

# Minutes of the 2018 Shareholders' Meeting

## YANG MING MARINE TRANSPORT CORP.

Time: 9:00 a.m. on Friday, June 22, 2018

Venue: 2F., No. 181, Xin 1st Rd., Zhongzheng Dist., Keelung City, Taiwan (R.O.C.)  
(The First Conference Room of Keelung Cultural Center)

Number of shares represented: 1,461,590,538 (including 257,498,714 shares using electronic voting), or 62.92% of the total 2,323,024,791 shares issued

Directors present: Chih-Chien Hsieh, Ping-Jen Tseng, Jin-Ru Yen (Independent Director), and Ming-Sheu Tsai (Independent Director)

Attendees: Chin-Tsung Cheng (Accountant) and Salina Chen (Lawyer)

Chairman: Chih-Chien Hsieh

Minute Taker: Tina Lu

**I. The Chairman calls the 2018 Shareholders' Meeting of Yang Ming Marine Transport Corporation to order and delivers his opening address. (omitted)**

**II. Matters to Report:**

**Report I. 2017 Business Report**

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

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

**Explanation:** 2017 Audit Committee's review report is attached as Appendix 1.

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

**Explanation:** i. The Company issued 500 million ordinary shares of NT\$12 per share and with a par value of NT\$10 per share. The total issue amount is NT\$6 billion.

ii. According to the letter issued by the Financial Supervisory Commission dated September 1, 2017 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-10600301161), execution status of the sound business plan for public offering in 2017 shall be reported to the annual shareholders' meeting and is attached as Handbook page 16.

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

**Explanation:** i. The special shareholders' meeting on December 22, 2016 resolved that the Company could issue ordinary shares on private placement basis to enrich working capital, improve financial structure and enhance net value.

ii. The Company has completed the second private placement on December 8, 2017 and the execution status is attached as Handbook page 18.

**III. Matters for Recognition:**

**Proposal I. Adoption of 2017 Business Report and Financial Statements  
(Proposed by the Board)**

**Explanation:** i. 2017 consolidated and stand-alone financial statements have been duly audited by the Certified Public Accountants, Chin-Tsung Cheng and Yu-Mei Hung of Deloitte & Touche. Also, 2017 business report and the aforementioned financial statements have been examined by the Audit Committee.

ii. 2017 business report is attached from Handbook page 7 to 12 and 2017 consolidated and individual financial statements are attached as Appendix 2.

**Resolution:** The eligible shares for voting are 1,461,584,971 with 1,443,501,350 shares (including 241,436,164 electronic votes) voting for the proposal, 953,013 shares (including 953,013 electronic votes) voting against it, 17,130,608 shares (including 15,109,537 shares in electronic votes) abstaining, and there are no invalid shares. With 98.76% of the eligible shares voting for this proposal, this motion is approved as proposed.

**Proposal II. Adoption of 2017 Deficit Compensation Proposal  
(Proposed by the Board)**

**Explanation:** i. The initial balance of accumulated deficits of the Company is NT\$1,652,120,308. After adjustment for the recognition of the actuarial loss of NT\$212,390,422 arising from the defined benefit plans and for the recognition of the other consolidated losses from the subsidiaries and joint ventures of NT\$21,487,814 by adopting the equity method with respect to the share in such losses, plus the net income of NT\$320,848,766, the ending balance of accumulated deficits is NT\$1,565,149,778. Statement of deficit compensated of the year ending on December 31, 2017 is attached as Appendix 3.

ii. It is proposed not to distribute any dividends for the year ending on December 31, 2017.

**Resolution:** The eligible shares for voting are 1,461,590,538 with 1,445,641,227 shares (including 243,576,041 electronic votes) voting for the proposal, 1,101,872 shares (including 1,101,872 electronic votes) voting against it, 14,847,439 shares (including 12,820,801 shares in electronic votes) abstaining, and there are no invalid shares. With 98.90% of the eligible shares voting for this proposal, this motion is approved as proposed.

**Proposal III. Retroactive Recognition of the Private Placement in 2017  
(Proposed by the Board)**

**Explanation:** i. In accordance with the Directions for Public Companies Conducting Private Placements of Securities, if there are multiple closings of the private placement, the Company should specify in its shareholder meeting agenda the expected number of the closings, the use of capital for each closing and the estimated benefit of each.

ii. The special shareholders' meeting on December 22, 2016 resolved that the Company may issue ordinary shares on private placement basis whether once or several times, and the Company has completed the capital injection for the first and the second private placement on February 21, and December 8, 2017 respectively. Please refer to Appendix 4 for the retroactive recognition of the private placement in 2017.

**Resolution:** The eligible shares for voting are 1,461,590,538 with 1,445,172,768 shares (including 243,107,582 electronic votes) voting for the proposal, 1,223,011 shares (including 1,223,011 electronic votes) voting against it, 15,194,759 shares (including 13,168,121 shares in electronic votes) abstaining, and there are no invalid shares. With 98.87% of the eligible shares voting for this proposal, this motion is approved as proposed.

**IV. Matters for Election:**

**Proposal I. The Election of Directors  
(Proposed by the Board)**

**Explanation:** i. After the capital reduction and injection in 2017, the shareholding structure of the Company has undergone a material change. To comply with the principles of corporate governance, the Board of Directors has resolved that 11 directors of the 19th term, including 3 independent directors will be elected in advance at 2018 annual shareholders' meeting. The tenure of newly elected directors shall commence on June 22, 2018 and expire on June 21, 2021.

ii. The directors including independent directors shall be elected by adopting the candidate nomination system pursuant to the Article of Incorporation. All the

nominated candidates are examined by the Board of Directors and their relevant information is attached as Handbook page 50 to 51.

**Voting Result:**

The List of Directors and Independent Directors Elected

Director/ Independent Director	Shareholder/ Personal ID Number	Name	Votes
Director	1	Representative of MOTC: Chih-Chien Hsieh	1,802,224,528
Director	626257	Representative of National Development Fund, Executive Yuan: Jiunn-Rong Chiou	1,792,007,210
Director	626257	Representative of National Development Fund, Executive Yuan: Chuan-Te Ho	1,791,317,730
Director	1	Representative of MOTC: Kun-Ching Liao	1,790,808,467
Director	626257	Representative of National Development Fund, Executive Yuan: Chien-Yi Chang	1,790,166,368
Director	1	Representative of MOTC: Ping-Jen Tseng	1,789,485,632
Director	585382	Representative of Taiwan International Ports Corporation, Ltd.: Shao-Liang Chen	1,788,751,911
Director	585383	Representative of Taiwan Navigation Co., Ltd.: Wen-Ching Liu	1,788,048,599
Independent Director	J1203xxxxxx	Tze-Chun Wang	126,563,721
Independent Director	C1010xxxxxx	Tar-Shing Tang	124,017,411
Independent Director	127	Ming-Sheu Tsai	124,004,031

**V. Matters for Discussion:**

**Proposal I. Proposal for Releasing the Prohibition on Directors from Participation in Competitive Business  
(Proposed by the Board)**

- Explanation:** i. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain to the shareholders' meeting the essential contents of such an act and secure its approval.
- ii. The Board of Directors proposes to release the prohibition on directors from participation in competitive business if the director does anything for himself or on behalf of another person as provided in the said Article without prejudice the the Company. The list of release of the non-compete prohibition on directors is attached as Handbook page 54.

**Resolution:** For releasing the prohibition on Chih-Chien Hsieh, the representative of MOTC, from participation in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,099,963 shares (including 162,034,777 electronic votes) voting for the proposal, 1,878,001 shares (including 1,878,001 electronic votes) voting against it, 95,612,574 shares (including 93,585,936 shares in electronic votes) abstaining, and there are no invalid shares. With 93.32% of the eligible shares voting for this proposal, this motion is approved as proposed.

For releasing the prohibition on Shao-Liang Chen, the representative of Taiwan International Ports Corporation, Ltd., from participation in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,068,640 shares (including 162,003,454 electronic votes) voting for the proposal, 1,889,751 shares (including 1,889,751 electronic votes) voting against it, 95,632,147 shares (including 93,605,509 shares in electronic votes) abstaining, and there are no invalid shares. With 93.32% of the eligible shares voting for this proposal, this motion is approved as proposed.

For releasing the prohibition on Wen-Ching Liu, the representative of Taiwan Navigation Co., Ltd., from participation in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,164,308 shares (including 162,099,122 electronic votes) voting for the proposal, 1,792,083 shares (including 1,792,083 electronic votes) voting against it, 95,634,147 shares (including 93,607,509 shares in electronic votes) abstaining, and there are no invalid shares. With 93.33% of the eligible shares voting for this proposal, this motion is approved as proposed.

For releasing the prohibition on Independent Director Ming-Sheu Tsai from participation in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,144,412 shares (including 162,079,226 electronic votes) voting for the proposal, 1,818,546 shares (including 1,818,546 electronic votes) voting against it, 95,627,580 shares (including 93,600,942 shares in electronic votes) abstaining, and there are no invalid shares. With 93.33% of the eligible shares voting for this proposal, this motion is approved as proposed.

For releasing the prohibition on Director MOTC from participation in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,012,172 shares (including 161,946,986 electronic votes) voting for the proposal, 1,753,771 shares (including 1,753,771 electronic votes) voting against it, 95,824,595 shares (including 93,797,957 shares in electronic votes) abstaining, and there are no invalid shares. With 93.32% of the eligible shares voting for this proposal, this motion is approved as proposed.

For releasing the prohibition on Director Taiwan International Ports Corporation, Ltd. from participation in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,193,844 shares (including 162,128,547 electronic votes) voting for the proposal, 1,761,547 shares (including 1,761,547 electronic votes) voting against it, 95,635,147 shares (including 93,608,509 shares in electronic votes) abstaining, and there are no invalid shares. With 93.33% of the eligible shares voting for this proposal, this motion is approved as proposed.

For releasing the prohibition on Director Taiwan International Ports Corporation, Ltd. from participation in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,193,844 shares (including 162,128,547 electronic votes) voting for the proposal, 1,761,547 shares (including 1,761,547 electronic votes) voting against it, 95,635,147 shares (including 93,608,509 shares in electronic votes) abstaining, and there are no invalid shares. With 93.33% of the eligible shares voting for this proposal, this motion is approved as proposed.

For releasing the prohibition on Director Taiwan Navigation Co., Ltd. from participation

in competitive business, the eligible shares for voting are 1,461,590,538 with 1,364,180,588 shares (including 162,115,402 electronic votes) voting for the proposal, 1,773,006 shares (including 1,773,006 electronic votes) voting against it, 95,636,944 shares (including 93,610,306 shares in electronic votes) abstaining, and there are no invalid shares. With 93.33% of the eligible shares voting for this proposal, this motion is approved as proposed.

**Proposal II. Amendment to the Articles of Incorporation  
(Proposed by the Board)**

**Explanation:** To strengthen corporate governance and develop supervisory function and management mechanisms of the Board of Directors, the Company plans to set up functional committees due to business needs and then revise its Articles of Incorporation in accordance with Article 27 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Comparison table for the revision of Articles of Incorporation is attached as Appendix 5.

**Resolution:** The eligible shares for voting are 1,461,590,538 with 1,445,593,262 shares (including 243,533,076 electronic votes) voting for the proposal, 875,107 shares (including 875,107 electronic votes) voting against it, 15,122,169 shares (including 13,090,531 shares in electronic votes) abstaining, and there are no invalid shares. With 98.90% of the eligible shares voting for this proposal, this motion is approved as proposed.

**VI. Extempore Motions: None**

**VII. Adjournment: 10:45 a.m.**

Chairman: Chih-Chien Hsieh

Minute Taker: Tina Lu

The minutes of this shareholders' meeting only record the major issues and the outcomes of the proposals. The actual progress, procedures, and the statement of the shareholders' meeting should be based on the audio and video recording of the meeting.

This translated document of the Chinese text is for reference only. If there is any discrepancy between the English version and the Chinese version, the Chinese version prevails.

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

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2017 business report, stand-alone and consolidated financial statements, and deficit compensation proposal of the year ending on December 31, 2017. The CPA firm of Deloitte & Touche, Taiwan, was retained to audit Yang Ming Marine Transport Corporation's financial statements and has issued an independent auditors' report relating to the financial statements. In accordance with Article 14-4 of Securities and Exchange Act and Article 219 of Company Act, the undersigned hereby certifies the business report, financial statements, and deficit compensation proposal of the year ending on December 31, 2017 after thorough examination.

To: 2018 Annual Shareholders' Meeting

YANG MING MARINE TRANSPORT CORP.

Chairman of the Audit Committee: Yen, Jin-Ru

Independent Director: Yen, Jin-Ru

Independent Director: Tsai, Ming-Sheu

Independent Director: Chou, Heng-Chih

March 26, 2018

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Yang Ming Marine Transport Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Yang Ming Marine Transport Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group are as follows:

**Assessment of the Impairment of Tangible Assets (Not Including Investment Properties) and Intangible Assets**

The carrying amount of tangible assets (not including investment properties) and intangible assets in the aggregate is NT\$81,681,297 thousand. Not only is the amount material to the consolidated financial statements, but also the economic trend of the industry influences the assessment of impairment reached by the management of the Group. The Group's management evaluates the amount of impairment by taking the profitability, expected cash flows, economic benefits, cost of equity and cost of debt into consideration for forming the basis of assessment. Since the impairment involves judgment of critical estimation from the Group's management, we deemed that the assessment of impairment of the tangible assets (not including investment properties) and intangible assets is a key audit matter.

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

We took the indicators of impairment of the tangible and intangible assets into consideration and focused on the performance of each component. When the indicators of impairment exists, we will test the assumption of impairment assessment model used by the Group's management - the test covers the forecast of cash flow and the discount rate.

We measured the accuracy of the Group's historical forecast by verifying the data, together with the documentation, provided by the Group's management in comparison with those of the industry.

#### Evaluation of the Impairment of Deferred Tax Assets Generated from Tax Loss Carryforward

The carrying amount of deferred tax assets generated from tax loss carryforward is NT\$3,561,187 thousand. Not only is the amount material to the consolidated financial statements, but also the recognition of deferred tax assets is based on the prediction of future taxable income. Since the impairment involves judgment of critical estimation from the Group's management, we deemed that the impairment of deferred tax assets generated from tax loss carryforward is a key audit matter.

The evaluation of the impairment of deferred tax assets generated from tax loss carryforward is included in the critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 29 to the Group's consolidated financial statements.

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

We tested the prediction of future profit streams, compared the data of the forecast with historical data, and assessed whether the prediction would reflect the plan of the management of the Group.

#### Evaluation of the Provisions for Onerous Contracts

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

The evaluation of provisions for onerous contracts is included in critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 23 to the Group's consolidated financial statements.

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

#### Audit of the Percentage-of-completion

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

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



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

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

### **Other Matter**

We did not audit the financial statements of some subsidiaries, namely Yes Logistics Company Ltd., Yang Ming Line Holding Co., Yang Ming Line (Singapore) Pte. Ltd., as of and for the years ended December 31, 2017 and 2016. The financial statements of these subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries included in the accompanying consolidated financial statements, is based solely on the reports of other auditors. The combined total assets of these subsidiaries were 3.57% (NT\$4,470,569 thousand) and 3.58% (NT\$4,873,184 thousand) of the total consolidated assets as of December 31, 2017 and 2016, respectively. The combined total operating revenue of these subsidiaries were 0.54% (NT\$701,728 thousand) and 1.02% (NT\$1,175,242 thousand) of the total consolidated operating revenue for the years ended December 31, 2017 and 2016, respectively. Also, we did not audit the financial statements of the associates and joint ventures, which were accounted for by the equity-method, as follows: Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited, Sino-YES Tianjin Cold Chain Logistics Company Limited, YES LIBERAL Logistics Corp., LogiTrans Technology Private Limited, Sino Trans PFS Cold Chain Logistics Co., Ltd. and Shanghai United Cold Chain Logistics Co., Ltd. for the year ended December 31, 2017, and Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited, Sino-YES Tianjin Cold Chain Logistics Company Limited, YES LIBERAL Logistics Corp. and LogiTrans Technology Private Limited for the year ended December 31, 2016; these associates and joint ventures had been audited by other auditors. The carrying amounts of these associates and joint ventures were 1.16% (NT\$1,543,832 thousand) and 1.12% (NT\$1,519,483 thousand) of the total consolidated assets as of December 31, 2017 and 2016, respectively. The amounts of profit or loss recognized on investments accounted for by the equity method were (166.08)% (NT\$(109,783) thousand) and 1.26% (NT\$(189,084) thousand) of the total comprehensive income for the years ended December 31, 2017 and 2016, respectively. The financial statements of these associates and joint ventures were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amount of these associates and joint ventures included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

We have also audited the parent company only financial statements of Yang Ming Marine Transport Corporation Company as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion with an other matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chin-Tsung Cheng and Yu-Mei Hung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2018

Notice to Readers

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

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

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

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

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

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

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

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

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

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

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

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

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

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

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests (Note 26)	Total Equity
	Share Capital (Notes 4 and 26)		Capital Surplus (Notes 4 and 26)	Accumulated Deficits (Note 26)			Exchange Differences on Translating Foreign Operations (Notes 4 and 26)	Unrealized Loss on Available-for-sale Financial Assets (Notes 4 and 26)			
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Accumulated Deficits					
BALANCE AT JANUARY 1, 2016	3,004,440	\$ 30,044,401	\$ 5,500,037	\$ 41,137	\$ 4,098,535	\$ (8,005,152)	\$ 690,054	\$ (1,330,302)	\$ 31,038,710	\$ 692,622	\$ 31,731,332
Legal reserve used to offset accumulated deficits	-	-	-	(41,137)	-	41,137	-	-	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	-	(4,098,535)	4,098,535	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(1,074,898)	-	-	1,074,898	-	-	-	-	-
Net profit (loss) for the year ended December 31, 2016	-	-	-	-	-	(14,912,060)	-	-	(14,912,060)	22,561	(14,889,499)
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	236,902	(250,316)	(113,029)	(126,443)	(32,427)	(158,870)
Total comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	(14,675,158)	(250,316)	(113,029)	(15,038,503)	(9,866)	(15,048,369)
Change in percentage of ownership interests in subsidiaries (Note 32)	-	-	-	-	-	(191,369)	-	-	(191,369)	(59,442)	(250,811)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(153,647)	(153,647)
BALANCE AT DECEMBER 31, 2016	3,004,440	30,044,401	4,425,139	-	-	(17,657,109)	439,738	(1,443,331)	15,808,838	469,667	16,278,505
Donations from shareholders	-	-	7	-	-	-	-	-	7	-	7
Change in accumulated deficits from investments in associates accounted for using equity method	-	-	-	-	-	(90)	-	-	(90)	90	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	320,849	-	-	320,849	171,017	491,866
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(212,390)	(525,579)	326,149	(411,820)	(13,942)	(425,762)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	108,459	(525,579)	326,149	(90,971)	157,075	66,104
Issuance of ordinary shares for cash	919,084	9,190,835	1,123,833	-	-	-	-	-	10,314,668	-	10,314,668
Share-based payments (Note 31)	-	-	22,511	-	-	-	-	-	22,511	-	22,511
Capital reduction used to offset accumulated deficits	(1,600,499)	(16,004,988)	-	-	-	16,004,988	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries (Note 32)	-	-	-	-	-	(21,398)	-	-	(21,398)	21,398	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(172,195)	(172,195)
BALANCE AT DECEMBER 31, 2017	<u>2,323,025</u>	<u>\$ 23,230,248</u>	<u>\$ 5,571,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,565,150)</u>	<u>\$ (85,841)</u>	<u>\$ (1,117,182)</u>	<u>\$ 26,033,565</u>	<u>\$ 476,035</u>	<u>\$ 26,509,600</u>

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

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

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

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

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

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

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

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

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

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Yang Ming Marine Transport Corporation

### Opinion

We have audited the accompanying financial statements of Yang Ming Marine Transport Corporation (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other Matter), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the reports of other auditors.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the financial statements of the Company are as follows:

#### Assessment of the Impairment of Tangible Assets (Not including Investment Properties) and Intangible Assets

The carrying amount of tangible assets (not including investment properties) and intangible assets in the aggregate is NT\$35,266,678 thousand. Not only is the amount material to the financial statements, but also the economic trend of the industry influences the assessment of impairment reached by the management of the Company. The Company's management evaluates the amount of impairment by taking the profitability, expected cash flows, economic benefits, cost of equity and cost of debt into consideration for forming the basis of assessment.

Since the impairment involves judgment of critical estimation from the Company's management, we deemed that the assessment of impairment of the tangible assets (not including investment properties) and intangible assets is a key audit matter.

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

We took indicators of impairment of the tangible and intangible assets into consideration and focused on the performance of each component. When the indicators of impairment exists, we will test the assumption of impairment assessment model used by the Company's management - the test covers the forecast of cash flow and the discount rate.

We measured the accuracy of the Company's historical forecast by verifying the data, together with the documentation, provided by the Company's management in comparison with those of the industry.

#### Evaluation of the Impairment of Deferred Tax Assets Generated From Tax Loss Carryforward

The carrying amount of deferred tax assets generated from tax loss carryforward is NT\$3,561,187 thousand. Not only is amount material for the financial statements, but also the recognition of deferred tax assets is based on the prediction of future taxable income. Since the impairment involves judgment of critical estimation from the Company's management, we deemed that the impairment of deferred tax assets generated from tax loss carryforward is a key audit matter.

The evaluation of impairment of deferred tax assets generated from tax loss carryforward is included in the critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 27 to the Company's financial statements.

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

We tested the prediction of future profit streams, compared the data of the forecast with historical data, and assessed whether the prediction would reflect the plan of management of the Company.

#### Evaluation of the Provisions for Onerous Contracts from Subsidiaries Using the Equity Method

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

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

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

#### Audit of the Percentage-of-completion

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

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

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

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

#### **Other Matter**

We did not audit the financial statements of some subsidiaries, associates and joint ventures of Yang Ming Line (Singapore) Pte. Ltd, Yang Ming Line Holding Co., some subsidiaries, associates and joint ventures of Yes Logistics Company Ltd., and some subsidiaries and associates of Yang Ming Line (B.V.I) Holding Co. Ltd. as of and for the year ended December 31, 2017 and 2016. The financial statements of these subsidiaries, associates and joint ventures were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries, associates and joint ventures included in the accompanying financial statements, is based solely on the reports of other auditors. The carrying amount of these investments were 3.21% (NT\$3,516,623 thousand) and 3.05% (NT\$3,344,553 thousand) of the total assets as of December 31, 2017 and December 31, 2016 respectively. The amount of profit or loss recognized on investments accounted for by equity method were (234.14%) (NT\$213,004 thousand) and (0.20%) (NT\$29,435 thousand) of the total comprehensive income for the years ended December 31, 2017 and 2016, respectively.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate

the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chin-Tsung Cheng and Yu-Mei Hung.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March, 26, 2018  
Notice to Readers

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

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

# YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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



# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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

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

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

(Concluded)

# YANG MING MARINE TRANSPORT CORPORATION

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

	Share Capital		Capital Surplus	Accumulated Deficits			Other Equity		Total Equity
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	
BALANCE AT JANUARY 1, 2016	3,004,440	\$ 30,044,401	\$ 5,500,037	\$ 41,137	\$ 4,098,535	\$ (8,005,152)	\$ 690,054	\$ (1,330,302)	\$ 31,038,710
Legal reserve used to offset accumulated deficits	-	-	-	(41,137)	-	41,137	-	-	-
Special reserve used to offset accumulated deficits	-	-	-	-	(4,098,535)	4,098,535	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(1,074,898)	-	-	1,074,898	-	-	-
Net loss for the year ended December 31, 2016	-	-	-	-	-	(14,912,060)	-	-	(14,912,060)
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	236,902	(250,316)	(113,029)	(126,443)
Total comprehensive loss for the year ended December 31, 2016	-	-	-	-	-	(14,675,158)	(250,316)	(113,029)	(15,038,503)
Change in percentage of ownership interests in subsidiaries	-	-	-	-	-	(191,369)	-	-	(191,369)
BALANCE AT DECEMBER 31, 2016	3,004,440	30,044,401	4,425,139	-	-	(17,657,109)	439,738	(1,443,331)	15,808,838
Donations from shareholders	-	-	7	-	-	-	-	-	7
Change in accumulated deficits from investments in associates accounted for using equity method	-	-	-	-	-	(90)	-	-	(90)
Net profit for the year ended December 31, 2017	-	-	-	-	-	320,849	-	-	320,849
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(212,390)	(525,579)	326,149	(411,820)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	108,459	(525,579)	326,149	(90,971)
Issuance of ordinary shares for cash	919,084	9,190,835	1,123,833	-	-	-	-	-	10,314,668
Share-based payments	-	-	22,511	-	-	-	-	-	22,511
Capital reduction used to offset accumulated deficits	(1,600,499)	(16,004,988)	-	-	-	16,004,988	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	(21,398)	-	-	(21,398)
BALANCE AT DECEMBER 31, 2017	<u>2,323,025</u>	<u>\$ 23,230,248</u>	<u>\$ 5,571,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,565,150)</u>	<u>\$ (85,841)</u>	<u>\$ (1,117,182)</u>	<u>\$ 26,033,565</u>

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

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

# YANG MING MARINE TRANSPORT CORPORATION

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

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

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

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

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

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche auditors' report dated March 26, 2018)

## Statement of Deficit Compensated 2017

(In New Taiwan Dollars)

Item	Amount
Beginning deficit to be compensated <sup>1</sup>	(1,652,120,308)
Actuarial gain (loss) arising from defined benefit plans	(212,390,422)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	(21,487,814)
	(233,878,236)
Beginning deficit to be compensated after adjusted	(1,885,998,544)
Net Gain after tax for 2017	320,848,766
Deficit to be compensated	(1,565,149,778)
Compensation Item <sup>2</sup>	
Capital surplus - changes in percentage of ownership interest in subsidiaries	1,146,351,679
Subtotal	1,146,351,679
Ending Balance of Un-appropriated Retained Earnings	(418,798,099)

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

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

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

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

### Comparison table for the revision of Articles of Incorporation

New (30th amendment)	Now (29th amendment)
<p>Article 14</p> <p>The duties of the board of directors are as follows:</p> <ul style="list-style-type: none"> <li>A. <u>Reviewing</u> business guidelines</li> <li>B. Reviewing budget and financial reports</li> <li>C. Scrutinizing important rules and contracts</li> <li>D. Appointing and discharging important personnel</li> <li>E. Establishing and removing branch offices</li> <li>F. Proposing to the meeting of shareholders revision of the Charter, change of capitalization, and dissolution or merger of this company.</li> <li>G. Proposing to the meeting of shareholders allocation of profits and making up for losses.</li> <li>H. Determining other important matters.</li> </ul>	<p>Article 14</p> <p>The duties of the board of directors are as follows:</p> <ul style="list-style-type: none"> <li>A. <u>Formulating</u> business guidelines</li> <li>B. Reviewing budget and financial reports</li> <li>C. Scrutinizing important rules and contracts</li> <li>D. Appointing and discharging important personnel</li> <li>E. Establishing and removing branch offices</li> <li>F. Proposing to the meeting of shareholders revision of the Charter, change of capitalization, and dissolution or merger of this company.</li> <li>G. Proposing to the meeting of shareholders allocation of profits and making up for losses.</li> <li>H. Determining other important matters.</li> </ul>
<p>Article 15</p> <p>From the 17<sup>th</sup> term of board of directors, this company shall establish an Audit Committee, which shall be composed of independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, Securities and Exchange Act and other relevant laws and regulations of the Republic of China.</p> <p>This Remuneration Committee, composed of all independent directors, propose the following matters and then submit its recommendation to the board of directors for deliberation.</p> <ul style="list-style-type: none"> <li>A. Prescribe and periodically evaluate the performance review and remuneration policy, system, standards, and structure for directors and managers.</li> <li>B. Periodically evaluate and prescribe the remuneration of directors and managers.</li> </ul>	<p>Article 15</p> <p>From the 17<sup>th</sup> term of board of directors, this company shall establish an Audit Committee, which shall be composed of independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, Securities and Exchange Act and other relevant laws and regulations of the Republic of China.</p> <p>This Remuneration Committee, composed of all independent directors, propose the following matters and then submit its recommendation to the board of directors for deliberation.</p> <ul style="list-style-type: none"> <li>A. Prescribe and periodically evaluate the performance review and remuneration policy, system, standards, and structure for directors and managers.</li> <li>B. Periodically evaluate and prescribe the remuneration of directors and managers.</li> </ul>



New (30th amendment)	Now (29th amendment)
<p>C. Others in connection with remuneration assigned by the board of directors.</p> <p><u>This company may set up all kinds of functional committees resolved by the board of directors according to the laws, regulations or principles or due to business needs. Functional committees shall adopt an organizational charter to be resolved by the board of directors and be responsible to the board of directors.</u></p>	<p>C. Others in connection with remuneration assigned by the board of directors.</p>
<p>Article 21 This Charter was established on Dec. 28, 1972. ...The 29th amendment was approved on June 22, 2016. <u>The 30th amendment was approved on June 22, 2018.</u></p>	<p>Article 21 This Charter was established on Dec. 28, 1972. ...The 29th amendment was approved on June 22, 2016.</p>