,426	59,999	186,560	8,186	9,587	95.87	
Young-Carrier Company Ltd.	3,850	1,855,250	1,532,758	322,492	977,369	102,786	88,077	88.08	
Yang Ming (Japan) Co., Ltd.	41,386	528,704	500,671	28,033	280,361	11,268	2,074	691.33	
Manwa Co., Ltd.	2,759	9,754	7,175	2,579	542	(110)	(140)	(700.00)	
Yang Ming (Singapore) Pte. Ltd.	22,277	282,607	154,077	128,530	157,988	26,707	22,074	22.07	
Yang Ming Line (M) Sdn. Bhd.	7,325	303,071	244,911	58,160	84,362	17,223	12,416	12.42	
Sunbright Insurance Pte. Ltd.	149,900	342,903	149,841	193,062	14,131	10,522	14,911	2.98	
Yang Ming Shipping (Vietnam) Co. Ltd.	8,994	330,196	284,378	45,818	78,962	5,911	6,348		(Note 1)
Yang Ming Anatolia Shipping Agency S.A.	504	659,472	311,325	348,147	1,312,451	427,577	383,324	3,833.24	
Yang Ming Shipping Philippines, Inc.	5,918	108,738	118,022	(9,284)	49,879	2,950	630	6.30	
Yang Ming (Latin America) Corp.	5,996	14,255	6,881	7,374	24,937	306	495	2,475.00	
Yang Ming Line (Thailand) Co., Ltd.	8,027	216,980	193,398	23,582	98,804	8,178	8,444	1,055.50	
Yang Ming Line Shipping (Thailand) Co., Ltd.	5,017	15,981	2,002	13,979	16,458	1,230	5,155	1,031.00	
Yang Ming Insurance Co., Ltd.	7,495	118,982	85,253	33,729	29,850	26,596	27,056	108.22	
PT Yang Ming Shipping Indonesia	83,254	354,753	264,093	90,660	74,135	12,167	7,486	194.44	
Huan Ming (Shanghai) International Shipping Agency Co., Ltd	29,980	49,646	24,860	24,786	0	(7,639)	(5,851)		(Note 1)



Company	Capital Stock	Asset	Liabilities	Net Worth	Net Revenues	Income from Operation	Net Income (Loss)	Earnings (Loss) Per Share	Note
Yang Ming (America) Corp.	14,990	864,094	642,608	221,486	1,281,606	45,392	7,955	1,591.00	
Triumph Logistics Inc.	1,499	35,050	25,874	9,176	180,746	8,283	7,424	37,120.00	
Topline Transportation Inc.	4,497	15,753	5,002	10,751	68,445	(241)	(244)	(2,440.00)	
Transcont intermodal Logistics, Inc.	300	257	0	257	0	(44)	(44)	(220.00)	
Yang Ming Shipping (Canada) Ltd.	2,297	27,236	3,175	24,061	38,153	1,110	597	597.00	
Yang Ming Line N.V.	44,970	(2,839,773)	3,743	(2,843,516)	0	(200)	(149,841)	(99.89)	
Yang Ming Line B.V.	38,116	(2,839,773)	4,027	(2,843,800)	0	(1,167)	(149,549)	(59,819.60)	
Yang Ming (Belgium) N.V.	2,066	197,446	165,612	31,834	149,368	16,405	10,376	16,871.54	
Yang Ming (Netherlands) B.V.	13,439	319,273	195,565	123,708	183,694	76,662	96,945	242.36	
Yang Ming (Italy) S.p.A	8,400	459,919	381,124	78,795	303,555	60,246	40,133	160.53	(Note 1)
Yang Ming (Naples) S.r.l.	336	32,404	31,994	410	15,352	(4,309)	(3,698)	(252.19)	
Yang Ming (UK) Ltd.	59,064	8,076,553	12,001,088	(3,924,535)	12,579,688	8,247	(378,281)		(Note 1)
Yang Ming Shipping Europe GmbH	27,486	462,713	300,559	162,154	337,556	4,350	2,802		(Note 1)
Yang Ming (Russia) LLC	4,826	73,502	45,806	27,696	60,814	26,099	22,640		(Note 1)
Yang Ming (Spain), S.L.	3,360	358,132	175,993	182,139	243,243	148,967	110,551	1,105.51	
Yang Ming (Mediterranean) Marine Services Single-member Limited Liability Company	36,958	44,602	7,215	37,387	46,229	549	73	6.64	
Kuang Ming (Liberia) Corp.	3,288,543	5,974,013	3,872,861	2,101,152	2,244,723	(78,997)	(255,051)	(63,762,750.00)	(Note 3)
YES Logistics Europe GmbH	34,439	107,289	210,889	(103,600)	394,047	(14,635)	(13,177)		(Note 1)
YES Logistics Corp.	65,159	141,160	159,299	(18,139)	711,311	12,491	7,406	3.41	
YES Yangming Logistics (Singapore) Pte. Ltd.	35,821	27,098	2,322	24,776	25	(90)	874	0.54	
Yes Logistics Company Ltd.	30,348	49,183	25,173	24,010	19,845	(2,472)	(2,526)	(0.32)	
Yes Logistics Benelux B.V.	605	23,558	26,496	(2,938)	143,844	6,967	6,764	375.78	
Yes Logistics (Shanghai) Corp.	128,914	699,321	558,628	140,693	2,186,577	17,797	14,396		(Note 1)
Golden Logistics USA Corporation	300	15,771	3,250	12,521	63,580	2,158	1,883	18,830.00	
YES MLC GmbH	27,050	463,243	514,298	(51,055)	246,689	9,215	1,318		(Note 1)
Merlin Logistics GmbH	1,176	403	62	341	0	0	(1,739)		(Note 1)
YES Logistics Bulgaria Ltd.	86	1,468	3,675	(2,207)	0	0	0	0.00	
PT YES Logistics Indonesia	29,980	38,256	15,228	23,028	34,710	(2,581)	(2,368)	(2.37)	

Note 1: Unissued shares.

Note 2: Issued one share and Liquidated on February 2019.

Note 3: Issued four shares.

8.1.7 Consolidated Financial Statements

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, 2019 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, 2019. 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 30, 2020

8.1.8 Affiliated Companies Report: None.

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 2 of Article 36 of the Securities and Exchange Act:

Wen-Bor Lin, the former president has retired since 2020.02.16 for further development in terms of career planning. Before the replacement will be appointed in accordance with the resolution of the Board of Directors, Chih-Chien Hsieh, the Chairman and the Chief Executive Officer of the Company, represents as president of the company for its authority. And this has no substantial impact on Owner's Equity.

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.



 **YANG MING**

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