

Stock Code : 2609



Handbook for 2014 Shareholders Meeting

YANG MING MARINE TRANSPORT CORP.

June 18, 2014

This is a translation of the Chinese text and for reference only. If there is any discrepancy, the Chinese text governs.

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YANG MING MARINE TRANSPORT CORP.

Procedure for the 2014 Annual Meeting of Shareholders

- I. To Call the Meeting to Order
- II. Chairperson's Remarks
- III. Management Presentation
- IV. Matters for Recognition
- V. Matters for Discussion
- VI. Extempore Motions
- VII. Adjournment

Agenda for 2014 Annual Shareholders Meeting YANG MING MARINE TRANSPORT CORP.

- I. Time: 09:00 a.m. on Wednesday, June 18, 2014
- II. Venue: No.142, Yanping S. Rd., Zhongzheng Dist., Taipei City, Taiwan
(R.O.C.) (the Victoria Hall of Armed Forces Officer's Club)
- III. To Call the Meeting to Order
- IV. Chairperson's Remarks
- V. Management Presentation
 1. 2013 Business Report
 2. Audit Committee's Review Report on the 2013 Financial Statements
 3. Report on 2013 Issue of Domestic Corporate Bonds
- VI. Matters for Recognition
 1. Adoption of the 2013 Business Report and Financial Statements
 2. Adoption of the Proposal for 2013 Deficit Compensation
- VII. Matters for Discussion
 1. Amendment to the Articles of Incorporation
 2. Amendment to the Principles Governing Endorsements and Guarantees
 3. Amendment to the Principles for Loaning Funds to Others
 4. Amendment to the Handling Procedures for Acquisition and Disposal of Assets
- VIII. Extempore Motions
- IX. Adjournment

Management Presentation

Report No.1

2013 Business Report

Explanation:

The 2013 Business Report is attached as pp. [5-7].

Yang Ming Marine Transport Corporation's 2013 Business Report

OUR STRATEGY

The global economy's sluggish recovery in 2013 led to the decline in business activities and consumer spending. Demand in container shipping industry remained weak. However, confronted with the deliveries of vessels, all carriers were challenged by feeble growth in world trade, oversupply in overall capacity, and high-soaring bunker prices. Under our annual strategy of "Strengthening our competitiveness to meet new challenges," Yang Ming kept tabs on the ever-changing market, maneuvered with every single flexible, innovative and elaborated management strategy, which focused on cost saving and seeking niche market based on the trend of development in general market environment, so as to overcome the challenges posed to our daily operation.

IMPLEMENTATION

According to the Drewry Container Forecaster 2013 Q4 report, the growth rate of box trade demand in 2013 dropped to 3.4% from the 2012 rate of 3.5%, while the growth of capacity supply decreased from 4.3% in 2012 to 3.9% in 2013. However, the rate of the capacity supply growth still surpassed that of the box trade demand growth. As for the supply and demand balance of main East-West head haul trades, the Drewry Container Forecaster 2013 Q4 report estimated the demand at 31.651 million TEU while the supply at 36.243 million TEU in the year, showing an oversupply in capacity. Therefore, shipping lines have adopted measures such as slow steaming, scrapping old vessels and laying up vessels, in the hope to absorb the extra capacity.

Facing the economic adversity, the imbalance between supply and demand and volatile fuel prices, we have continued the following strategies: pushing for rate restorations, speeding up container turnaround and well managing space utilization among different trade lanes to increase revenues, implementing fuel-saving plans, and keeping good control of berthing as well as enhancing terminal operation efficiency to save bunker. In order to strengthen our competitiveness, we have leased fifteen 14,000 TEU vessels, which are scheduled to be delivered from 2015.

PERFORMANCE

Our consolidated revenue in 2013 amounted to NT\$118.87 billion, which showed a decrease of 9.55% comparing to the 131.42 billion in 2012. The net loss was NT\$2.9 billion.

REVENUE AND EXPENDITURE

Operating Revenue

Consolidated revenue (freight rate income and other business revenue included) in 2013

was NT\$118.87 billion, decreased by 9.55% in comparison to previous year, due to lower TEU volumes and average freight rates.

Operating Expenditure

Consolidated expenditure (combination of operating costs and expenses) was NT\$128.6 billion, decreased by 4.76% in comparison to previous year, due to the continuous implementation of cost-saving projects, and a general decline in operation volumes.

ANALYSIS OF PROFITABILITY

We will continue our efforts to increase our income and cut down expenses by grasping every possibility of restoring rates and strictly controlling operational costs to ensure the sustainability. Even so, the result was offset by the sluggish recovery of world economy, imbalance between supply and demand in the treacherous market, and the volatility of bunker prices. In 2013 Yang Ming suffered an operating loss of NT\$6.03 billion. The net loss amounted to NT\$2.9 billion.

RESEARCH AND DEVELOPMENT

In response to our valued stakeholders' and the public's trust and support, we've been determined to provide the best service to our customers, boost operation efficiency and profitability, along with enhancing competitiveness while attending to mid- and long-term liner arrangement and development by following strategies:

1. Keep enhancing cooperation with members in CKYHE alliance and all possible partners outside of the alliance, especially in existing main east-west long haul services including the transpacific and Asia-Europe and intra-Asia, intra-Europe and intra-America regional services. We will also evaluate and grasp the opportunity to develop emerging markets to provide customers with full-scale port coverage in service network.
2. Strictly control bunker and relevant transportation costs: We will optimize cargo structure to improve marginal contribution. We will also keep adopting extra slow steaming strategy in the long-haul services to retrench bunker cost and to reduce CO2 emission.
3. Effectively manage and integrate space utilization among different trade lanes and services. We will try to promote the Inter Port Cargo (IPC) and fully utilize current space capacity so as to increase the revenue without incurring extra cost. We will also upgrade our information systems to strengthen our internal management tools and develop useful mobile E-service applications to meet customers' requirements.
4. Make the Port of Kaohsiung Intercontinental Container Terminal into the most important transshipment base in Asia-Pacific region and a high tech, efficient, safe, green terminal. The second phase of the BOT project is scheduled to complete in September 2014. We believe strategic partners, Ports America, the Cheer Dragon Investment Limited, NYK Line and Nippon Container Terminals Co., LTD. will bring in more business development opportunities.

5. Keep cultivating subsidiaries within Yang Ming Group not only to provide customers with high-quality and consistent all-round logistics services but also to disperse operating risks and to achieve greater group synergy.

6. We will fulfill our responsibility as a “social enterprise and global citizen” by fully complying with international conventions and environmental protection standards, taking measures to reduce greenhouse gas and applying innovative marine technologies to reduce the pollution caused by international shipping transportation.

Report No.2

Audit Committee's Report on the 2013 Financial Statements

Explanation:

The 2013 Audit Committee's Report is attached as pp. [9].

Audit Committee's Report

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2013 Business Report, individual and consolidated Financial Statements, and Deficit Compensation Proposal of the year ending on December 31, 2013. The CPA firm of Deloitte & Touche, Taiwan, was retained to audit YANG MING Marine Transportation's Financial Statements and has issued an Independent Auditors' Report relating to the Financial Statements. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, the undersigned hereby certifies the Business Report, Financial Statements, and Deficit Compensation Proposal of the year ending on December 31, 2013 have been examined and approved by the undersigned.

To: 2014 Shareholders Meeting
YANG MING MARINE TRANSPORT CORP.

The chairman of Audit Committee: Chen, Kuen-Mu

Independent director: Chen, Kuen-Mu

Independent director: Yeh, Jin-Ru

Independent director: Chou, Heng-Chih

Mar. 25, 2014

Report No.3

A Report on the 2013 Issue of Domestic Corporate Bonds

Explanation:

1. The 4th Domestic Unsecured Convertible Corporate Bonds report is attached as pp. [11].
2. The 16th Domestic Unsecured ordinary Corporate Bonds report is attached as pp. [11].

Report on issuing domestic corporate bond

1. 4th domestic unsecured convertible corporate bond

To raise funds for repayment of previous domestic corporate bonds and bank loan, the board of directors resolved to issue the 4th domestic unsecured convertible corporate bond on 26 Mar 2013. The Bond was raised on 7 Jun 2013 on the following terms and conditions:

Issue Amount	NT\$ 100,000
Issue Price	Issued by 100.2% of par value
Total Issue Amount	NT\$ 4.6 billion
Coupon Rate	0 %
Tenor	5 years, issue from 7 Jun 2013 to 7 Jun 2018
Conversion Premium Rate	110 %
Conversion Price	NT\$ 14.23
Conversion Period	From 8 Jul 2013 to 28 May 2018
Put Provision Condition	YTP (3 years) 0 %

2. 16th domestic unsecured ordinary corporate bond

To raise funds for repayment of previous domestic corporate bonds and bank loan, the board of directors resolved to issue the 16th domestic unsecured ordinary corporate bond on 25 June 2013. This Bond was raised on 1 Nov. 2013 on the following terms and conditions:

Issue Amount	The total issue amount is NT\$ 5 billion which is divided into A 、 B tranches by different tenor. A tranche's issue amount is NT\$ 1.1 billion, B tranche's issue amount is NT\$ 3.9 billion.
Tenor	A tranche's tenor is 5 years; B tranche's tenor is 7 years.
Coupon Rate	A tranche's coupon rate is 2.20%; B tranche's coupon rate is 2.45%.
Repayment of Principal	Repaying whole principal at expiration date for each tranche.

Matters for Recognition

Proposal No.1

Proposed by the Board

Adoption of the 2013 Business Report and Financial Statements

Explanation:

Yang Ming Transport Corporation's 2013 Financial Statements and consolidated Financial Statements have been duly audited by the Certified Public Accountants, Hung Yu Mei and Chen Chin Hsiang of Deloitte & Touche. Also, the Business Report and the aforementioned Financial Statements have been examined by the audit committees. (Please refer to the Handbook p.9 and pp.13-30)

Resolution:

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Yang Ming Marine Transport Corporation

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation (the "Company") as of December 31, 2013, December 31, 2012, and January 1, 2012 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Yang Ming Line (Singapore) Pte. Ltd., Yang Ming Line Holding Co. which are subsidiaries of Yang Ming Marine Transport Corporation, Chang Ming Logistics Company Limited, Anship-Yes Logistics Corporation Ltd., Yes Logistics Company Ltd. and Sino-YES Tianjin Cold Chain Logistics Company Limited which are subsidiaries and associates of Yes Logistics Corp. as of and for the years ended December 31, 2013, and of Yang Ming Line (Singapore) Pte. Ltd., Yang Ming Line Holding Co. which are subsidiaries of Yang Ming Marine Transport Corporation, Chang Ming Logistics Company Limited, Yes Logistics Company Ltd. and Yes Logistics (Shanghai) Corp. which are subsidiaries and associates of Yes Logistics Corp. as of and for the year ended December 31, 2012; the Corporation has investments in these investees accounted for using equity method. The carrying values of these investments were NT\$4,080,074 thousand, NT\$2,985,194 thousand and NT\$2,816,369 as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The comprehensive income recognized by investments accounted for using equity method were NT\$1,115,284 thousand and NT\$251,003 thousand for the years ended December 31, 2013 and 2012, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

The accompanying schedules of major accounting items of Yang Ming Marine Transport Corporation as of and for the year ended December 31, 2013 are presented for the purpose of additional analysis. Such schedules have been subjected to the auditing procedures described in the second paragraph. In our opinion, such schedules are consistent, in all material respects, with the financial statements required to in the first paragraph.

March 25, 2014

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 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

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012		LIABILITIES AND EQUITY	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents	\$ 8,864,766	8	\$ 6,922,318	7	\$ 6,600,551	8	Short-term borrowings	\$ -	-	\$ -	-	\$ 2,638,672	3
Financial assets at fair value through profit or loss - current	1,009,141	1	1,067,895	1	250,169	-	Short-term bills payable	-	-	-	-	3,246,359	4
Available-for-sale financial assets - current	-	-	63,955	-	157,904	-	Financial liabilities at fair value through profit or loss - current	19,820	-	5,112	-	47,136	-
Derivative financial assets for hedging - current	-	-	-	-	49,161	-	Derivative financial liabilities for hedging - current	-	-	-	-	229	-
Trade receivable, net	1,292,556	1	1,458,625	2	567,998	1	Trade payable	9,978,419	9	6,309,488	6	7,354,312	8
Trade receivable from related parties	3,519,452	3	4,300,344	4	1,595,856	2	Trade payable to related parties	1,450,075	1	2,236,523	2	1,671,352	2
Other receivable from related parties	38,191	-	176,497	-	791,265	1	Payables on equipment	538,350	-	9,339	-	1,095,669	1
Shipping fuel, net	2,901,520	3	2,835,530	3	4,623,004	5	Other payables	1,428,395	1	1,234,221	1	1,310,340	1
Prepayments	266,720	-	234,658	-	193,913	-	Other payables to related parties	883,212	1	1,203,205	1	-	-
Prepayments to shipping agents	768,675	1	149,994	-	878,340	1	Current tax liabilities	16,524	-	49,839	-	30,691	-
Other financial assets - current	374,759	-	26,459	-	79,879	-	Current portion of long-term liabilities	6,524,680	6	7,175,354	7	4,502,191	5
Other current assets	152,102	-	210,459	-	233,879	-	Advance from customers	15,125	-	328,372	1	139,352	-
Total current assets	19,187,882	17	17,446,734	17	16,021,919	18	Other current liabilities	548,322	1	61,798	-	465,923	1
							Total current liabilities	21,402,922	19	18,613,251	18	22,502,226	25
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Available-for-sale financial assets-noncurrent	2,002,458	2	1,768,956	2	2,225,347	2	Bonds payable	28,864,549	26	22,223,534	21	14,436,490	16
Financial assets carried at cost - noncurrent	477,188	-	377,188	-	386,369	-	Long-term borrowings	25,111,695	22	24,127,145	23	19,085,633	21
Investments accounted for using equity method	22,463,693	20	21,089,975	20	20,867,399	23	Deferred tax liabilities	2,015,608	2	1,725,237	2	1,505,425	2
Property, plant and equipment	34,300,241	31	29,482,929	28	19,445,134	22	Obligations under finance lease-long-term portion	374,411	-	463,132	1	573,532	-
Investment properties	4,194,637	4	4,221,964	4	4,164,161	5	Other financial liabilities - noncurrent	215,185	-	261,825	-	-	-
Other intangible assets	27,012	-	14,644	-	19,949	-	Accrued pension liabilities	1,824,526	2	1,763,034	2	1,709,453	2
Deferred tax assets	2,574,171	2	1,785,305	2	1,253,169	1	Other non-current liabilities	105,530	-	94,572	-	58,667	-
Prepayments for equipment	486,763	-	-	-	-	-	Total non-current liabilities	58,511,504	52	50,658,479	49	37,369,200	41
Refundable deposits	322,323	-	322,079	-	322,695	-	Total liabilities	79,914,426	71	69,271,730	67	59,871,426	66
Long-term prepayments for lease	631,278	1	662,850	1	694,422	1							
Long-term receivables from related parties	25,922,615	23	26,881,939	26	24,954,320	28	EQUITY						
Other non-current assets	49	-	6,574	-	15,019	-	Capital stock	28,187,131	25	28,187,131	27	28,187,131	31
Total non-current assets	93,402,428	83	86,614,403	83	74,347,984	82	Capital surplus	8,562,852	7	8,210,248	8	4,710,566	5
							Accumulated deficits						
							Legal reserve	5,143	-	-	-	1,178,785	2
							Special reserve	46,291	-	-	-	82,530	-
							Accumulated deficits	(3,845,726)	(3)	(763,793)	(1)	(3,703,458)	(4)
							Total accumulated deficits	(3,794,292)	(3)	(763,793)	(1)	(2,442,143)	(2)
							Other equity	(279,807)	-	(844,179)	(1)	42,923	-
							Total equity attributable to owners of the company	32,675,884	29	34,789,407	33	30,498,477	34
							Total equity	32,675,884	29	34,789,407	33	30,498,477	34
TOTAL	\$ 112,590,310	100	\$ 104,061,137	100	\$ 90,369,903	100	TOTAL	\$ 112,590,310	100	\$ 104,061,137	100	\$ 90,369,903	100

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

(With Deloitte & Touche audit report dated March 25, 2014)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 96,472,969	100	\$ 109,756,521	100
OPERATING COSTS	<u>104,368,749</u>	<u>108</u>	<u>112,886,914</u>	<u>103</u>
GROSS LOSS	<u>(7,895,780)</u>	<u>(8)</u>	<u>(3,130,393)</u>	<u>(3)</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,338,827	2	1,242,456	1
General and administrative expenses	<u>340,922</u>	<u>-</u>	<u>320,475</u>	<u>-</u>
Total operating expenses	<u>1,679,749</u>	<u>2</u>	<u>1,562,931</u>	<u>1</u>
OTHER OPERATING INCOME AND EXPENSES	<u>3,082,808</u>	<u>3</u>	<u>1,544,640</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(6,492,721)</u>	<u>(7)</u>	<u>(3,148,684)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses	4,223,234	5	422,383	1
Share of profits or loss of subsidiaries and associates	(651,904)	(1)	1,148,343	1
Other income	711,789	1	769,798	1
Finance costs	<u>(1,104,731)</u>	<u>(1)</u>	<u>(951,155)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>3,178,388</u>	<u>4</u>	<u>1,389,369</u>	<u>2</u>
LOSS BEFORE INCOME TAX	(3,314,333)	(3)	(1,759,315)	(1)
INCOME TAX BENEFIT	<u>(368,219)</u>	<u>-</u>	<u>(136,613)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(2,946,114)</u>	<u>(3)</u>	<u>(1,622,702)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations	298,714	-	(357,131)	-
Unrealized gain (loss) on available-for-sale financial assets	245,894	-	(456,780)	(1)
Cash flow hedges	-	-	(48,933)	-
Actuarial loss arising from defined benefit plans	(116,416)	-	(70,265)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Share of other comprehensive income of subsidiaries and associates	\$ 36,297	-	\$ (44,821)	-
Tax income relating to components of other comprehensive income	<u>15,498</u>	<u>-</u>	<u>15,306</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>479,987</u>	<u>-</u>	<u>(962,624)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) OF THE YEAR	<u>\$ (2,466,127)</u>	<u>(3)</u>	<u>\$ (2,585,326)</u>	<u>(2)</u>
LOSS PER SHARE				
From continuing operation				
Basic	<u>\$(0.90)</u>		<u>\$(0.50)</u>	
Diluted	<u>\$(0.90)</u>		<u>\$(0.50)</u>	

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

(With Deloitte & Touche audit report dated March 25, 2014)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company						Other Equity			Total Equity
	Capital Stock - Common Stock		Capital Surplus	Accumulated Loss			Exchange Differences on Translating Foreign Operations Reserve	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedge	
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Accumulated Deficits				
BALANCE AT JANUARY 1, 2012	2,818,713	\$ 28,187,131	\$ 4,710,566	\$ 1,178,785	\$ 82,530	\$ (3,703,458)	\$ -	\$ (6,010)	\$ 48,933	\$ 30,498,477
Compensation of 2011 deficit										
Legal reserve	-	-	-	(1,178,785)	-	1,178,785	-	-	-	-
Special reserve	-	-	-	-	(82,530)	82,530	-	-	-	-
Capital surplus used to offset accumulated deficit	-	-	(3,376,574)	-	-	3,376,574	-	-	-	-
Equity component of mandatory convertible bonds	-	-	4,413,702	-	-	-	-	-	-	4,413,702
Difference between consideration and carrying amount of subsidiaries disposed	-	-	2,462,554	-	-	-	-	-	-	2,462,554
Net loss for the year ended December 31, 2012	-	-	-	-	-	(1,622,702)	-	-	-	(1,622,702)
Other comprehensive loss for the year ended December 31, 2012, net of income tax	-	-	-	-	-	(75,522)	(357,131)	(481,038)	(48,933)	(962,624)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	-	(1,698,224)	(357,131)	(481,038)	(48,933)	(2,585,326)
BALANCE AT DECEMBER 31, 2012	2,818,713	28,187,131	8,210,248	-	-	(763,793)	(357,131)	(487,048)	-	34,789,407
Appropriation of 2012 earnings										
Legal reserve	-	-	-	5,143	-	(5,143)	-	-	-	-
Special reserve	-	-	-	-	46,291	(46,291)	-	-	-	-
Equity component of convertible bonds	-	-	352,604	-	-	-	-	-	-	352,604
Net loss for the year ended December 31, 2013	-	-	-	-	-	(2,946,114)	-	-	-	(2,946,114)
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	-	(84,385)	298,714	265,658	-	479,987
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	-	(3,030,499)	298,714	265,658	-	(2,466,127)
BALANCE AT DECEMBER 31, 2013	<u>2,818,713</u>	<u>\$ 28,187,131</u>	<u>\$ 8,562,852</u>	<u>\$ 5,143</u>	<u>\$ 46,291</u>	<u>\$ (3,845,726)</u>	<u>\$ (58,417)</u>	<u>\$ (221,390)</u>	<u>\$ -</u>	<u>\$ 32,675,884</u>

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

(With Deloitte & Touche audit report dated March 25, 2014)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (3,314,333)	\$ (1,759,315)
Adjustments for:		
Depreciation expenses	3,259,097	3,173,685
Amortization expenses	16,077	16,065
Impairment loss recognized on trade receivables	(2,916)	(88)
Net gain arising on financial assets/liabilities at fair value through profit and loss	(343,629)	(317,395)
Finance costs	1,104,731	951,155
Interest income	(522,241)	(528,916)
Dividend income	(58,161)	(109,368)
Share of profit or loss of subsidiaries and associates	651,904	(1,148,343)
Gain on disposal of property, plant and equipment	(2,973,780)	(1,419,542)
Gain on disposal of available-for-sale financial assets	(4,795)	(6,708)
Gain on disposal of investments for using equity method and fair value of residual investment	(3,763,334)	-
Impairment loss of financial assets	-	9,181
Write-down of shipping fuel	48,799	99,595
Unrealized exchange loss (gain)	7,056	(24,734)
Amortization of long-term prepayments for lease	31,572	31,572
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	325,082	463,648
(Increase) decrease in trade receivable	167,724	(890,874)
(Increase) decrease in trade receivable from related parties	780,892	(2,704,488)
Decrease in other receivable from related parties	138,306	614,768
(Increase) decrease in shipping fuel	(114,789)	1,687,879
Increase in prepayments	(32,062)	(38,627)
(Increase) decrease in advances to shipping agents	(618,681)	728,346
Decrease in other current assets	61,856	19,353
Increase (decrease) in trade payable	3,668,931	(1,044,824)
Increase (decrease) in trade payable to related parties	(786,448)	565,171
Increase (decrease) in other payable	210,412	(128,136)
Increase (decrease) in other payable to related parties	(319,993)	1,203,205
Increase (decrease) in advances from customers	(313,247)	189,020
Increase (decrease) in other current liabilities	192,769	(156,853)
Decrease in accrued pension liabilities	(54,924)	(16,678)
Cash generated from operations	(2,558,125)	(542,246)
Dividend received	471,571	443,434
Interest received	145,926	137,257
Interest paid	(1,029,116)	(892,269)
Income tax paid	(148,093)	(143,375)
Net cash used in operating activities	<u>(3,117,837)</u>	<u>(997,199)</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	\$ (3,723,089)	\$ (5,700,000)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,815,098	4,700,000
Acquisition of available-for-sale financial assets	(30,495,406)	(21,935,000)
Proceeds from disposal of available-for-sale financial assets	30,576,548	22,035,267
Acquisition of financial assets carried at cost	(100,000)	-
Acquisition of investments accounted for using equity method	-	(2,597,500)
Net cash generated from deconsolidation of subsidiary	1,659,313	-
Acquisition of property, plant and equipment	(5,889,939)	(14,508,298)
Proceeds from disposal of property, plant and equipment	4,642,058	1,325,644
(Increase) decrease in refundable deposits	(244)	616
Increase in long-term receivables from related parties	(2,159,278)	(1,537,896)
Acquisition of intangible assets	(28,445)	(10,760)
Acquisition of investment properties	-	(689)
(Increase) decrease in other financial assets	(348,300)	53,420
Decrease in other noncurrent assets	<u>7,786</u>	<u>8,780</u>
Net cash used in investing activities	<u>(2,043,898)</u>	<u>(18,166,416)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in short-term debt	-	(2,638,672)
Increase in short-term bills payable	-	1,599,505
Decrease in short-term bills payable	-	(4,845,864)
Proceeds from issuance of bonds	9,575,092	15,694,000
Repayment of principal of bonds	(3,174,000)	(960,000)
Proceeds from long-term debts	33,894,021	31,719,350
Repayment of long-term debts	(33,071,338)	(26,220,538)
Payment for obligations under finance leases	(85,076)	(83,697)
Decrease in other financial liabilities	(45,474)	(64,404)
Increase in other noncurrent financial liabilities	10,958	35,905
Proceeds from disposal of partial interests in subsidiary	<u>-</u>	<u>5,249,797</u>
Net cash generated from financing activities	<u>7,104,183</u>	<u>19,485,382</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,942,448	\$ 321,767
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,922,318</u>	<u>6,600,551</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,864,766</u>	<u>\$ 6,922,318</u>

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

(With Deloitte & Touche audit report dated March 25, 2014)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Yang Ming Marine Transport Corporation

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation (the "Company") and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Yes Logistics Company Ltd., Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. as of and for the year ended December 31, 2013, and of Yes Logistics (Shanghai) Corp., Yes Logistics Company Ltd., Yang Ming Line (Singapore) Pte. Ltd., and Yang Ming Line Holding Co. as of and for the year ended December 31, 2012; these subsidiaries had been audited by other auditors. The combined total assets of these subsidiaries were 4.38% (NT\$6,232,362 thousand), 3.59% (NT\$5,200,502 thousand) and 3.00% (NT\$3,958,655 thousand) of the total consolidated assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The combined total operating revenues of these subsidiaries were 1.18% (NT\$1,405,087 thousand) and 2.12% (NT\$2,783,491 thousand) of the consolidated revenue for the years ended December 31, 2013 and 2012, respectively. Also, we did not audit the financial statements of the following equity-method associates: 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. and Chang Ming Logistics Company Limited for the years ended December 31, 2013 and 2012; ANSHIP-YES Logistics Corporation Limited and Sino-YES Tianjin Cold Chain Logistics Company Limited for the year ended December 31, 2013; these associates had been audited by other auditors. The carrying values of these associates were NT\$1,604,797 thousand, NT\$1,436,032 thousand and NT\$1,358,741 thousand as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively. The profit or loss recognized by investments accounted for using equity method were NT\$119,409 thousand and NT\$156,782 thousand for the years ended December 31, 2013 and 2012, respectively. The financial statements of these subsidiaries and associates 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 and associates included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

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, 2013 and 2012 on which we have issued an unqualified opinion modified report.

March 25, 2014

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

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012		LIABILITIES AND EQUITY	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 4, 6 and 37)	\$ 13,631,975	10	\$ 10,943,570	8	\$ 10,973,136	8	Short-term borrowings (Notes 4, 18 and 37)	\$ 937,835	1	\$ 209,907	-	\$ 3,010,704	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,886,873	1	2,102,127	1	897,500	1	Short-term bills payable (Notes 4, 18 and 37)	79,831	-	-	-	3,246,359	2
Available-for-sale financial assets - current (Notes 4 and 8)	51,433	-	190,061	-	662,690	1	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	19,820	-	5,112	-	47,136	-
Derivative financial assets for hedging - current (Notes 4 and 9)	-	-	-	-	49,161	-	Derivative financial liabilities for hedging - current (Notes 4 and 9)	-	-	-	-	229	-
Notes receivable, net (Notes 4 and 11)	332,878	-	210,386	-	291,674	-	Notes payable (Note 4)	50,654	-	51,157	-	62,469	-
Trade receivable, net (Notes 4 and 11)	5,465,270	4	6,011,739	4	3,080,957	2	Trade payable (Notes 4 and 20)	12,831,847	9	9,655,036	7	10,053,658	8
Trade receivable from related parties (Notes 4, 11 and 37)	445,394	-	85,601	-	70,119	-	Trade payable to related parties (Note 37)	600,427	-	378,154	-	215,838	-
Shipping fuel, net (Notes 4 and 12)	3,543,069	3	3,273,281	2	5,129,447	4	Payables on equipment (Note 37)	538,033	-	27,485	-	1,417,263	1
Prepayments (Notes 4 and 16)	599,066	-	811,657	1	1,241,810	1	Other payables (Notes 4 and 22)	2,079,661	2	2,215,162	2	2,063,739	2
Prepayments to shipping agents (Notes 4 and 37)	354,000	-	456,361	-	381,195	-	Current tax liabilities (Note 4)	72,092	-	187,741	-	132,736	-
Other financial assets - current (Notes 4, 17, 37 and 38)	696,719	1	2,195,526	2	277,459	-	Provisions (Notes 4 and 23)	562,680	-	340,811	-	4,246	-
Other current assets (Notes 4, 14 and 37)	501,050	-	771,646	1	776,430	1	Current portion of long-term liabilities (Notes 4, 18, 19, 21, 24, 37 and 38)	11,317,717	8	11,756,671	8	8,834,538	7
Total current assets	27,507,727	19	27,051,955	19	23,831,578	18	Advance from customers	413,015	-	419,052	-	288,188	-
NON-CURRENT ASSETS							Other current liabilities	645,100	1	691,125	1	714,326	1
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	2,002,458	1	1,768,956	1	2,254,690	2	Total current liabilities	30,148,712	21	25,937,413	18	30,091,429	23
Financial assets carried at cost - noncurrent (Notes 4 and 10)	499,500	-	399,500	-	425,290	-	NON-CURRENT LIABILITIES						
Investments accounted for using equity method (Notes 4 and 13)	8,367,398	6	1,887,410	1	1,850,367	2	Bonds payable (Notes 4, 19 and 37)	28,864,549	20	22,223,534	15	14,436,490	11
Property, plant and equipment (Notes 4, 14 and 38)	89,727,302	63	88,682,589	61	80,810,051	61	Long-term borrowings (Notes 4, 18, 38 and 39)	34,579,517	24	42,930,448	30	40,822,261	31
Investment properties (Notes 4, 15 and 38)	3,927,498	3	3,953,190	3	3,895,983	3	Provisions - non-current (Notes 4 and 23)	115,708	-	226,000	-	226,000	-
Other intangible assets (Note 4)	47,022	-	27,971	-	35,542	-	Deferred tax liabilities (Notes 4 and 29)	2,330,771	2	2,147,187	2	1,963,088	1
Deferred tax assets (Notes 4 and 29)	2,794,294	2	1,982,806	2	1,401,467	1	Obligations under finance lease-long-term portion (Notes 4 and 21)	5,407,688	4	5,562,176	4	6,071,729	5
Prepayments for equipment	1,062,717	1	2,189,392	2	1,655,237	1	Other financial liabilities - noncurrent (Notes 4 and 24)	5,027,132	4	4,987,230	3	4,847,565	4
Refundable deposits (Note 34)	409,081	-	419,908	-	402,021	-	Accrued pension liabilities (Notes 4 and 25)	2,076,649	1	2,044,653	1	1,978,575	1
Other financial assets - noncurrent (Notes 4, 17, 37 and 38)	5,219,619	4	6,193,206	4	5,356,723	4	Other non-current liabilities	130,190	-	115,837	-	74,846	-
Long-term prepayments for lease (Notes 4, 16 and 38)	631,278	1	10,146,758	7	10,087,294	8	Total non-current liabilities	78,532,204	55	80,237,065	55	70,420,554	53
Other non-current assets	57,962	-	33,537	-	51,341	-	Total liabilities	108,680,916	76	106,174,478	73	100,511,983	76
Total non-current assets	114,746,129	81	117,685,223	81	108,226,006	82	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
TOTAL	\$ 142,253,856	100	\$ 144,737,178	100	\$ 132,057,584	100	Capital stock	28,187,131	20	28,187,131	20	28,187,131	21
							Capital surplus	8,562,852	6	8,210,248	6	4,710,566	4
							Retained earnings (accumulated deficits)						
							Legal reserve	5,143	-	-	-	1,178,785	1
							Special reserve	46,291	-	-	-	82,530	-
							Accumulated deficits	(3,845,726)	(3)	(763,793)	(1)	(3,703,458)	(3)
							Total retain earnings (accumulated deficits)	(3,794,292)	(3)	(763,793)	(1)	(2,442,143)	(2)
							Other equity	(279,807)	-	(844,179)	(1)	42,923	-
							Total equity attributable to owners of the company	32,675,884	23	34,789,407	24	30,498,477	23
							NON-CONTROLLING INTERESTS						
								897,056	1	3,773,293	3	1,047,124	1
							Total equity	33,572,940	24	38,562,700	27	31,545,601	24
							TOTAL	\$ 142,253,856	100	\$ 144,737,178	100	\$ 132,057,584	100

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

(With Deloitte & Touche audit report dated March 25, 2014)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 27 and 37)	\$ 118,873,960	100	\$ 131,424,639	100
OPERATING COSTS (Notes 12, 28 and 37)	<u>123,004,237</u>	<u>103</u>	<u>129,641,911</u>	<u>98</u>
GROSS INCOME (LOSS)	<u>(4,130,277)</u>	<u>(3)</u>	<u>1,782,728</u>	<u>2</u>
OPERATING EXPENSES (Notes 28 and 37)				
Selling and marketing expenses	4,775,447	4	4,531,214	3
General and administrative expenses	<u>827,563</u>	<u>1</u>	<u>860,498</u>	<u>1</u>
Total operating expenses	<u>5,603,010</u>	<u>5</u>	<u>5,391,712</u>	<u>4</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 28 and 32)	<u>3,698,055</u>	<u>3</u>	<u>1,662,205</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(6,035,232)</u>	<u>(5)</u>	<u>(1,946,779)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 28 and 37)				
Other gains and losses	4,464,085	4	1,557,873	1
Share of profit or loss of associates and joint ventures	118,794	-	192,343	-
Other income	296,311	-	370,685	-
Finance costs	<u>(1,858,362)</u>	<u>(1)</u>	<u>(1,759,542)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>3,020,828</u>	<u>3</u>	<u>361,359</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(3,014,404)	(2)	(1,585,420)	(1)
INCOME TAX EXPENSE (BENEFIT) (Note 29)	<u>(104,494)</u>	<u>-</u>	<u>23,474</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(2,909,910)</u>	<u>(2)</u>	<u>(1,608,894)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations	310,585	-	(384,897)	-
Unrealized gain (loss) on available-for-sale financial assets	249,111	-	(448,696)	(1)
Cash flow hedges	-	-	(48,933)	-
Actuarial gain and loss arising from defined benefit plans	(100,377)	-	(90,989)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Share of other comprehensive income of associates and joint ventures	\$ 16,547	-	\$ (32,342)	-
Income tax relating to components of other comprehensive income	<u>17,064</u>	<u>-</u>	<u>15,467</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>492,930</u>	<u>-</u>	<u>(990,390)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) OF THE YEAR	<u>\$ (2,416,980)</u>	<u>(2)</u>	<u>\$ (2,599,284)</u>	<u>(2)</u>
NET PROFIT (LOSS) TO:				
Owner of the Company	\$ (2,946,114)	(2)	\$ (1,622,702)	(1)
Non-controlling interests	<u>36,204</u>	<u>-</u>	<u>13,808</u>	<u>-</u>
	<u>\$ (2,909,910)</u>	<u>(2)</u>	<u>\$ (1,608,894)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ (2,466,127)	(2)	\$ (2,585,326)	(2)
Non-controlling interests	<u>49,147</u>	<u>-</u>	<u>(13,958)</u>	<u>-</u>
	<u>\$ (2,416,980)</u>	<u>(2)</u>	<u>\$ (2,599,284)</u>	<u>(2)</u>
EARNINGS (LOSS) PER SHARE (Note 30)				
From continuing operation				
Basic	<u>\$(0.90)</u>		<u>\$(0.50)</u>	
Diluted	<u>\$(0.90)</u>		<u>\$(0.50)</u>	

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

(With Deloitte & Touche audit report dated March 25, 2014)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company											
	Equity Attributable to Owners of the Company						Other Equity					
	Capital Stock - Common Stock		Capital Surplus (Notes 4, 26 and 32)	Retained Earnings (Accumulated Loss)			Exchange Differences on Translating Foreign Operations Reserve (Note 26)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Note 26)	Cash Flow Hedge (Note 26)	Total	Non-controlling Interests (Note 26)	Total Equity
Shares (In Thousands)	Amount (Note 26)	Legal Reserve		Special Reserve	Unappropriated Earnings (Accumulated Deficits)							
BALANCE AT JANUARY 1, 2012	2,818,713	\$ 28,187,131	\$ 4,710,566	\$ 1,178,785	\$ 82,530	\$ (3,703,458)	\$ -	\$ (6,010)	\$ 48,933	\$ 30,498,477	\$ 1,047,124	\$ 31,545,601
Compensation of 2011 deficit												
Legal reserve	-	-	-	(1,178,785)	-	1,178,785	-	-	-	-	-	-
Special reserve	-	-	-	-	(82,530)	82,530	-	-	-	-	-	-
Capital surplus used to offset accumulated deficit	-	-	(3,376,574)	-	-	3,376,574	-	-	-	-	-	-
Equity component of mandatory convertible bonds	-	-	4,413,702	-	-	-	-	-	-	4,413,702	-	4,413,702
Difference between consideration and carrying amount of subsidiaries disposed	-	-	2,462,554	-	-	-	-	-	-	2,462,554	2,787,243	5,249,797
Net profit (loss) for the year ended December 31, 2012	-	-	-	-	-	(1,622,702)	-	-	-	(1,622,702)	13,808	(1,608,894)
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	-	-	(75,522)	(357,131)	(481,038)	(48,933)	(962,624)	(27,766)	(990,390)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	-	(1,698,224)	(357,131)	(481,038)	(48,933)	(2,585,326)	(13,958)	(2,599,284)
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(47,116)	(47,116)
BALANCE AT DECEMBER 31, 2012	2,818,713	28,187,131	8,210,248	-	-	(763,793)	(357,131)	(487,048)	-	34,789,407	3,773,293	38,562,700
Appropriation of 2012 earnings												
Legal reserve	-	-	-	5,143	-	(5,143)	-	-	-	-	-	-
Special reserve	-	-	-	-	46,291	(46,291)	-	-	-	-	-	-
Equity component of convertible bonds	-	-	352,604	-	-	-	-	-	-	352,604	-	352,604
Net profit (loss) for the year ended December 31, 2013	-	-	-	-	-	(2,946,114)	-	-	-	(2,946,114)	36,204	(2,909,910)
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	-	(84,385)	298,714	265,658	-	479,987	12,943	492,930
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	-	(3,030,499)	298,714	265,658	-	(2,466,127)	49,147	(2,416,980)
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(111,822)	(111,822)
Effect of deconsolidation of subsidiary	-	-	-	-	-	-	-	-	-	-	(2,813,562)	(2,813,562)
BALANCE AT DECEMBER 31, 2013	<u>2,818,713</u>	<u>\$ 28,187,131</u>	<u>\$ 8,562,852</u>	<u>\$ 5,143</u>	<u>\$ 46,291</u>	<u>\$ (3,845,726)</u>	<u>\$ (58,417)</u>	<u>\$ (221,390)</u>	<u>\$ -</u>	<u>\$ 32,675,884</u>	<u>\$ 897,056</u>	<u>\$ 33,572,940</u>

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

(With Deloitte & Touche audit report dated March 25, 2014)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (3,014,404)	\$ (1,585,420)
Adjustments for:		
Depreciation expenses	7,165,304	7,224,908
Amortization expenses	41,428	35,328
Impairment loss recognized on trade receivables	3,336	3,803
Net (gain) loss arising on financial assets/liabilities at fair value through profit and loss	(362,556)	(358,097)
Finance costs	1,858,362	1,759,542
Interest income	(106,378)	(120,640)
Dividend income	(61,127)	(116,588)
Share of profit of associates	(118,794)	(192,343)
Gain on disposal of property, plant and equipment	(3,626,768)	(1,560,292)
Gain on disposal of available-for-sale financial assets	(7,841)	(19,005)
Gains on disposal of financial assets carried at cost	(359,237)	-
Impairment loss of financial assets	-	6,777
Write-down of shipping fuel	36,129	116,598
Disposal of subsidiaries and fair value of residual investment	(3,763,334)	-
Amortization of long-term prepayments for lease	319,223	319,131
Provision for liabilities	667,639	733,893
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	503,395	111,446
(Increase) decrease in notes receivable	(128,955)	79,988
(Increase) decrease in trade receivable	446,020	(2,928,352)
Increase in trade receivable from related parties	(526,911)	(15,482)
(Increase) decrease in shipping fuel	(307,063)	1,739,568
(Increase) decrease in prepayments	(66,260)	426,308
(Increase) decrease in advances to shipping agents	102,361	(75,166)
(Increase) decrease in other current assets	271,131	(68,217)
Decrease in notes payable	(503)	(11,312)
Increase (decrease) in trade payable	3,353,992	(398,622)
Increase in trade payable to related parties	303,097	162,316
Increase in other payables	20,357	78,425
Decrease in provisions	(563,423)	(397,150)
Increase (decrease) in advances from customers	(6,037)	130,864
(Increase) decrease in other current liabilities	(336,455)	224,071
Decrease in accrued pension liabilities	(58,482)	(24,911)
Cash generated from operations	1,677,246	5,281,369
Dividend received	103,926	176,423
Interest received	82,225	128,401
Interest paid	(1,776,042)	(1,679,675)
Income tax paid	(623,359)	(271,867)
Net cash generated from (used in) operating activities	<u>(536,004)</u>	<u>3,634,651</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	\$ (3,723,089)	\$ (5,700,000)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,815,098	4,700,000
Acquisition of available-for-sale financial assets	(30,544,178)	(22,004,016)
Proceeds from disposal of available-for-sale financial assets	30,706,139	22,532,710
Acquisition of financial assets carried at cost	(100,000)	-
Proceeds from disposal of financial assets carried at cost	359,237	-
Proceeds from capital reduction of financial assets carried at cost	-	9,723
Acquisition of associates accounted for using equity method	(16,895)	-
Net cash generated from deconsolidation of subsidiary (Note 32)	1,659,213	-
Acquisition of property, plant and equipment	(9,716,918)	(17,270,937)
Proceeds from disposal of property, plant and equipment	8,454,913	1,503,944
Increase (decrease) in refundable deposits	10,787	(21,789)
Acquisition of intangible assets	(46,047)	(26,368)
Acquisition of investment properties	-	(688)
Increase in other financial assets	(114,637)	(2,754,550)
(Increase) decrease in other noncurrent assets	(39,120)	17,342
Increase in prepayments for equipment	(990,488)	(534,155)
Increase in long-term prepayments for lease	<u>(1,028,256)</u>	<u>(378,595)</u>
Net cash used in investing activities	<u>(1,314,241)</u>	<u>(19,927,379)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debt	727,928	(2,800,797)
Increase in short-term bills payable	79,831	1,599,505
Decrease in short-term bills payable	-	(4,845,864)
Proceeds from issuance of bonds	9,575,092	15,694,000
Repayment of principal of bonds	(3,174,000)	(960,000)
Proceeds from long-term debts	34,773,573	33,943,080
Repayment of long-term debts	(37,590,112)	(30,457,688)
Payment for obligations under finance leases	(269,513)	(266,047)
Decrease in other financial liabilities	(172,248)	(209,875)
Increase in other noncurrent financial liabilities	15,786	40,991
Proceeds from disposal of partial interests in subsidiary	-	5,249,797
Net change in non-controlling interests	<u>(111,822)</u>	<u>(47,116)</u>
Net cash generated from financing activities	<u>3,854,515</u>	<u>16,939,986</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>684,135</u>	<u>(676,824)</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 2,688,405	\$ (29,566)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,943,570</u>	<u>10,973,136</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 13,631,975</u>	<u>\$ 10,943,570</u>

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

(With Deloitte & Touche audit report dated March 25, 2014)

(Concluded)

Proposal No.2**Proposed by the Board**

Adoption of the Proposal for 2013 Deficit Compensation

Explanation:

1. The net loss after tax for 2013 is NT\$2,946,113,861. After adding the actuarial loss arising from defined benefit plans of NT\$84,385,032, and deducting the net adjusted amount NT\$815,227,889 from TIFRS conversion, the deficit to be compensated is NT\$3,845,726,782. According to Company Act, it is proposed to compensate the deficit by legal reserve special reserve and capital surplus, respectively. The 2013 statement of deficit compensated is attached hereto page 32.
2. It is proposed not to distribute dividend, employee bonus and directors' compensation for 2013.

Resolution:

YANG MING CORP.
Statement of Deficit Compensated
2013

Unit : NT\$

Item	Amount
Beginning Balance of Un-appropriated retained Earnings	0
Net adjusted Amount of TIFRS Conversion	(815,227,889)
Opening Balance of 2103,after TIFRS Conversion	(815,227,889)
Actuarial gain (loss) arising from defined benefit plans	(84,385,032)
Net Loss after tax for 2013	(2,946,113,861)
Deficit to be compensated	(3,845,726,782)
Compensation Item	
Legal Reserve	5,143,444
Special Reserve	46,290,996
Capital Surplus-share issuance in excess of par	1,331,738,090
Capital Surplus-differences between consideration and carrying amount of subsidiaries disposed	2,462,554,252
total	3,845,726,782
Ending Balance of Un-appropriated Retained Earnings	0

Note: It is proposed not to distribute dividend, employee bonus and directors' compensation for 2013.

Matters for Discussion

Proposal No.1

Proposed by the Board

Amendment to the Articles of Incorporation, please proceed to discuss.

Explanation:

1. Amending the Article of Incorporation to comply with Regulations
Governing Procedure for Board of Directors Meetings of Public
Companies.
2. The articles amended by the board of directors on 25 March 2014 are
shown on pages 34-37 in detail.

Resolution:

Amendment to Articles of Incorporation of Yang Ming Marine Transport Corporation

After Amendment	Before Amendment	Explanation
<p>Article 2</p> <p>The line of business of this company is as follows:</p> <p>A. Domestic and overseas marine shipment service</p> <p>B. Domestic and passenger marine shipment service</p> <p>C. Warehouse, pier, tug boat, barge, container freight station and terminal operations</p> <p>D. Maintenance and repairs, chartering, sales and purchase of ships</p> <p>E. Maintenance and repairs, lease, sales and purchase of containers as well as chassis</p> <p>F. Shipping agency</p> <p>G. G402011 Ocean freight forwarding service</p> <p>H. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	<p>Article 2</p> <p>The line of business of this company is as follows:</p> <p>A. Domestic and overseas marine shipment service</p> <p>B. Domestic and passenger marine shipment service</p> <p>C. Warehouse, pier, tug boat, barge, container freight station and terminal operations</p> <p>D. Maintenance and repairs, chartering, sales and purchase of ships</p> <p>E. Maintenance and repairs, lease, sales and purchase of containers as well as chassis</p> <p>F. Shipping agency</p> <p>G. G402011 Ocean freight forwarding service</p> <p>H. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p> <p><u>In line with its business need, this company may provide guaranty for other entities in which this company has investments.</u></p> <p><u>The total amount of investment made by this company is not restricted by Clause 13 of the Company Act of the Republic of China.</u></p>	<p>Amend Article 2, paragraphs 2 and 3 of Article 4.</p>
<p>Article 4</p> <p><u>In line with its business need, this company</u></p>	<p>Article 4 <u>(Deleted)</u></p>	<p>Amend Article 2, paragraphs 2</p>

After Amendment	Before Amendment	Explanation
<p><u>may provide guaranty for other entities in which this company has investments.</u></p> <p><u>The total amount of investment made by this company is not restricted by Clause 13 of the Company Act of the Republic of China.</u></p>		and 3 of Article 4.
<p>Article 13</p> <p>The board of directors shall meet <u>as least</u> once <u>quarterly</u> and, if necessary, may hold special meetings. All such meetings shall be convened and presided over by the chairman of the board. If the chairman of the board cannot attend the meeting, the directors shall elect one director among them to act for the chairman.</p> <p>The company may use a written notice, e-mail, or facsimile to inform the directors on the holding of a meeting.</p> <p>A director may appoint another director to represent him or her if he or she is unable to attend the meeting.</p>	<p>Article 13</p> <p>The board of directors shall meet once <u>every 3 months</u> and, if necessary, may hold special meetings. All such meetings shall be convened and presided over by the chairman of the board. If the chairman of the board cannot attend the meeting, the directors shall elect among them one director to act for the chairman.</p> <p>The company may use a written notice, e-mail, or facsimile to inform the directors on the holding of a meeting.</p> <p>A director may appoint another director to represent him or her if he or she is unable to attend the meeting.</p>	Pursuant to Article 3 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies
<p>Article 16</p> <p>This company shall have a president.</p> <p>The board of directors may, through a resolution, install a chief executive officer if it deems the position is needed for the functioning of the company. The position shall be held concurrently by the chairman of this company. The job of the chief executive officer is to lead, in keeping with the decisions of the board of directors, and is responsible for formulating the major policies for the company and its related companies.</p> <p>The appointment, relief of duty, and remuneration for <u>the chief executive officer</u></p>	<p>Article 16</p> <p>This company shall have a president <u>and several executive officers of business.</u></p> <p>The board of directors may, through a resolution, install a chief executive officer if it deems the position is needed for the functioning of the company. The position shall be held concurrently by the chairman of this company. The job of the chief executive officer is to lead, in keeping with the decisions of the board of directors, <u>the afore-said executive officers of business</u> and is responsible for formulating the major policies for the company and its related companies.</p>	The registration of this company's executive officers to Ministry of Economic Affairs, R.O.C. is always chief executive officer and president. Since the executives of Liner Business Group have

After Amendment	Before Amendment	Explanation
<p><u>and president</u> should be made in accordance with the Article 29 of the Company Act the Republic of China.</p>	<p>The appointment, relief of duty, and remuneration for <u>the executive officers prescribed in the proceeding two Paragraphs</u> should be made in accordance with the Article 29 of the Company Act the Republic of China.</p>	<p>been stipulated in the organic rules of this company, and their appointment and removal are made in accordance with the Article 14 of Incorporation of this company. In order to apply the practice of Company Registration, the executive officers have been redefined.</p>

After Amendment	Before Amendment	Explanation
<p>Article 21</p> <p>This Charter was established on Dec. 28, 1972. The 1st amendment was made on Dec. 23, 1978. The 2nd amendment was made on Mar. 28, 1979. The 3rd amendment was made on June 28, 1979. The 4th amendment was made on Jan. 24, 1980. The 5th amendment was made on June 12, 1981. The 6th amendment was made on Feb. 28, 1983. The 7th amendment was made on Apr. 17, 1985. The 8th amendment was made on June 2, 1988. The 9th amendment was made on Dec. 26, 1990. The 10th amendment was made on Mar. 10, 1992. The 11th amendment was made on Sep. 30, 1992. The 12th amendment was made on Nov. 23, 1994. The 13th amendment was made on Nov. 25, 1995. The 14th amendment was made on Sep. 21, 1996. The 15th amendment was made on Dec. 6, 1997. The 16th amendment was made on Dec. 18, 1998. The 17th amendment was made on June 3, 2000. The 18th amendment was made on June 20, 2001. The 19th amendment was approved on June 21, 2002. The 20th amendment was approved on June 20, 2003. The 21th amendment was approved on June 23, 2005. The 22th amendment was approved on June 23, 2006. The 23th amendment was approved on June 27, 2007. The 24th amendment was approved on June 18, 2009. The 25th amendment was approved on June 18, 2010. The 26th amendment was approved on June 15, 2012. The 27th amendment was approved on June 14, 2013. <u>The 28th amendment was approved on June 18, 2014.</u></p>	<p>Article 21</p> <p>This Charter was established on Dec. 28, 1972. The 1st amendment was made on Dec. 23, 1978. The 2nd amendment was made on Mar. 28, 1979. The 3rd amendment was made on June 28, 1979. The 4th amendment was made on Jan. 24, 1980. The 5th amendment was made on June 12, 1981. The 6th amendment was made on Feb. 28, 1983. The 7th amendment was made on Apr. 17, 1985. The 8th amendment was made on June 2, 1988. The 9th amendment was made on Dec. 26, 1990. The 10th amendment was made on Mar. 10, 1992. The 11th amendment was made on Sep. 30, 1992. The 12th amendment was made on Nov. 23, 1994. The 13th amendment was made on Nov. 25, 1995. The 14th amendment was made on Sep. 21, 1996. The 15th amendment was made on Dec. 6, 1997. The 16th amendment was made on Dec. 18, 1998. The 17th amendment was made on June 3, 2000. The 18th amendment was made on June 20, 2001. The 19th amendment was approved on June 21, 2002. The 20th amendment was approved on June 20, 2003. The 21th amendment was approved on June 23, 2005. The 22th amendment was approved on June 23, 2006. The 23th amendment was approved on June 27, 2007. The 24th amendment was approved on June 18, 2009. The 25th amendment was approved on June 18, 2010. The 26th amendment was approved on June 15, 2012. The 27th amendment was approved on June 14, 2013.</p>	<p>Add the date of amendment.</p>

Proposal No.2**Proposed by the Board**

Amendment to the “Principles Governing Endorsement and Guarantees”.

Please proceed to discuss.

Explanation:

1. Amending the “Principles Governing Endorsement and Guarantees” in compliance with the reorganization of Financial Supervisory Commission and completing the Company’s Principles Governing Endorsement and Guarantees.
2. About the amended articles resolved by the board of directors dated 25 March 2014, please see pages 39-42.

Resolution:

The Amendment of Principles Governing Endorsement and Guarantees of Yang Ming Marine Transport Corporation

After Amendment	Before Amendment	Explanation
<p><u>Article 5 Hierarchy of decision-making authority and delegation thereof</u></p> <p>Before making an endorsement/guarantee, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”(hereinafter “the Governing Regulations”) made by Financial Supervisory Commission and these Principles. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph and Article 6, paragraph 2 have been submitted to and resolved upon by the board of directors, or for the sake of time-saving, approved by the chairman of the board within the limits stated in Article 4, for subsequent submission to and ratification by the next board of directors' meeting.</p> <p>Where the Company needs to exceed the limits set out in these Principles to satisfy its business requirements, and where the conditions set out in these Principles are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess</p>	<p><u>Article 5 Hierarchy of decision-making authority and delegation thereof</u></p> <p>Before making an endorsement/guarantee, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”(hereinafter “the Governing Regulations”) made by Financial Supervisory Commission of Executive Yuan and these Principles. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph and Article 6, paragraph 2 have been submitted to and resolved upon by the board of directors, or for the sake of time-saving, approved by the chairman of the board within the limits stated in Article 4, for subsequent submission to and ratification by the next board of directors' meeting.</p> <p>Where the Company needs to exceed the limits set out in these Principles to satisfy its business requirements, and where the conditions set out in these Principles are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess</p>	<p>Amend wording to comply with the reorganization of Financial Supervisory Commission of Executive Yuan to Financial Supervisory Commission from 1 July 2012.</p>

<p>endorsement/guarantee. It shall also amend these Principles accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p>	<p>endorsement/guarantee. It shall also amend these Principles accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.</p>	
<p><u>Article 6 Procedures for endorsements/guarantees</u></p> <p>The Company may make an endorsement/guarantee only after the evaluation report prepared by the department in charge has been submitted to and resolved upon by the chairman, audit committee and the board of directors.</p> <p>The evaluation report shall include:</p> <ol style="list-style-type: none"> 1. The necessity and reasonableness of endorsements/guarantees. 2. Whether the accumulated amount of endorsements/guarantees is within the limits. 3. Where an endorsement/guarantee is made due to needs arising from business dealings, the Company shall evaluate whether the amount of endorsements/guarantees and business dealing is within the limits. 4. Credit status and risk assessment of the entity for which the endorsement/guarantee is made. 5. The impact on the Company's business operations, financial status and shareholders' equity. 6. Whether collateral must be obtained and appraisal of the value thereof. 	<p><u>Article 6 Procedures for endorsements/guarantees</u></p> <p>The Company may make an endorsement/guarantee only after the evaluation report prepared by the department in charge has been submitted to and resolved upon by the chairman, audit committee and the board of directors. <u>The Company should consider opinions of each independent director when discussing in the board of directors, incorporate agree or disagree opinion and the reason in the minutes of the board of directors.</u></p> <p>The evaluation report shall include:</p> <ol style="list-style-type: none"> 1. The necessity and reasonableness of endorsements/guarantees. 2. Whether the accumulated amount of endorsements/guarantees is within the limits. 3. Where an endorsement/guarantee is made due to needs arising from business dealings, the Company shall evaluate whether the amount of endorsements/guarantees and business dealing is within the limits. 4. Credit status and risk assessment of the entity for which the endorsement/guarantee is made. 	<p>Amend wording to comply with the set-up of audit committee.</p>

<p>The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5, paragraph 1.</p> <p>If the net value of the subsidiary for which the endorsement/guarantee is made is below its paid-up capital, the Company shall strengthen risk management to watch out for its operating and financial situations and take necessary actions if any. If the subsidiary's stock has no par value or the par value is not NT 10, the paid-in capital should be counted by the sum of capital and additional paid-in capital – issuing premium.</p> <p>The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose relevant information in the financial reports and provide CPA with relevant information for implementation of necessary audit procedures.</p> <p>Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Governing Regulations, or the amount of endorsements/guarantees exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to</p>	<p>5. The impact on the Company's business operations, financial status and shareholders' equity.</p> <p>6. Whether collateral must be obtained and appraisal of the value thereof.</p> <p>The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5, paragraph 1.</p> <p>If the net value of the subsidiary for which the endorsement/guarantee is made is below its paid-up capital, the Company shall strengthen risk management to watch out for its operating and financial situations and take necessary actions if any. If the subsidiary's stock has no par value or the par value is not NT 10, the paid-in capital should be counted by the sum of capital and additional paid-in capital – issuing premium.</p> <p>The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose relevant information in the financial reports and provide CPA with relevant information for implementation of necessary audit procedures.</p> <p>Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer</p>	
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<p>audit committee, and shall complete the rectification according to the timeframe set out in the plan.</p>	<p>meets the requirements of the Governing Regulations, or the amount of endorsements/guarantees exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to audit committee, and shall complete the rectification according to the timeframe set out in the plan.</p>	
<p><u>Article 11 Others</u> <u>Anything that is not specified in the Procedures shall follow the related regulations, the Company’s internal control system and operation procedures.</u></p>		<p>Revise and augment article.</p>
<p><u>Article 12 Effect and Amendment</u> These Principles should approve by audit committee and pass by the board of directors, these Principles will take effect after the Company submits to and approve by the shareholders’ meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to and for discussion by the shareholders' meeting. The same shall apply to any amendments to these Principles.</p>	<p><u>Article 11 Effect and Amendment</u> These Principles should approve by audit committee and pass by the board of directors, these Principles will take effect after the Company submits to and approve by the shareholders’ meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to and for discussion by the shareholders' meeting. The same shall apply to any amendments to these Principles. <u>The Company should consider opinions of each independent director when discussing in the board of directors, incorporate pro and con opinions and the reason in the minutes of the board of directors.</u></p>	<p>Revise Article item and amend wording in compliance with the set-up of audit committee.</p>

Proposal No.3**Proposed by the Board**

Amendment to the “Principles for Loaning Funds to Others,” please proceed to discuss.

Explanation:

1. Amending “Principles for Loaning Funds to Others” to comply with the reorganization of Financial Supervisory Commission and business requirements.
2. About the amended articles resolved by the board of directors dated 25 March 2014, please refer to pages 44-48.

Resolution:

Amendment to Principles Governing Endorsement and Guarantees of Yang Ming Marine Transport Corporation

After Amendment	Before Amendment	Explanation
<p><u>Article 3 Limits of funds loaned</u></p> <p>The limits of funds loaned are as follows:</p> <ol style="list-style-type: none"> 1. The total amount of funds loaned shall not exceed 60% of the net value of the Company's latest audited or reviewed financial reports. 2. The total amount of funds loaned due to needs arising from business dealings shall not exceed 50% of the net value of the Company's latest audited or reviewed financial reports and the total amount of funds loaned to a single company shall not exceed 15% of the net value of the Company's latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest two years. If a company is the Company's subsidiary, the total amount of funds loaned to such single company shall not exceed 40% of the net value of the Company's latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest five years. 3. The total amount of funds loaned due to needs arising from short-term financial facilities shall not exceed 10% of the net value of the Company's latest audited or reviewed financial reports and the total amount of funds loaned to 	<p><u>Article 3 Limits of funds loaned</u></p> <p>The limits of funds loaned are as follows:</p> <ol style="list-style-type: none"> 1. The total amount of funds loaned shall not exceed 60% of the net value of the Company's latest audited or reviewed financial reports. 2. The total amount of funds loaned due to needs arising from business dealings shall not exceed 50% of the net value of the Company's latest audited or reviewed financial reports and the total amount of funds loaned to a single company shall not exceed 15% of the net value of the Company's latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest two years. If a company is the Company's subsidiary, the total amount of funds loaned to such single company shall not exceed 30% of the net value of the Company's latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest five years. 3. The total amount of funds loaned due to needs arising from short-term financial facilities shall not exceed 10% of the net value of the Company's latest audited or reviewed financial reports and the total amount of funds loaned to 	<p>Adjust limits of funds loaned in compliance with business requirements.</p>

<p>a single company shall not exceed 5% of the net value of the Company’s latest audited or reviewed financial reports.</p>	<p>a single company shall not exceed 5% of the net value of the Company’s latest audited or reviewed financial reports.</p>	
<p><u>Article 4 Hierarchy of decision-making authority and delegation thereof</u> Before loaning funds to others, the Company shall carefully evaluate whether the loan is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”(hereinafter “the Governing Regulations”) made by Financial Supervisory Commission and these Principles. The Company may loan funds to others only after the evaluation results under this paragraph and Article 5, paragraph 2 have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision. Funds loaned between the Company and its subsidiary should be submitted to and resolved upon by the board of directors according to the preceding paragraph. If the character of the Loaning of Funds is a short term financing, the board of directors could authorize the chairman of the board to loan funds in many times or revolve the loan within the limit in accordance with article3, paragraph 1, subparagraph 3 resolved by the board of directors and one year for the same borrower.</p>	<p><u>Article 4 Hierarchy of decision-making authority and delegation thereof</u> Before loaning funds to others, the Company shall carefully evaluate whether the loan is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”(hereinafter “the Governing Regulations”) made by Financial Supervisory Commission of Executive Yuan and these Principles. The Company may loan funds to others only after the evaluation results under this paragraph and Article 5, paragraph 2 have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision. Funds loaned between the Company and its subsidiary should be submitted to and resolved upon by the board of directors according to the preceding paragraph. If the character of the Loaning of Funds is a short term financing, the board of directors could authorize the chairman of the board to loan funds in many times or revolve the loan within the limit in accordance with article3, paragraph 1, subparagraph 3 resolved by the board of directors and one year for the same borrower.</p>	<p>Amend wording to comply with the reorganization of Financial Supervisory Commission of Executive Yuan to Financial Supervisory Commission from 1 July 2012.</p>

<p><u>Article 5 Procedures for funds loaned</u></p> <p>The Company may loan funds to others only after the evaluation report prepared by the department in charge has been submitted to and resolved upon by the chairman, audit committee and the board of directors.</p> <p>The evaluation report shall include:</p> <ol style="list-style-type: none"> 1. The necessity and reasonableness of loaning funds to others. 2. Whether the amount of funds loaned is within the limits. 3. Where the loan is made due to needs arising from business dealings, the Company shall evaluate whether the amount of funds loaned and business dealing is within the limits. 4. Where the loan is made due to needs arising from short-term financial facilities, the reasons for and conditions of extending loans shall be enumerated. 5. Credit Status and risk assessment of the borrowers. 6. The impact on the Company's business operation, financial status and shareholders' equity. 7. Whether collateral must be obtained and appraisal of the value thereof. <p>The Company shall prepare a memorandum book for its funds-loaning activities and record in detail the following information for the record: the borrower, the amount, the date of approval by the board of directors, the date of the loan provided, and matters to be carefully evaluated under Article 4, paragraph 1.</p> <p>Where as a result of changes of condition</p>	<p><u>Article 5 Procedures for funds loaned</u></p> <p>The Company may loan funds to others only after the evaluation report prepared by the department in charge has been submitted to and resolved upon by the chairman, audit committee and the board of directors. <u>The Company should consider opinions of each independent director when discussing in the board of directors, incorporate agree or disagree opinion and the reason in the minutes of the board of directors.</u></p> <p>The evaluation report shall include:</p> <ol style="list-style-type: none"> 1. The necessity and reasonableness of loaning funds to others. 2. Whether the amount of funds loaned is within the limits. 3. Where the loan is made due to needs arising from business dealings, the Company shall evaluate whether the amount of funds loaned and business dealing is within the limits. 4. Where the loan is made due to needs arising from short-term financial facilities, the reasons for and conditions of extending loans shall be enumerated. 5. Credit Status and risk assessment of the borrowers. 6. The impact on the Company's business operation, financial status and shareholders' equity. 7. Whether collateral must be obtained and appraisal of the value thereof. <p>The Company shall prepare a memorandum book for its funds-loaning activities and record in detail the following information for the record: the borrower,</p>	<p>Amend wording to comply with the set-up of audit committee.</p>
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<p>the borrower no longer meets the requirements of the Governing Regulations, or the amount of funds loaned exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to audit committee, and shall complete the rectification according to the timeframe set out in the plan.</p> <p>The Company shall evaluate the status of its funds loaned and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in the financial reports and provide CPA with relevant information for implementation of necessary audit procedures.</p>	<p>the amount, the date of approval by the board of directors, the date of the loan provided, and matters to be carefully evaluated under Article 4, paragraph 1.</p> <p>Where as a result of changes of condition the borrower no longer meets the requirements of the Governing Regulations, or the amount of funds loaned exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to audit committee, and shall complete the rectification according to the timeframe set out in the plan.</p> <p>The Company shall evaluate the status of its funds loaned and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in the financial reports and provide CPA with relevant information for implementation of necessary audit procedures.</p>	
<p><u>Article 11 Others</u> <u>Anything that is not specified in the Procedures shall follow the related regulations, the Company’s internal control system and operation procedures.</u></p>		<p>Revise and augment article.</p>
<p><u>Article 12 Effect and Amendment</u> These Principles should approve by audit committee and pass by the board of directors, these Principles will take effect after the Company submits to and approve by the shareholders’ meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to and for discussion by the shareholders' meeting. The same shall apply to any amendments to these</p>	<p><u>Article 11 Effect and Amendment</u> These Principles should approve by audit committee and pass by the board of directors, these Principles will take effect after the Company submits to and approve by the shareholders’ meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to and for discussion by the shareholders' meeting. The same shall apply to any amendments to these</p>	<p>Revise Article item and amend wording to comply with the set-up of audit committee.</p>

Principles.	Principles. <u>The Company should consider opinions of each independent director when discussing in the board of directors, incorporate agree or disagree opinion and the reason in the minutes of the board of directors.</u>	
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Proposal No.4**Proposed by the Board**

Amendment to the “Handling Procedures for Acquisition and Disposal of Asset, please proceed to discuss.

Explanation:

1. Amending “Handling Procedures for Acquisition and Disposal of Assets” to comply with Letter No.1020053073 of Financial Supervisory Commission dated December 30, 2013 and business requirement.
2. About the amended articles resolved by the board of directors dated 25 March 2014, please refer to pages 50-74.

Resolution:

The Amendment to Handling Procedures for Acquisition and Disposal of Assets of Yang Ming Marine Transport Corporation

After Amendment	Before Amendment	Explanation
<p><u>Article 2 Basis</u></p> <p>The Procedures are handled in accordance with Article 36-1 of Securities and Exchange Act and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” made by Financial Supervisory Commission (hereinafter “FSC”).</p>	<p><u>Article 2 Basis</u></p> <p>The Procedures are handled in accordance with Article 36-1 of Securities and Exchange Act and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” made by Financial Supervisory Commission of Executive Yuan, R.O.C.(hereinafter “FSC”).</p>	<p>Amend wording to comply with the reorganization of Financial Supervisory Commission of Executive Yuan to Financial Supervisory Commission from 1 July 2012.</p>
<p><u>Article 3 Scope of Assets</u></p> <p>1. Investment in stocks (including shareholding), government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities and asset-backed securities.</p> <p>2. Real estate <u>(including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory)</u>.</p> <p>3. Memberships.</p> <p>4. Patents, copyrights, trademarks, franchises and other intangible assets.</p> <p>5. Equipment (including but not limited to vessels, containers, chassis, leased assets, machinery, computer hardware and peripherals).</p>	<p><u>Article 3 Scope of Assets</u></p> <p>1. Investment in stocks (including shareholding), government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities and asset-backed securities.</p> <p>2. Real estate.</p> <p>3. Memberships.</p> <p>4. Patents, copyrights, trademarks, franchises and other intangible assets.</p> <p>5. Fixed assets (including but not limited to vessels, containers, chassis, leased assets, machinery, computer hardware and peripherals).</p> <p>6. Derivatives.</p> <p>7. Assets acquired or disposed through mergers, split-up, tender offer or</p>	<p>Amend wording according to Letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013.</p>

<p>6. Derivatives.</p> <p>7. Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws.</p> <p>8. Other assets.</p>	<p>transfer of shares in accordance with laws.</p> <p>8. Other assets.</p>	
<p><u>Article 4 Defined terms</u></p> <p>"Derivatives" means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) agreements.</p> <p>"Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws" means assets acquired or disposed through mergers, split-up or tender offer conducted under R.O.C. Business Mergers and Acquisitions Act, R.O.C. Financial Holding Company Act, R.O.C. Financial Institution Merger Act and other R.O.C. acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore(hereinafter "transfer of shares") under paragraph 8 of Article 156 of R.O.C. Company Act.</p> <p>"Leased assets" means leased assets defined in Statement of International Accounting Standard No. 17.</p> <p>"Related parties" means related parties</p>	<p><u>Article 4 Defined terms</u></p> <p>"Derivatives" means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) agreements.</p> <p>"Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws" means assets acquired or disposed through mergers, split-up or tender offer conducted under R.O.C. Business Mergers and Acquisitions Act, R.O.C. Financial Holding Company Act, R.O.C. Financial Institution Merger Act and other R.O.C. acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefore(hereinafter "transfer of shares") under paragraph 6 of Article 156 of R.O.C. Company Act.</p> <p>"Leased assets" means leased assets defined in Statement of International Accounting Standard No. 17.</p> <p>"Related parties" means related parties</p>	<p>Amend wording according to Letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013.</p>

<p>defined in Statements of International Accounting Standard No. 24.</p> <p>"Subsidiaries" means subsidiaries defined in Statements of International Accounting Standard No. 27 and No.28.</p> <p>"Professional appraisers" means real estate appraisers or other persons duly authorized by laws to engage in appraising real estate, equipment or other assets.</p> <p>"Date of occurrence" means the date of contract signing, payment, consignment trade, transfer, the board of directors resolutions or other dates that can confirm the counterparties and monetary amount of the transactions, whichever date is earlier; provided, for investment for which approval of R.O.C. Competent Authority is required, the earlier of the above dates or the date of receipt of approval by R.O.C. Competent Authority shall apply.</p> <p>"Investments in Mainland China" means investments in Mainland China in accordance with the provisions of "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" by Ministry of Economic Affairs Investment Commission, R.O.C..</p>	<p>defined in Statements of International Accounting Standard No. 24.</p> <p>"Subsidiaries" means subsidiaries defined in Statements of International Accounting Standard No. 27 and No.28.</p> <p>"Professional appraisers" means real estate appraisers or other persons duly authorized by laws to engage in appraising real estate, fixed assets or other assets.</p> <p>"Date of occurrence" means the date of contract signing, payment, consignment trade, transfer, the board of directors resolutions or other dates that can confirm the counterparties and monetary amount of the transactions, whichever date is earlier; provided, for investment for which approval of R.O.C. Competent Authority is required, the earlier of the above dates or the date of receipt of approval by R.O.C. Competent Authority shall apply.</p> <p>"Investments in Mainland China" means investments in Mainland China in accordance with the provisions of "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" by Ministry of Economic Affairs Investment Commission, R.O.C..</p>	
<p><u>Article 5 Operation procedures for acquiring or disposing assets</u></p> <p>The Company acquires or disposes assets defined in Article 3 shall be assessed by department in charge, report to the management for authorization or pass by audit committee and report to the board of directors for approval according to the following authorized quota and then be</p>	<p><u>Article 5 Operation procedures for acquiring or disposing assets</u></p> <p>The Company acquires or disposes assets defined in Article 3 shall be assessed by department in charge, report to the management for authorization or pass by <u>one-two of all members of</u> audit committee and report to the board of directors for approval according to the</p>	<p>Amend wording according to Letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013 and comply with</p>

<p>executed by related departments.</p> <p>1. Authorized quota for the Company</p> <p>(1). The total amount of purchasing non-business real estate shall not exceed 30% of the Company's paid-in capital.</p> <p>(2). The total amount of investments in securities shall not exceed 200% of the Company's paid-in capital and the total amount of investments in each security shall not exceed 50% of the Company's paid-in capital.</p> <p>2. Authorized quota for the management</p> <p>(1). Investments in securities The total amount is within TWD3 billion. However, acquiring or disposing bond funds, monetary funds and repurchase or reverse repo of bonds or bills for the purpose of funds dispatching is not subject to this limit.</p> <p>(2). Real estate, equipment and other assets for the purpose of conducting business The amount for each transaction is within TWD100 million.</p> <p>(3). Non-business real estate The amount for each transaction is within TWD10 million.</p> <p>(4). Memberships and intangible assets The amount for each transaction is within TWD10 million.</p> <p>3. Once the amount for acquisition or disposal of assets exceeds the authorized quota for the management or the Company acquires or disposes long-term equity investments whether the amount is compiled in annual budget, should be passed by audit</p>	<p>following authorized quota and then be executed by related departments.</p> <p>1. Authorized quota for the Company</p> <p>(1). The total amount of purchasing non-business real estate shall not exceed 30% of the Company's paid-in capital.</p> <p>(2). The total amount of investments in securities shall not exceed 200% of the Company's paid-in capital and the total amount of investments in each security shall not exceed 50% of the Company's paid-in capital.</p> <p>2. Authorized quota for the management</p> <p>(1). Investments in securities The total amount is within TWD3 billion. However, acquiring or disposing bond funds, monetary funds and repurchase or reverse repo of bonds or bills for the purpose of funds dispatching is not subject to this limit.</p> <p>(2). Real estate, fixed assets and other assets for the purpose of conducting business The amount for each transaction is within TWD100 million.</p> <p>(3). Non-business real estate The amount for each transaction is within TWD10 million.</p> <p>(4). Memberships and intangible assets The amount for each transaction is within TWD10 million.</p> <p>3. Once the amount for acquisition or disposal of assets exceeds the authorized quota for the management or the Company acquires or disposes long-term equity investments whether the amount is compiled in annual budget, should be passed by one-two of all members of</p>	<p>the set-up of audit committee.</p>
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<p>committee and reported to board of directors for approval and then implement.</p>	<p>audit committee and reported to board of directors for approval and then implement.</p>	
<p><u>Article 6 Assessment procedures for acquiring or disposing assets</u></p> <p>The Company acquiring or disposing securities shall, prior to the date of occurrence of the event, first obtain the financial statements certified or reviewed by a certified public accountant(hereinafter “CPA”) of the issuing company for the most recent period for reference when appraising the transaction price and if the amount of the transaction is over and above 20% of the Company's paid-in capital or TWD300 million, the Company shall also engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by <u>ROC</u> Accounting Research and Development Foundation. However, this requirement does not apply to securities that have public quoted prices in an active market or where otherwise provided by regulations of FSC.</p> <p>If the amount of the Company acquiring or disposing real estate, <u>equipment</u> or other assets is over and above 20% of the Company’s paid-in capital or TWD300 million unless transacting with government institutions, engaging others to build on its</p>	<p><u>Article 6 Assessment procedures for acquiring or disposing assets</u></p> <p>The Company acquiring or disposing securities shall, prior to the date of occurrence of the event, first obtain the financial statements certified or reviewed by a certified public accountant(hereinafter “CPA”) of the issuing company for the most recent period for reference when appraising the transaction price and if the amount of the transaction is over and above 20% of the Company's paid-in capital or TWD300 million, the Company shall also engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by Accounting Research and Development Foundation. However, this requirement does not apply to securities that have public quoted prices in an active market or where otherwise provided by regulations of FSC.</p> <p>If the amount of the Company acquiring or disposing real estate, <u>fixed assets</u> or other assets is over and above 20% of the Company’s paid-in capital or TWD300 million unless transacting with government institutions, engaging others to build on its own land or acquiring or disposing business</p>	<p>Amend wording according to Letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013.</p>

<p>own land or acquiring or disposing business equipments, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted to the board of directors in advance for approval and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. If the transaction amount is over and above TWD1 billion, appraisals from two or more professional appraisers shall be obtained. 3. Unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by ROC Accounting Research and Development Foundation to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price when the following situations apply: <ol style="list-style-type: none"> (1). The discrepancy between the appraisal result and the transaction amount is over and above 20%. (2). The discrepancy between the appraisal results of two or more professional appraisers is over and 	<p><u>machines and</u> equipments, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and further comply with the following provisions:</p> <ol style="list-style-type: none"> 1. Where due to special circumstances it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted to the board of directors in advance for approval and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. If the transaction amount is over and above TWD1 billion, appraisals from two or more professional appraisers shall be obtained. 3. Unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by Accounting Research and Development Foundation to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price when the following situations apply: <ol style="list-style-type: none"> (1). The discrepancy between the appraisal result and the transaction amount is over and above 20%. (2). The discrepancy between the appraisal results of two or more professional appraisers is over and above 10% of the transaction 	
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<p>above 10% of the transaction amount.</p> <p>4. The date of the appraisal report issued by a professional appraiser and the effective date of the contract shall not exceed three months; provided, however, that if the Government Assessed Current Land Price of the same period is applied and the date of submitting the report and the effective date of the contract do not exceed six months, an opinion may still be issued by the original professional appraiser.</p> <p>If the amount of the Company acquiring or disposing memberships or intangible assets is over and above 20% of the Company's paid-in capital or TWD300 million, <u>except in transactions with a government agency,</u> a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by ROC Accounting Research and Development Foundation to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price prior to the date of occurrence of the event.</p> <p>The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>When the Company acquires or disposes</p>	<p>amount.</p> <p>4. The date of the appraisal report issued by a professional appraiser and the effective date of the contract shall not exceed three months; provided, however, that if the Government Assessed Current Land Price of the same period is applied and the date of submitting the report and the effective date of the contract do not exceed six months, an opinion may still be issued by the original professional appraiser.</p> <p>If the amount of the Company acquiring or disposing memberships or intangible assets is over and above 20% of the Company's paid-in capital or TWD300 million, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by Accounting Research and Development Foundation to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price prior to the date of occurrence of the event.</p> <p>The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p> <p>When the Company acquires or disposes assets through court auction, the evidentiary documents issued by the court</p>	
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<p>assets through court auction, the evidentiary documents issued by the court may be substituted for the appraisal report or CPA's opinion.</p> <p>The professional appraisers, CPA, lawyers and securities underwriters that issue appraisal reports and opinions shall not be the related parties to the Company.</p>	<p>may be substituted for the appraisal report or CPA's opinion.</p> <p>The professional appraisers, CPA, lawyers and securities underwriters that issue appraisal reports and opinions shall not be the related parties to the Company.</p>	
<p><u>Article 7 Related Party Transactions</u></p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised in compliance with the provisions of Article 6 and Article7, if the transaction amount is over and above 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6; the calculation of the transaction amount as used herein refers to shall be made in accordance with paragraph 4 of Article 6 herein.</p> <p>The Company that intends to acquire or dispose of real estate(regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real estate from or to related parties and the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million, <u>except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market</u></p>	<p><u>Article 7 Related Party Transactions</u></p> <p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised in compliance with the provisions of Article 6 and Article7, if the transaction amount is over and above 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6; the calculation of the transaction amount as used herein refers to shall be made in accordance with paragraph 4 of Article 6 herein.</p> <p>The Company that intends to acquire or dispose of real estate(regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real estate from or to related parties and the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million, may not proceed with the transaction until the followings were passed by <u>one-two of all members of</u> audit committee and reported to board of</p>	<p>Amend wording according to Letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013 and comply with the set-up of audit committee.</p>

<p>funds, may not proceed with the transaction until the followings were passed by audit committee and reported to board of directors for approval; the calculation of the transaction amounts referred to this paragraph shall be made in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The purpose, necessity and predetermined benefits of the acquisition or disposal of assets. 2. Reasons for choosing related parties as counterparties. 3. With respect to the acquisition of real property from a related party, related documents for evaluating the rationality of transaction terms according to the fourth and the fifth paragraphs of this Article. 4. The original date and price for related parties acquiring real estate the original counterparties and its relationship between the Company and related parties. 5. Monthly cash flow forecasts for a year commencing from the predetermined-signed month and evaluation of the necessity of the transaction and rationality of funds utilization. 6. An appraisal report from a professional 	<p>directors for approval; the calculation of the transaction amounts referred to this paragraph shall be made in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <ol style="list-style-type: none"> 1. The purpose, necessity and predetermined benefits of the acquisition or disposal of assets. 2. Reasons for choosing related parties as counterparties. 3. With respect to the acquisition of real property from a related party, related documents for evaluating the rationality of transaction terms according to the fourth and the fifth paragraphs of this Article. 4. The original date and price for related parties acquiring real estate the original counterparties and its relationship between the Company and related parties. 5. Monthly cash flow forecasts for a year commencing from the predetermined-signed month and evaluation of the necessity of the transaction and rationality of funds utilization. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the paragraph 1 of this Article. 7. Restrictive covenants and other 	
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<p>appraiser or a CPA's opinion obtained in compliance with the paragraph 1 of this Article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real estate from related parties. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below:</p> <ol style="list-style-type: none"> 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a 	<p>important stipulations associated with the transaction.</p> <p>With respect to the acquisition or disposal of business-use <u>machinery and</u> equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <p>The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real estate from related parties. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below:</p> <ol style="list-style-type: none"> 1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. 2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount 	
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<p>financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the counterparties.</p> <p>The Company shall follow the preceding provisions regarding appraising the transaction cost and engage a CPA to check the appraisal and render a specific opinion when acquiring real estate from related parties.</p> <p>If one of the following circumstances exists when the Company acquiring real estate from related parties, the acquisition shall be conducted in accordance with the provisions of the second paragraph of this Article instead of the fourth and fifth paragraphs.</p> <ol style="list-style-type: none"> 1. Related party acquires the real estate through inheritance or as a gift. 2. The time when the related party signs the contract to obtain the real estate is more than five years earlier than the date for signing the transaction. 3. The real estate is acquired through signing of a joint development contract with the related party, <u>or through engaging a related party to build real property, either on the company's own land or on rented land,</u> <p>When the appraisal results conducted in</p>	<p>loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the counterparties.</p> <p>The Company shall follow the preceding provisions regarding appraising the transaction cost and engage a CPA to check the appraisal and render a specific opinion when acquiring real estate from related parties.</p> <p>If one of the following circumstances exists when the Company acquiring real estate from related parties, the acquisition shall be conducted in accordance with the provisions of the second paragraph of this Article instead of the fourth and fifth paragraphs.</p> <ol style="list-style-type: none"> 1. Related party acquires the real estate through inheritance or as a gift. 2. The time when the related party signs the contract to obtain the real estate is more than five years earlier than the date for signing the transaction. 3. The real estate is acquired through signing of a joint development contract with the related party. <p>When the appraisal results conducted in accordance with the fourth paragraph of this Article 7 are uniformly lower than the transaction price, the matters shall be handled in compliance with the eighth paragraph of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific</p>	
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<p>accordance with the fourth paragraph of this Article 7 are uniformly lower than the transaction price, the matters shall be handled in compliance with the eighth paragraph of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1). Where undeveloped land is appraised in accordance with the means in the fourth paragraph of this Article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are</p>	<p>opinions on rationality from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1). Where undeveloped land is appraised in accordance with the means in the fourth paragraph of this Article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>(2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(3). Completed leasing transactions by unrelated parties for other floors of the same property from within the</p>	
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<p>similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.</p> <p>(3). Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>2. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>3. Completed transactions for neighboring or closely valued parcels of land in the preceding two subparagraphs in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in the Government Assessed Current Land Price; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property.</p> <p>Where the Company acquires real estate</p>	<p>preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</p> <p>2. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>3. Completed transactions for neighboring or closely valued parcels of land in the preceding two subparagraphs in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in the Government Assessed Current Land Price; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within one year refers to one year from the actual date of acquisition of the real property.</p> <p>Where the Company acquires real estate from related parties and the appraisal results conducted in accordance with the provisions of the fourth to the seventh paragraphs of this Article are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be</p>	
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<p>from related parties and the appraisal results conducted in accordance with the provisions of the fourth to the seventh paragraphs of this Article are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with the provisions of the first paragraph of Article 41 of Securities and Exchange Act against the difference between the transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the provisions of the first paragraph of Article 41 of Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. 2. Audit committee shall comply with the provisions of Article 218 of Company Act. 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus. 4. The Company that has set aside a special reserve under the subparagraph 1 may not utilize the special reserve until it has recognized a loss on decline in market 	<p>taken:</p> <ol style="list-style-type: none"> 1. A special reserve shall be set aside in accordance with the provisions of the first paragraph of Article 41 of Securities and Exchange Act against the difference between the transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the provisions of the first paragraph of Article 41 of Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. 2. Audit committee shall comply with the provisions of Article 218 of Company Act. 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus. 4. The Company that has set aside a special reserve under the subparagraph 1 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent. 	
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<p>value of the assets it purchased at a premium, or they have been disposed, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p>		
<p><u>Article 8 Procedures for engaging in derivatives</u></p> <p>There are two kinds of purpose for the Company engaging in derivatives: "trading" and "hedging". "Trading" means the purpose for holding or issuing derivatives is making money from the differences of market prices and taking the accompanied risk at the same time.</p> <p>"Hedging" means lower the risk of the Company's assets, liabilities, irrevocable commitment and expected business or financial transaction through derivatives transactions.</p> <p>The policy applied by the Company for engaging in derivatives is to enhance the management of assets and liabilities and the efficiency of capital management and risk hedging.</p> <p>The quota for engaging in derivatives is as follows:</p> <p>1. Hedging transactions:</p> <p>(1). The total amount in hedging transactions shall not exceed the quota authorized by the board of directors.</p> <p>(2). There is no limits of losses for hedging transactions, however, the measures of controlling the losses shall report to the <u>next</u> board of directors if the accumulated</p>	<p><u>Article 8 Procedures for engaging in derivatives</u></p> <p>There are two kinds of purpose for the Company engaging in derivatives: "trading" and "hedging". "Trading" means the purpose for holding or issuing derivatives is making money from the differences of market prices and taking the accompanied risk at the same time.</p> <p>"Hedging" means lower the risk of the Company's assets, liabilities, irrevocable commitment and expected business or financial transaction through derivatives transactions.</p> <p>The policy applied by the Company for engaging in derivatives is to enhance the management of assets and liabilities and the efficiency of capital management and risk hedging.</p> <p>The quota for engaging in derivatives is as follows:</p> <p>1. Hedging transactions:</p> <p>(1). The total amount in hedging transactions shall not exceed the quota authorized by the board of directors.</p> <p>(2). There is no limits of losses for hedging transactions, however, the measures of controlling the losses shall report to the board of directors if the accumulated losses(include</p>	<p>Amend wording according to Letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013.and comply with the set-up of audit committee.</p>

<p>losses(include unrealized losses) for each hedging derivatives is over and above USD10 million in the same fiscal year.</p> <p>2. Trading transactions:</p> <ol style="list-style-type: none"> (1). The total amount in trading transactions shall not exceed 15% of the Company's total assets. (2). The total losses for all transactions should not exceed USD5 million in the same fiscal year. (3). The losses for each transaction should not exceed USD1 million in the same fiscal year. <p>The authority and responsibility for the Company engaging in derivatives is as follows:</p> <ol style="list-style-type: none"> 1. The Head of Finance Department should render information including product types, trading amount, trading purpose and strategy and maximum amount of losses should be submitted to and passed by audit committee and for approval of the board of directors when the Company engages in derivatives. 2. When the Company engages in derivatives, the authority and responsibility for the Head of Finance Department is as follows: <ol style="list-style-type: none"> (1). Control the authorized quota by the board of directors. (2). Confirm the transaction. (3). Appoint and remove dealers. 3. When the Company engages in derivatives, the authority and responsibility for dealers is as follows: <ol style="list-style-type: none"> (1). Grasp market information, collect characteristics of products and 	<p>unrealized losses) for each hedging derivatives is over and above USD10 million in the same fiscal year.</p> <p>2. Trading transactions:</p> <ol style="list-style-type: none"> (1). The total amount in trading transactions shall not exceed 15% of the Company's total assets. (2). The total losses for all transactions should not exceed USD5 million in the same fiscal year. (3). The losses for each transaction should not exceed USD1 million in the same fiscal year. <p>The authority and responsibility for the Company engaging in derivatives is as follows:</p> <ol style="list-style-type: none"> 1. The Head of Finance Department should render information including product types, trading amount, trading purpose and strategy and maximum amount of losses should be submitted to and passed by <u>one-two of all members of</u> audit committee and for approval of the board of directors when the Company engages in derivatives. 2. When the Company engages in derivatives, the authority and responsibility for the Head of Finance Department is as follows: <ol style="list-style-type: none"> (1). Control the authorized quota by the board of directors. (2). Confirm the transaction. (3). Appoint and remove dealers. 3. When the Company engages in derivatives, the authority and responsibility for dealers is as follows: <ol style="list-style-type: none"> (1). Grasp market information, collect characteristics of products and 	
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<p>market risks and the credit of potential counterparties as reference for evaluating the trading feasibility.</p> <p>(2). Draw up trading strategy and negotiate transaction terms with counterparties.</p> <p>(3). Prepare transaction reports.</p> <p>4. When the Company engages in derivatives, the authority and responsibility for persons in charge of settlement is as follows:</p> <p>(1). Open accounts.</p> <p>(2). Provide transaction documents immediately.</p> <p>(3). Complete the settlement of the transaction.</p> <p>5. When the Company engages in derivatives, accounting personnel shall record into the accounts based on recording document from persons in charge of settlement.</p> <p>The procedures for risk management when the Company engages in derivatives are as follows:</p> <p>1. Scope of risk management</p> <p>(1). Credit risks Counterparties are limited to banks which have business with the Company or famous international financial institutions which could provide professional information.</p> <p>(2). Market risks The Company shall control the market risk derived from the volatility of interest rate, exchange rate or other factors.</p> <p>(3). Liquidity risks The Company shall consider if the</p>	<p>market risks and the credit of potential counterparties as reference for evaluating the trading feasibility.</p> <p>(2). Draw up trading strategy and negotiate transaction terms with counterparties.</p> <p>(3). Prepare transaction reports.</p> <p>4. When the Company engages in derivatives, the authority and responsibility for persons in charge of settlement is as follows:</p> <p>(1). Open accounts.</p> <p>(2). Provide transaction documents immediately.</p> <p>(3). Complete the settlement of the transaction.</p> <p>5. When the Company engages in derivatives, accounting personnel shall record into the accounts based on recording document from persons in charge of settlement.</p> <p>The procedures for risk management when the Company engages in derivatives are as follows:</p> <p>1. Scope of risk management</p> <p>(1). Credit risks Counterparties are limited to banks which have business with the Company or famous international financial institutions which could provide professional information.</p> <p>(2). Market risks The Company shall control the market risk derived from the volatility of interest rate, exchange rate or other factors.</p> <p>(3). Liquidity risks The Company shall consider if the</p>	
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<p>derivatives engaged are general and universal in the market to avoid the illiquidity circumstances.</p> <p>(4). Cash flow risks The Company shall take notice of its cash flows to ensure the completion of settlement when the transaction is expired.</p> <p>(5). Operational risks The Company shall obey the authorized quota and operation procedures and dealers shall have full and accurate knowledge about derivatives to avoid operation risk.</p> <p>(6). Legal risks Any documents such as contracts, commitment, appointment signed with counterparties shall be reviewed by the internal legal staff or external counselors in advance.</p> <p>2. When the Company engages in derivatives, Finance Department should be in charge of trading, confirmation and settlement but personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>3. When the Company engages in derivatives, persons who are in charge of risk evaluation, supervision and control shall not be from Finance Department and shall report to the board of directors or senior management personnel who are not responsible for trading or position decision-making. If there are any irregular circumstances, the persons shall report to the board of directors immediately and take necessary action.</p>	<p>derivatives engaged are general and universal in the market to avoid the illiquidity circumstances.</p> <p>(4). Cash flow risks The Company shall take notice of its cash flows to ensure the completion of settlement when the transaction is expired.</p> <p>(5). Operational risks The Company shall obey the authorized quota and operation procedures and dealers shall have full and accurate knowledge about derivatives to avoid operation risk.</p> <p>(6). Legal risks Any documents such as contracts, commitment, appointment signed with counterparties shall be reviewed by the internal legal staff or external counselors in advance.</p> <p>2. When the Company engages in derivatives, Finance Department should be in charge of trading, confirmation and settlement but personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>3. When the Company engages in derivatives, persons who are in charge of risk evaluation, supervision and control shall not be from Finance Department and shall report to the board of directors or senior management personnel who are not responsible for trading or position decision-making. If there are any irregular circumstances, the persons shall report to the board of directors immediately and take necessary action.</p>	
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<p>Measures of periodic evaluation and handling irregular circumstances:</p> <ol style="list-style-type: none"> 1. The trading positions shall be evaluated at least once a week while the hedging positions required by business shall be evaluated at least twice a month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors. 2. When the Company engages in derivatives, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles: <ol style="list-style-type: none"> (1). The assigned senior management personnel shall pay attention to monitoring and controlling trading risks at all times. (2). Periodically evaluate whether the performance is consistent with established operational strategy and whether the risk undertaken is affordable for the Company. 3. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles: <ol style="list-style-type: none"> (1). Periodically evaluate whether the risk management measures currently applied are appropriate and faithfully conducted in accordance with the Procedures. (2). Supervise trading and profit–loss circumstances and if irregular circumstances are found, take necessary action and report to the board of directors immediately, independent directors should attend 	<p>Measures of periodic evaluation and handling irregular circumstances:</p> <ol style="list-style-type: none"> 1. The trading positions shall be evaluated at least once a week while the hedging positions required by business shall be evaluated at least twice a month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors. 2. When the Company engages in derivatives, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles: <ol style="list-style-type: none"> (1). The assigned senior management personnel shall pay attention to monitoring and controlling trading risks at all times. (2). Periodically evaluate whether the performance is consistent with established operational strategy and whether the risk undertaken is affordable for the Company. 3. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles: <ol style="list-style-type: none"> (1). Periodically evaluate whether the risk management measures currently applied are appropriate and faithfully conducted in accordance with the Procedures. (2). Supervise trading and profit–loss circumstances and if irregular circumstances are found, take necessary action and report to the board of directors immediately, independent directors should attend 	
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<p>the board of directors and express an opinion.</p> <p>Internal audit system:</p> <ol style="list-style-type: none"> 1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives and prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing. 2. The company shall file the audit report of derivatives transactions and the implementation of annual Internal audit plans to Securities and Futures Bureau of FSC (hereinafter "SFB") before the end next February and shall also report the improvement situation for any irregular circumstances to SFB before next May. <p>The Company engaging in derivatives shall establish a log book and the product types, trading amounts, the board of directors approval dates and the matters required to be carefully evaluated under this Article 8 shall be recorded in detail in the log book.</p>	<p>the board of directors and express an opinion.</p> <p>Internal audit system:</p> <ol style="list-style-type: none"> 1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives and prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing. 2. The company shall file the audit report of derivatives transactions and the implementation of annual Internal audit plans to Securities and Futures Bureau of FSC (hereinafter "SFB") before the end next February and shall also report the improvement situation for any irregular circumstances to SFB before next May. <p>The Company engaging in derivatives shall establish a log book and the product types, trading amounts, the board of directors approval dates and the matters required to be carefully evaluated under this Article 8 shall be recorded in detail in the log book.</p>	
<p><u>Article 10 Public disclosure of information</u></p> <p>Under any of the following circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real estate from or to related parties (regardless 	<p><u>Article 10 Public disclosure of information</u></p> <p>Under any of the following circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of real estate from or to related parties (regardless 	<p>Amend wording according to the letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013.</p>

<p>transaction amounts), or acquisition or disposal of assets other than real estate from or to related parties where the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD 300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, <u>or subscription or redemption of domestic money market funds.</u></p> <p>2. Merger, split-up, tender offer or transfer of shares.</p> <p>3. Losses from derivatives are over and above the authorized quota set out in the Procedures.</p> <p>4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by financial institutions, or an investment in the mainland China area is over and above 20% of the Company's paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:</p> <p>(1). Trading of government bonds.</p> <p>(2). Securities trading by investment professionals on foreign or domestic securities exchanges or OTC markets.</p> <p>(3). Trading of bonds under repurchase/resale agreements, <u>or subscription or redemption of domestic money market funds.</u></p> <p>(4). The amount of acquiring or disposing business equipment that the counterparties are not related parties is less than TWD500 million.</p>	<p>transaction amounts), or acquisition or disposal of assets other than real estate from or to related parties where the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD 300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.</p> <p>2. Merger, split-up, tender offer or transfer of shares.</p> <p>3. Losses from derivatives are over and above the authorized quota set out in the Procedures.</p> <p>4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by financial institutions, or an investment in the mainland China area is over and above 20% of the Company's paid-in capital or TWD300 million; provided, this shall not apply to the following circumstances:</p> <p>(1). Trading of government bonds.</p> <p>(2). Securities trading by investment professionals on foreign or domestic securities exchanges or OTC markets.</p> <p>(3). Trading of bonds under repurchase/resale agreements.</p> <p>(4). The amount of acquiring or disposing business equipment/<u>machinery</u> that the counterparties are not related parties is less than TWD500 million.</p> <p>(5). Where land is acquired under an arrangement for commissioned construction on self-owned land, engaging others to build on rented</p>	
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<p>(5). Where land is acquired under an arrangement for commissioned construction on self-owned land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale and the amount the Company expects to invest in the transaction is less than TWD500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of each transaction. 2. The cumulative transaction amounts of acquisitions and disposals of the same type of underlying assets with the same counterparty within one year. 3. The cumulative transaction amounts of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year. 4. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year. <p>Within one year as used in the second paragraph refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.</p> <p>Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance</p>	<p>land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale and the amount the Company expects to invest in the transaction is less than TWD500 million.</p> <p>The amount of transactions above shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. The amount of each transaction. 2. The cumulative transaction amounts of acquisitions and disposals of the same type of underlying assets with the same counterparty within one year. 3. The cumulative transaction amounts of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year. 4. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year. <p>Within one year as used in the second paragraph refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.</p> <p>Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the first paragraph of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within two days</p>	
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<p>with the first paragraph of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing immediately from the date from the day of occurrence of the fact:</p> <ol style="list-style-type: none"> 1. Change, termination or rescission of a contract signed in regard to the original transaction. 2. The merger, split-up, tender offer or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information. <p>The Company shall compile monthly reports on the status of derivatives engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.</p>	<p>commencing immediately from the date from the day of occurrence of the fact:</p> <ol style="list-style-type: none"> 1. Change, termination or rescission of a contract signed in regard to the original transaction. 2. The merger, split-up, tender offer or transfer of shares is not completed by the scheduled date set forth in the contract. 3. Change to the originally publicly announced and reported information. <p>The Company shall compile monthly reports on the status of derivatives engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.</p>	
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<p><u>Article 13 Others</u></p> <p><u>For the calculation of 10 percent of total assets under the procedure, the total assets stated in the most recent parent company only financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</u></p> <p>Anything that is not specified in the Procedures shall follow the related regulations, the Company’s internal control system and operation procedures.</p>	<p><u>Article 13 Others</u></p> <p>Anything that is not specified in the Procedures shall follow the related regulations, the Company’s internal control system and operation procedures.</p>	<p>Amend wording according to Letter No. 1020053073 of Financial Supervisory Commission dated December 30, 2013.</p>
<p><u>Article 14 Enforcement</u></p> <p>The Procedures shall be first implemented upon approval by audit committee and then submitted to the board of directors and shareholders’ meeting for approval. The amendments hereof shall be subjected to the same.</p>	<p><u>Article 14 Enforcement</u></p> <p>The Procedures shall be first implemented upon approval by <u>one-two of all members of</u> audit committee and then submitted to the board of directors and shareholders’ meeting for approval. The amendments hereof shall be subjected to the same. <u>In case the directors have any written objections or different written opinions, the Company should submit such information to audit committee and shareholders' meeting for discussion. The Company has set up independent directors, when this procedure was reported to the board of directors for discussion in accordance with preceding paragraph, the Company should consider opinions of each independent director, if the independent directors have dissenting opinion or qualified opinion, the Company should record in the minutes of the board of directors.</u></p> <p><u>If the first paragraph has not been passed by one-two of all members of audit committee, it shall be implemented upon</u></p>	<p>Amend wording to comply with the set-up of audit committee.</p>

	<p><u>approval by two-three of all directors and record the resolution of audit committee in the minutes of the board of directors.</u></p> <p><u>All members of audit committee referred to in the first paragraph and all directors referred to in the preceding paragraph should be counted by actually incumbent.</u></p>	
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Extempore Motions

Adjournment

Appendix

- A. Articles of Incorporation
- B. Rules of Procedure for Shareholder Meetings
- C. Principles Governing Endorsement and Guarantee
- D. Principles for Loaning Funds to Others
- E. Handling Procedures for Acquisition and Disposal of Assets
- F. Current Shareholding of Directors and Supervisors
- G. Dividend Policy and Execution

Appendix A.

**Article of Incorporation of
Yang Ming Marine Transport Corporation
(The 27th Amendment)**

Chapter 1 General Provisions

Article 1 This company is organized according to the provisions for a limited liability company set forth in the Company Act of the Republic of China and is named Yang Ming Marine Transport Corporation.

Article 2 The line of business of this company is as follows:

- A. Domestic and overseas marine shipment service
- B. Domestic and overseas marine passenger service
- C. Warehouse, pier, tug boat, barge, container freight station and terminal operations
- D. Maintenance and repairs, chartering, sales and purchase of ships
- E. Maintenance and repairs, lease, sales and purchase of containers as well as chassis
- F. Shipping agency
- G. G402011 Ocean freight forwarding service
- H. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

In line with its business need, this company may provide guaranty for other entities in which this company has investments.

The total amount of investment made by this company is not restricted by Clause 13 of the Company Act of the Republic of China.

Article 3 The head office of this company is located in Keelung City, Taiwan, Republic of China. If necessary, it may establish branch or representative offices at other domestic or overseas locations.

Article 4 (Deleted)

Chapter 2 Shares and Certificate

Article 5 The total capitalization of this company is NT\$ 45 billion, divided into 4.5 billion shares, NT\$10 each, to be issued in installments.

Article 6 The share certificates of this company shall carry the holder's full name and the way of their printing shall abide by the provisions of the Company Act of the Republic of China. The company may be exempted from printing any share certificate but the shares must

be registered with Central Securities Depository Institution.

The securities affairs of this company shall be handled pursuant to the “Rules Governing Securities-related Matters of Publicly Listed Companies” promulgated by the competent authority, and other related laws and regulations of the Republic of China.

Chapter 3 Shareholders’ Meeting

Article 7 Shareholder’s meetings of this company consist of regular and special meetings. Unless otherwise stipulated in the Company Act or the relevant laws and regulations of the Republic of China, such meetings shall all be convened by the board of directors.

Article 8 Shareholders of this company shall have one vote for each share they hold, except non-vote stipulated by Laws of the Republic of China or exercise restrict by Laws of the Republic of China.

Chapter 4 Directors and managers

Article 9 This company shall have 7 to 11 directors to be elected by the shareholders’ meeting according to the laws and regulations of the Republic of China. The aforesaid Board of Directors shall have three independent directors.

This company adopts candidates’ nomination system, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. The nomination and election of the directors shall comply with Company Act and related laws and regulations of Republic of China. The election of independent directors and non-independent directors shall be held together, however, the number of independent directors and non-independent directors elected shall be calculated respectively and those candidates receiving more voting rights shall be elected as independent directors and non-independent directors.

Article 10 All capable persons are eligible to be elected directors.

In case the government or a juristic person is a shareholder, it may be elected director, provided that a natural person be designated as its proxy for the exercise of duties. In case the government or juristic person is a shareholder, its representative may be elected director on its behalf. In case there are several representatives, all of them may be separately elected.

The representatives referred to in the preceding two paragraphs may, on account of their respective duties, be replaced by other designated persons to fulfill their unfinished terms.

Article 11 The term of office for both directors is 3 years and they are eligible for re-election.

Article 11-1 The board of directors is authorized to determine the remuneration to the board

chairman and directors according to the extent of their participation in daily operations, contributions to business achievements, and the payment standards of other marine companies.

To disperse the risks that directors and enhance corporate governance, this company may buy policy of “Directors & Officers Liability Insurance” for all its directors, and representatives and for those who are assigned to be the directors or supervisors of its invested companies for the period of their term of duty.

Article 12 The directors shall elect a chairman of the board from among themselves by a resolution adopted by a majority of the directors at a meeting attended by at least $\frac{2}{3}$ of the directors.

The supervisors shall elect a managing supervisor between themselves.

Article 13 The board of directors shall meet once every 3 months and, if necessary, may hold special meetings. All such meetings shall be convened and presided over by the chairman of the board. If the chairman of the board cannot attend the meeting, the directors shall elect among them one director to act for the chairman.

The company may use a written notice, e-mail, or facsimile to inform the directors on the holding of a meeting.

A director may appoint another director to represent him or her if he or she is unable to attend the meeting.

Article 14 The duties of the board of directors are as follows:

- A. Formulating business guidelines
- B. Reviewing budget and financial reports
- C. Scrutinizing important rules and contracts
- D. Appointing and discharging important personnel
- E. Establishing and removing branch offices
- F. Proposing to the meeting of shareholders revision of the Charter, change of capitalization, and dissolution or merger of this company.
- G. Proposing to the meeting of shareholders allocation of profits and making up for losses.
- H. Determining other important matters.

Article 15 In compliance with Articles 14-4 and 181-2 of the Securities and Exchange Act of the Republic of China, this company shall establish an Audit Committee, which shall be composed by 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.

Article 16 This company shall have a president and several executive officers of business.

The board of directors may, through a resolution, install a chief executive officer if it deems the position is needed for the functioning of the company. The position shall be held concurrently by the chairman of this company. The job of the chief executive officer is to lead, in keeping with the decisions of the board of directors, the afore-said executive officers of business and is responsible for formulating the major policies for the company and its related companies.

The appointment, relief of duty, and remuneration for the executive officers prescribed in the proceeding two Paragraphs should be made in accordance with the Article 29 of the Company Act the Republic of China.

Chapter 5 Financial Matters

Article 17 At the end of each fiscal year, the board of directors of this company shall prepare the following statements and records of accounts for examination by the Audit Committee of this company and submit report 30 days before the opening of the regular meeting of shareholders for submission to the regular meeting of shareholders for approval:

- A. Business report;
- B. Financial report;
- C. Proposal for allocation of profits or making up losses.

Article 18 If there is current net profit at the year-end, it shall first be used for making up the losses carried over from previous year, for disbursing the income taxes and for paying the various reserves required by the laws and regulations of the Republic of China. If there are needs for increasing the equipment of transportation and improving financial structure, the company may set aside a special reserve. If there are more surpluses, plus the undistributed cumulative earnings from the previous year, the board of directors shall appropriate at least 25% and work out an allocation proposal for approval by the shareholders' meeting.

The proportions of the distribution of the earnings are as follows:

- a. 1% - 5% for staff as bonus
- b. Not more than 2% for directors as remuneration.
- c. The remaining amounts after deducting the disbursements of the proceeding two subparagraphs shall be distributed to shareholders as dividends.

The dividend policy shall take into account of the company's profit and future growth, the changes of economy and industry, capital expenditure and operation capital. The dividends of the company include stock dividends and cash dividends and the cash dividends shall account for no less than 20% of the total dividends.

Chapter 6 Addendum

Article 19 The organic rules of this company shall be separately stipulated.

- Article 20 Matters not stipulated in this Charter shall be handled according to the Company Act and other related laws and regulations of the Republic of China.
- Article 21 This Charter was established on Dec. 28, 1972. The 1st amendment was made on Dec. 23, 1978. The 2nd amendment was made on Mar. 28, 1979. The 3rd amendment was made on June 28, 1979. The 4th amendment was made on Jan. 24, 1980. The 5th amendment was made on June 12, 1981. The 6th amendment was made on Feb. 28, 1983. The 7th amendment was made on Apr. 17, 1985. The 8th amendment was made on June 2, 1988. The 9th amendment was made on Dec. 26, 1990. The 10th amendment was made on Mar. 10, 1992. The 11th amendment was made on Sep. 30, 1992. The 12th amendment was made on Nov. 23, 1994. The 13th amendment was made on Nov. 25, 1995. The 14th amendment was made on Sep. 21, 1996. The 15th amendment was made on Dec. 6, 1997. The 16th amendment was made on Dec. 18, 1998. The 17th amendment was made on June 3, 2000. The 18th amendment was made on June 20, 2001. The 19th amendment was approved on June 21, 2002. The 20th amendment was approved on June 20, 2003. The 21th amendment was approved on June 23, 2005. The 22th amendment was approved on June 23, 2006. The 23th amendment was approved on June 27, 2007. The 24th amendment was approved on June 18, 2009. The 25th amendment was approved on June 18, 2010. The 26th amendment was approved on June 15, 2012. The 27th amendment was approved on June 14, 2013.

Appendix B.

**Rules of Procedure for Shareholders Meetings of
YANG MING MARINE TRANSPORT CORP.**

Created on 21 Jun 2002

Amendment was made on 18 Jun 2009

- Article 1 The rules of procedures for this Corporation's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
- Article 2 Shareholders as stated in the Rules shall be the shareholder himself/herself or the proxy who is delegated by the shareholder to attend the meeting.
- Article 3 The venue for a shareholders meeting shall be the premises of this Corporation, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting time may begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 4 The attending shareholders shall hand in a sign-in card in lieu of signing in. Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.
- Article 5 If the shareholder meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act as chair. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair. If a shareholder meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves. This Corporation may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.
- Article 6 This Corporation shall make an audio or video recording of the proceedings of the shareholders meeting, and the recorded materials shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the

recording shall be retained until the conclusion of the litigation.

Article 7 Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

Article 8 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall elect a new chair by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

In addition, after the meeting is adjourned, the shareholders shall not continue the meeting to be presided over by the other chairman at the same place or other place.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.

Article 9 Before speaking, a shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholder meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Discussion of the motions, Chairman may pronounce the end of discussion discretionally, or, may have the discussion suspended if it is necessary and ask to decide by vote.

Article 10 Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Corporation, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 11 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall announce the total number of voting rights represented by the attending shareholders.

If the chairman consults the entirety of attending shareholders without objection regarding a motion, it is considered passed. Its effect shall be the same as the voting resolution.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

Vote counting shall be conducted in public at the place of the shareholders meeting. The results of the voting shall be announced on-site at the meeting, and a record made of the vote.

Article 12 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 13 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 14 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.

Appendix C.

Principles Governing Endorsements and Guarantees of YANG MING MARINE TRANSPORT CORP.

Article 1 Purpose

These Principles are prescribed to strengthen internal management and lower operating risks when the Company making endorsements/guarantees.

Article 2 Scope and content of endorsements/guarantees

The endorsements/guarantees referred herein are defined as follows:

1. Financial endorsements/guarantees, including:
 - (1) Bill discount financing.
 - (2) Endorsements or guarantees made to meet the financing needs of other companies.
 - (3) Issuance of separate negotiable instruments to non-financial enterprises as security to meet the financing needs of the Company itself.
2. Customs duty endorsements/guarantees, meaning endorsements or guarantees made for the Company itself or other companies in respect of customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of other companies shall also comply these principles hereunder.

Article 3 Entities for the Company endorsements/guarantees are made

Endorsements/guarantees shall only be made in favor of the following entities:

1. Any companies having business transaction calls with the Company.
2. Any companies in which the Company holds, directly and indirectly, more than 50% of the voting shares.
3. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 4 Limits of endorsements/guarantees of the Company

The limits of endorsements/guarantees are as follows:

1. The total amount of endorsements/guarantees shall not exceed 200% of the net value of the

Company's latest audited or reviewed financial reports.

2. The total amount of endorsements/guarantees provided to a single company shall not exceed 160% of the net value of the Company's latest audited or reviewed financial reports.
3. The total amount of endorsements/guarantees provided by the Company and its subsidiaries shall not exceed 300% of the net value of the Company's latest audited or reviewed financial reports.
4. The total amount of endorsements/guarantees provided by the Company and its subsidiaries to a single company shall not exceed 180% of the net value of the Company's latest audited or reviewed financial reports.
5. The total amount of endorsements /guarantees made due to needs arising from business dealings for any single company shall not exceed the above mentioned limits and the total business dealing amount with the Company of the latest two years.

Article 5 Hierarchy of decision-making authority and delegation thereof

Before making an endorsement/guarantee, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (hereinafter "the Governing Regulations") made by Financial Supervisory Committee of Executive Yuan and these Principles. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph and Article 6, paragraph 2 have been submitted to and resolved upon by the board of directors, or for the sake of time-saving, approved by the chairman of the board within the limits stated in Article 4, for subsequent submission to and ratification by the next board of directors' meeting.

Where the Company needs to exceed the limits set out in these Principles to satisfy its business requirements, and where the conditions set out in these Principles are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend these Principles accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

Article 6 Procedures for endorsements/guarantees

The Company may make an endorsement/guarantee only after the evaluation report prepared by the department in charge has been submitted to and resolved upon by the chairman, audit committee and the board of directors. The Company should consider opinions of each independent director when discussing in the board of directors, incorporate agree or disagree opinion and the reason in the minutes of the board of directors.

The evaluation report shall include:

1. The necessity and reasonableness of endorsements/guarantees.
2. Whether the accumulated amount of endorsements/guarantees is within the limits.

3. Where an endorsement/guarantee is made due to needs arising from business dealings, the Company shall evaluate whether the amount of endorsements/guarantees and business dealing is within the limits.
4. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
5. The impact on the Company's business operations, financial status and shareholders' equity.
6. Whether collateral must be obtained and appraisal of the value thereof.

The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under article 5, paragraph 1.

If the net value of the subsidiary for which the endorsement/guarantee is made is below its paid-up capital, the Company shall strengthen risk management to watch out for its operating and financial situations and take necessary actions if any. If the subsidiary's stock has no par value or the par value is not NT 10, the paid-in capital should be counted by the sum of capital and additional paid-in capital – issuing premium.

The Company shall evaluate or record the contingent loss for endorsements/guarantees according to the Statement of Financial Accounting Standards No. 9, and shall adequately disclose relevant information in the financial reports and provide CPA with relevant information for implementation of necessary audit procedures.

Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of the Governing Regulations, or the amount of endorsements/guarantees exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to audit committee, and shall complete the rectification according to the timeframe set out in the plan.

Article 7 Internal Control

The Company's internal auditors shall audit the procedures for endorsements/guarantees and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify audit committee in writing of any material violation found.

The Company shall follow these Principles for endorsements/guarantees. In case there are material violations, the person in charge and the manager should be punished according to internal procedures.

Article 8 Procedures for use and custody of Company chops

The Company shall use the company chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person according to internal procedures approved by the board of directors and may be used to seal

or issue negotiable instruments only in prescribed procedures.

When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by the person authorized by the board of directors.

Article 9 Announcement and reporting procedures

The Company shall announce and report the previous month's balance of endorsements /guarantees of itself and its subsidiaries by the 10th day of each month.

If the Company's endorsements/guarantees balance reaches the levels regulated in the Governing Regulations and "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Listed Companies", the Company shall announce and report such events.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to paragraph 2.

Article 10 Procedures for controlling and managing endorsements/guarantees by subsidiaries

Where the Company's subsidiaries intend to make endorsements/guarantees, such subsidiaries shall formulate its own procedures in compliance with the Governing Regulations, comply with the procedures when making endorsements/guarantees and report to the Company's Finance Department for consolidation and record.

Where the companies the Company holds, directly or indirectly, above 90% of the voting shares may make an endorsement/guarantee and the amount shall not exceed 10% of the net value of the Company's latest audited or reviewed financial reports. This limitation, however, shall not apply to the endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Where the subsidiaries the Company holds, directly or indirectly, above 90% of the voting shares may make an endorsement/guarantee under preceding regulation only after resolved by the board of directors. This limitation, however, shall not apply to the endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 11 Effect and Amendment

These Principles should approve by audit committee and pass by the board of directors, these Principles will take effect after the Company submits to and approve by the shareholders' meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to and for discussion by the shareholders' meeting. The same shall apply to any amendments to these Principles.

The Company should consider opinions of each independent director when discussing in the board of directors, incorporate agree or disagree opinion and the reason in the minutes of the board of directors.

Appendix D.

Principles for Loaning Funds to Others of YANG MING MARINE TRANSPORT CORP.

Article 1 Purpose

Pursuant to Article 15 of the Company Act, the Company shall act in compliance with these Principles when loaning funds to others.

Article 2 Entities for which the loans are made

The Company shall not loan funds to any of its shareholders or any other person except the following circumstances:

1. Any companies having business transaction calls with the Company.
2. Any companies which need short-term financing facilities.

The term “short-term” as used in the preceding paragraph means one year, or where the Company’s operating cycle exceeds one year, one operating cycle.

The definition of paragraph 1, subparagraph 2 should be the companies that the Company holds above 40% of its voting shares and the funds should be used in the operation provided in their Articles of Association/By-laws.

Article 3 Limits of funds loaned

The limits of funds loaned are as follows:

1. The total amount of funds loaned shall not exceed 60% of the net value of the Company’s latest audited or reviewed financial reports.
2. The total amount of funds loaned due to needs arising from business dealings shall not exceed 50% of the net value of the Company’s latest audited or reviewed financial reports and the total amount of funds loaned to a single company shall not exceed 15% of the net value of the Company’s latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest two years. If a company is the Company’s subsidiary, the total amount of funds loaned to such single company shall not exceed 30% of the net value of the Company’s latest audited or reviewed financial reports and the total business dealing amount with the Company of the latest five years.
3. The total amount of funds loaned due to needs arising from short-term financial facilities shall not exceed 10% of the net value of the Company’s latest audited or reviewed financial reports and the total amount of funds loaned to a single company shall not exceed 5% of the net value of the Company’s latest audited or reviewed financial reports.

Article 4 Hierarchy of decision-making authority and delegation thereof

Before loaning funds to others, the Company shall carefully evaluate whether the loan is in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (hereinafter “the Governing Regulations”) made by Financial Supervisory Committee of Executive Yuan and these Principles. The Company may loan funds to others only after the evaluation results under this paragraph and Article 5, paragraph 2 have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision.

Funds loaned between the Company and its subsidiary should be submitted to and resolved upon by the board of directors according to the preceding paragraph. If the character of the Loaning of Funds is a short term financing, the board of directors could authorize the chairman of the board to loan funds in many times or revolve the loan within the limit in accordance with article3, paragraph 1, subparagraph 3 resolved by the board of directors and one year for the same borrower.

Article 5 Procedures for funds loaned

The Company may loan funds to others only after the evaluation report prepared by the department in charge has been submitted to and resolved upon by the chairman, audit committee and the board of directors. The Company should consider opinions of each independent director when discussing in the board of directors, incorporate agree or disagree opinion and the reason in the minutes of the board of directors.

The evaluation report shall include.

The evaluation report shall include:

1. The necessity and reasonableness of loaning funds to others.
2. Whether the amount of funds loaned is within the limits.
3. Where the loan is made due to needs arising from business dealings, the Company shall evaluate whether the amount of funds loaned and business dealing is within the limits.
4. Where the loan is made due to needs arising from short-term financial facilities, the reasons for and conditions of extending loans shall be enumerated.
5. Credit Status and risk assessment of the borrowers.
6. The impact on the Company’s business operation, financial status and shareholders’ equity.
7. Whether collateral must be obtained and appraisal of the value thereof.

The Company shall prepare a memorandum book for its funds-loaning activities and record in detail the following information for the record: the borrower, the amount, the date of approval by the board of directors, the date of the loan provided, and matters to be carefully evaluated under Article 4, paragraph 1.

Where as a result of changes of condition the borrower no longer meets the requirements of the Governing Regulations, or the amount of funds loaned exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to audit committee, and shall complete the rectification according to the timeframe set out in the plan.

The Company shall evaluate the status of its funds loaned and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in the financial reports and provide CPA with relevant information for implementation of necessary audit procedures.

Article 6 Terms and interest calculation

The period for funds loaned due to needs arising from business dealings should not be longer than three years. Should the borrower would like to extend the loan period, such request should be submitted to and resolved upon by board of directors in advance and the period for extended borrowing should not be longer than three years. The period for funds loaned due to needs arising from short-term financing facilities should be within one year.

The interest rate shall not be lower than the interest rate on the Company's borrowings from banks. If there is any special circumstance, the interest rate could be adjusted after being resolved by the board of directors.

Article 7 Follow-ups for outstanding balance and procedures for overdue balance

The Company's Finance Department should prepare statement to record the borrower, reasons for loaning funds, amount, the date of approval by the board of directors, the date of the loan provided, scheduled repayment date, interest rate, repayment and source, monthly outstanding amount, and collateral status.

The Company should watch out for the financial status, business operation and other related credit information of the borrowers after the loans are made. The Company should also take notice of the collateral's value if the collateral is provided.

When the loan is due, if the borrower could not repay the outstanding balance or extend the loan period, the Company shall take required actions to protect its interest.

Article 8 Internal Control

The Company's internal auditors shall audit the procedures for loaning funds and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify audit committee in writing of any material violation found.

The Company shall follow these Principles for loaning funds. In case there are material violations, the person in charge and the manager should be punished according to internal procedures.

Article 9 Announcement and reporting procedures

The Company shall announce and report the previous month's balance of loaning funds of itself and its subsidiaries by the 10th day of each month.

If the Company's funds-loaning balance reaches the levels regulated in the Governing Regulations, the Company shall announce and report such events.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public

company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to paragraph 2.

Article 10 Procedures for controlling and managing funds loaned by subsidiaries

Where the Company's subsidiaries intend to loan funds to others, such subsidiaries shall formulate its own procedures in compliance with the Governing Regulations, comply with the procedures when loaning funds to others and report to the Company's Finance Department for consolidation and record.

Funds loaned between subsidiaries should be submitted to and resolved upon by board of directors, If the character of the Loaning of Funds is a short term financing, the board of directors could authorize the chairman of the board to loan funds in many times or revolve the loan within the limit resolved by the board of directors and one year for the same borrower.

The limit in the preceding paragraph shall be in accordance with this article, paragraph 4. The authorized amount of funds loaned by the subsidiaries to a single company shall not exceed 10% of the net value of the Company's latest audited or reviewed financial reports.

Where the foreign subsidiaries the Company holds, directly or indirectly, 100% of the voting shares may loan funds to each other due to needs arising from short-term financial facilities. The total amount of funds loaned shall not exceed 5% of the net value of the Company's latest audited or reviewed financial reports and the period for borrowing should not be longer than ten years.

Article 11 Effect and Amendment

These Principles should approve by audit committee and pass by the board of directors, these Principles will take effect after the Company submits to and approve by the shareholders' meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to and for discussion by the shareholders' meeting. The same shall apply to any amendments to these Principles.

The Company should consider opinions of each independent director when discussing in the board of directors, incorporate agree or disagree opinion and the reason in the minutes of the board of directors.

Appendix E.

Handling Procedures for Acquisition and Disposal of Assets of YANG MING MARINE TRANSPORT CORP.

Article 1 Purpose

The Procedures are prescribed to protect shareholders' equity and investors' benefits, implement the information disclosure and enhance property management when the Company acquiring and disposing assets.

Article 2 Basis

The Procedures are handled in accordance with Article 36-1 of Securities and Exchange Act and "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" made by Financial Supervisory Committee of Executive Yuan, R.O.C.(hereinafter "FSC").

Article 3 Scope of Assets

1. Investment in stocks(including shareholding), government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call(put) warrants, beneficial interest securities and asset-backed securities
2. Real estate
3. Memberships
4. Patents, copyrights, trademarks, franchises and other intangible assets
5. Fixed assets(including but not limited to vessels, containers, chassis, leased assets, machinery, computer hardware and peripherals)
6. Derivatives
7. Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws
8. Other assets

Article 4 Defined terms

"Derivatives" means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts or long-term purchase (sales) agreements.

"Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws" means assets acquired or disposed through mergers, split-up or tender offer

conducted under R.O.C. Business Mergers and Acquisitions Act, R.O.C. Financial Holding Company Act, R.O.C. Financial Institution Merger Act and other R.O.C. acts, or to transfer of shares [from another company] through issuance of new shares of its own as the consideration therefor(hereinafter "transfer of shares") under paragraph 6 of Article 156 of R.O.C. Company Act.

"Leased assets" means leased assets defined in Statement of International Accounting Standard No. 17.

"Related parties" means related parties defined in Statements of International Accounting Standard No. 24.

"Subsidiaries" means subsidiaries defined in Statements of International Accounting Standard No. 27 and No.28.

"Professional appraisers" means real estate appraisers or other persons duly authorized by laws to engage in appraising real estate, fixed assets or other assets.

"Date of occurrence" means the date of contract signing, payment, consignment trade, transfer, the board of directors resolutions or other dates that can confirm the counterparties and monetary amount of the transactions, whichever date is earlier; provided, for investment for which approval of R.O.C. Competent Authority is required, the earlier of the above dates or the date of receipt of approval by R.O.C. Competent Authority shall apply.

"Investments in Mainland China" means investments in Mainland China in accordance with the provisions of "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area" by Ministry of Economic Affairs Investment Commission, R.O.C..

Article 5 Operation procedures for acquiring or disposing assets

The Company acquires or disposes assets defined in Article 3 shall be assessed by department in charge, report to the management for authorization or pass by one-two of all members of audit committee and report to the board of directors for approval according to the following authorized quota and then be executed by related departments.

1. Authorized quota for the Company

- (1). The total amount of purchasing non-business real estate shall not exceed 30% of the Company's paid-in capital.
- (2). The total amount of investments in securities shall not exceed 200% of the Company's paid-in capital and the total amount of investments in each security shall not exceed 50% of the Company's paid-in capital.
 - (1). Authorized quota for the management Investments in securities
The total amount is within TWD3 billion. However, acquiring or disposing bond funds, monetary funds and repurchase or reverse repo of bonds or bills for the purpose of funds dispatching is not subject to this limit.
 - (2). Real estate, fixed assets and other assets for the purpose of conducting business The

amount for each transaction is within TWD100 million.

(3). Non-business real estate

The amount for each transaction is within TWD10 million.

(4). Memberships and intangible assets

The amount for each transaction is within TWD10 million.

1. Once the amount for acquisition or disposal of assets exceeds the authorized quota for the management or the Company acquires or disposes long-term equity investments whether the amount is compiled in annual budget, should be passed by one-two of all members of audit committee and reported to board of directors for approval and then implement.

Article 6 Assessment procedures for acquiring or disposing assets

The Company acquiring or disposing securities shall, prior to the date of occurrence of the event, first obtain the financial statements certified or reviewed by a certified public accountant(hereinafter "CPA") of the issuing company for the most recent period for reference when appraising the transaction price and if the amount of the transaction is over and above 20% of the Company's paid-in capital or TWD300 million, the Company shall also engage a CPA prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF. However, this requirement does not apply to securities that have public quoted prices in an active market or where otherwise provided by regulations of FSC.

If the amount of the Company acquiring or disposing real estate, fixed assets or other assets is over and above 20% of the Company's paid-in capital or TWD300 million unless transacting with government institutions, engaging others to build on its own land or acquiring or disposing business machines and equipments, the Company shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price or special price as a reference basis for the transaction price, the transaction shall be submitted to the board of directors in advance for approval and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
2. If the transaction amount is over and above TWD1 billion, appraisals from two or more professional appraisers shall be obtained.
3. Unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by ARDF to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price when the following situations apply:

- (1). The discrepancy between the appraisal result and the transaction amount is over and above 20%.
 - (2). The discrepancy between the appraisal results of two or more professional appraisers is over and above 10% of the transaction amount.
4. The date of the appraisal report issued by a professional appraiser and the effective date of the contract shall not exceed three months; provided, however, that if the Government Assessed Current Land Price of the same period is applied and the date of submitting the report and the effective date of the contract do not exceed six months, an opinion may still be issued by the original professional appraiser.

If the amount of the Company acquiring or disposing memberships or intangible assets is over and above 20% of the Company's paid-in capital or TWD300 million, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by ARDF to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price prior to the date of occurrence of the event.

The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Article 10, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

When the Company acquires or disposes assets through court auction, the evidentiary documents issued by the court may be substituted for the appraisal report or CPA's opinion.

The professional appraisers, CPA, lawyers and securities underwriters that issue appraisal reports and opinions shall not be the related parties to the Company.

Article 7 Related Party Transactions

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the rationality of the transaction terms is appraised in compliance with the provisions of Article 6 and Article 7, if the transaction amount is over and above 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of Article 6; the calculation of the transaction amount as used herein refers to shall be made in accordance with paragraph 4 of Article 6 herein.

The Company that intends to acquire or dispose of real estate (regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real estate from or to related parties and the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD300 million, may not proceed with the transaction until the followings were passed by one-two of all members of audit committee and reported to board of directors for approval; the calculation of the transaction amounts referred to this paragraph shall be made in accordance with Article 10, paragraph 2 herein, and "within the preceding

year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.

1. The purpose, necessity and predetermined benefits of the acquisition or disposal of assets.
2. Reasons for choosing related parties as counterparties.
3. With respect to the acquisition of real property from a related party, related documents for evaluating the rationality of transaction terms according to the fourth and the fifth paragraphs of this Article.
4. The original date and price for related parties acquiring real estate the original counterparties and its relationship between the Company and related parties.
5. Monthly cash flow forecasts for a year commencing from the predetermined-signed month and evaluation of the necessity of the transaction and rationality of funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the paragraph 1 of this Article.
7. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.

The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real estate from related parties. Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed below:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been one year or more. However, this shall not apply where the financial institution is a related party of one of the counterparties.

The Company shall follow the preceding provisions regarding appraising the transaction cost and engage a CPA to check the appraisal and render a specific opinion when acquiring real estate from related parties.

If one of the following circumstances exists when the Company acquiring real estates from related

parties, the acquisition shall be conducted in accordance with the provisions of the second paragraph of this Article instead of the fourth and fifth paragraphs.

1. Related party acquires the real estate through inheritance or as a gift.
2. The time when the related party signs the contract to obtain the real estate is more than five years earlier than the date for signing the transaction.
3. The real estate is acquired through signing of a joint development contract with the related party.

When the appraisal results conducted in accordance with the fourth paragraph of this Article 7 are uniformly lower than the transaction price, the matters shall be handled in compliance with the eighth paragraph of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on rationality from a professional real estate appraiser and a CPA have been obtained, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1). Where undeveloped land is appraised in accordance with the means in the fourth paragraph of this Article and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2). Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - (3). Completed leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
2. Where the Company acquiring real estate from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
3. Completed transactions for neighboring or closely valued parcels of land in the preceding two subparagraphs in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in the Government Assessed Current Land Price; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned

transaction; within one year refers to one year from the actual date of acquisition of the real property.

Where the Company acquires real estate from related parties and the appraisal results conducted in accordance with the provisions of the fourth to the seventh paragraphs of this Article are uniformly lower than the transaction price or there is other evidence indicating that the acquisition was not an arms length transaction, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with the provisions of the first paragraph of Article 41 of Securities and Exchange Act against the difference between the transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the company uses the equity method to account for its investment in another company, then the special reserve called for under the provisions of the first paragraph of Article 41 of Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.
2. Audit committee shall comply with the provisions of Article 218 of Company Act.
3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to shareholders' meeting and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
4. The Company that has set aside a special reserve under the subparagraph 1 may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.

Article 8 Procedures for engaging in derivatives

There are two kinds of purpose for the Company engaging in derivatives: "trading" and "hedging". "Trading" means the purpose for holding or issuing derivatives is making money from the differences of market prices and taking the accompanied risk at the same time.

"Hedging" means lower the risk of the Company's assets, liabilities, irrevocable commitment and expected business or financial transaction through derivatives transactions.

The policy applied by the Company for engaging in derivatives is to enhance the management of assets and liabilities and the efficiency of capital management and risk hedging.

The quota for engaging in derivatives is as follows:

1. Hedging transactions:
 - (1). The total amount in hedging transactions shall not exceed the quota authorized by the board of directors.
 - (2). There is no limits of losses for hedging transactions, however, the measures of controlling the losses shall report to the board of directors if the accumulated losses(include unrealized losses) for each hedging derivatives is over and above USD10 million in the same fiscal year.

2. Trading transactions:
 - (1). The total amount in trading transactions shall not exceed 15% of the Company's total assets.
 - (2). The total losses for all transactions should not exceed USD5 million in the same fiscal year.
 - (3). The losses for each transaction should not exceed USD1 million in the same fiscal year.

The authority and responsibility for the Company engaging in derivatives is as follows:

1. The Head of Finance Department should render information including product types, trading amount, trading purpose and strategy and maximum amount of losses should be submitted to and passed by one-two of all members of audit committee and for approval of the board of directors when the Company engages in derivatives.
2. When the Company engages in derivatives, the authority and responsibility for the Head of Finance Department is as follows:
 - (1). Control the authorized quota by the board of directors.
 - (2). Confirm the transaction.
 - (3). Appoint and remove dealers.
3. When the Company engages in derivatives, the authority and responsibility for dealers is as follows:
 - (1). Grasp market information, collect characteristics of products and market risks and the credit of potential counterparties as reference for evaluating the trading feasibility.
 - (2). Draw up trading strategy and negotiate transaction terms with counterparties.
 - (3). Prepare transaction reports.
4. When the Company engages in derivatives, the authority and responsibility for persons in charge of settlement is as follows:
 - (1). Open accounts.
 - (2). Provide transaction documents immediately.
 - (3). Complete the settlement of the transaction.
5. When the Company engages in derivatives, accounting personnel shall record into the accounts based on recording document from persons in charge of settlement.

The procedures for risk management when the Company engages in derivatives are as follows:

1. Scope of risk management
 - (1). Credit risks
Counterparties are limited to banks which have business with the Company or famous international financial institutions which could provide professional information.
 - (2). Market risks
The Company shall control the market risk derived from the volatility of interest rate, exchange rate or other factors.
 - (3). Liquidity risks
The Company shall consider if the derivatives engaged are general and universal in the market to avoid the illiquidity circumstances.

(4). Cash flow risks

The Company shall take notice of its cash flows to ensure the completion of settlement when the transaction is expired.

(5). Operational risks

The Company shall obey the authorized quota and operation procedures and dealers shall have full and accurate knowledge about derivatives to avoid operation risk.

(6). Legal risks

Any documents such as contracts, commitment, appointment signed with counterparties shall be reviewed by the internal legal staff or external counselors in advance.

2. When the Company engages in derivatives, Finance Department should be in charge of trading, confirmation and settlement but personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.
3. When the Company engages in derivatives, persons who are in charge of risk evaluation, supervision and control shall not be from Finance Department and shall report to the board of directors or senior management personnel who are not responsible for trading or position decision-making. If there are any irregular circumstances, the persons shall report to the board of directors immediately and take necessary action.

Measures of periodic evaluation and handling irregular circumstances:

1. The trading positions shall be evaluated at least once a week while the hedging positions required by business shall be evaluated at least twice a month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
2. When the Company engages in derivatives, the board of directors shall faithfully supervise and manage such trading in accordance with the following principles:
 - (1). The assigned senior management personnel shall pay attention to monitoring and controlling trading risks at all times.
 - (2). Periodically evaluate whether the performance is consistent with established operational strategy and whether the risk undertaken is affordable for the Company.
3. Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:
 - (1). Periodically evaluate whether the risk management measures currently applied are appropriate and faithfully conducted in accordance with the Procedures.
 - (2). Supervise trading and profit–loss circumstances and if irregular circumstances are found, take necessary action and report to the board of directors immediately, independent directors should attend the board of directors and express an opinion.

Internal audit system:

1. The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives and

prepare an audit report. If any material violation is discovered, audit committee shall be notified in writing.

2. The company shall file the audit report of derivatives transactions and the implementation of annual Internal audit plans to Securities and Futures Bureau of FSC (hereinafter "SFB") before the end next February and shall also report the improvement situation for any irregular circumstances to SFB before next May.

The Company engaging in derivatives shall establish a log book and the product types, trading amounts, the board of directors approval dates and the matters required to be carefully evaluated under this Article 8 shall be recorded in detail in the log book.

Article 9 Procedures for merger, split-up, tender offer or transfer of shares

The Company that conducts a merger, split-up, tender offer or transfer of shares, prior to the board of directors resolution, shall engage a CPA, attorney, or securities underwriter to give an opinion on the rationality of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders and submit it to the board of directors for deliberation and passage.

The Company participating in a merger, split-up, tender offer or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, split-up or tender offer prior to the shareholders' meeting and include it along with the experts' opinion referred to in preceding paragraph when sending shareholders notification of the shareholders' meeting for reference in deciding whether to approve the merger, split-up or tender offer. Provided, where a provision of another act exempts the Company from convening the shareholders' meeting to approve the merger, split-up or tender offer, this restriction shall not apply. Where the shareholders' meeting of any one of the companies participating in a merger, split-up or tender offer fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction or the proposal is rejected by the shareholders' meeting, the companies participating in the merger, split-up or tender offer shall immediately publicly explain the reason, the follow-up measures and the preliminary date of the next shareholders' meeting.

The Company participating in a merger, split-up or tender shall convene a board of directors meeting and shareholders' meeting on the day of the transaction to resolve matters relevant to the merger, split-up or tender off, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent. The Company participating in transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise or FSC is notified in advance of extraordinary circumstances and grants consent.

Every person participating in or privy to the plan for merger, split-up, tender offer or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, split-up, tender offer or transfer of shares.

The Company participating in a merger, split-up, tender offer or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances and shall stipulate the circumstances permitting alteration in the contract for the merger, split-up, tender offer or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants or other equity based securities.
2. An action such as a disposal of major assets that affects the Company's financial operations.
3. An event such as a major disaster or major change in technology that affects shareholders equity or share prices.
4. An adjustment where any of the companies participating in the merger, split-up, tender offer or transfer of shares from another company buys back treasury stocks.
5. An increase or decrease in the number of entities or companies participating in the merger, split-up, tender offer or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

The contract for participation by the Company in a merger, split-up, tender offer or transfer of shares shall record the rights and obligations of the companies participating in the merger, split-up, tender offer or transfer of shares and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is split-up.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion and relevant procedures.

After public disclosure of the information, if the Company participating in the merger, split-up, tender offer or transfer of shares intends further to carry out a merger, split-up, tender offer or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, split-up, tender offer or transfer of shares; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

When participating in a merger, split-up, tender offer or transfer of shares, the Company shall prepare a full written record of the following information and retain it for five years for reference:

1. Basic identification data for personnel including the occupational titles, names and national ID numbers(or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, split-up, tender offer or transfer shares prior to disclosure of the information.
2. Dates of material events including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract and the convening of a board of directors meeting.
3. Important documents and minutes including merger, split-up, tender offer and plans for transfer of shares, any letter of intent or memorandum of understanding, material contracts and minutes of board of directors meetings.

When participating in a merger, split-up, tender offer or transfer of shares, the Company shall, within two days commencing immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in the first and second subparagraphs of the preceding paragraph to FSC for recordation.

Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such companies whereby the latter is required to abide by the provisions of the eighth and ninth paragraphs of this Article.

Where any of the companies participating in a merger, split-up, tender offer or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of the third, fourth, seventh, eighth and ninth paragraphs of this Article.

Article 10 Public disclosure of information

Under any of the following circumstances, the Company acquiring or disposing assets shall publicly announce and report the relevant information on FSC's designated website in the appropriate format as prescribed by regulations within two days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real estate from or to related parties (regardless transaction amounts), or acquisition or disposal of assets other than real estate from or to related parties where the transaction amount is over and above 20% of the Company's paid-in capital, 10% of the Company's total assets, or TWD 300 million; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements.
2. Merger, split-up, tender offer or transfer of shares.
3. Losses from derivatives are over and above the authorized quota set out in the Procedures.
4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by financial institutions, or an investment in the mainland China area is over and above 20% of the Company's paid-in capital or TWD300 million;

provided, this shall not apply to the following circumstances:

- (1). Trading of government bonds.
- (2). Securities trading by investment professionals on foreign or domestic securities exchanges or OTC markets.
- (3). Trading of bonds under repurchase/resale agreements.
- (4). The amount of acquiring or disposing business equipment/machinery that the counterparties are not related parties is less than TWD500 million.
- (5). Where land is acquired under an arrangement for commissioned construction on self-owned land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale and the amount the Company expects to invest in the transaction is less than TWD500 million.

The amount of transactions above shall be calculated as follows:

1. The amount of each transaction.
2. The cumulative transaction amounts of acquisitions and disposals of the same type of underlying assets with the same counterparty within one year.
3. The cumulative transaction amounts of real estate acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.
4. The cumulative transaction amounts of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within one year.

Within one year as used in the second paragraph refers to the year preceding the base date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.

Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the first paragraph of this Article, a public report of relevant information shall be made on the information reporting website designated by FSC within two days commencing immediately from the date from the day of occurrence of the fact:

1. Change, termination or rescission of a contract signed in regard to the original transaction.
2. The merger, split-up, tender offer or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change to the originally publicly announced and reported information.

The Company shall compile monthly reports on the status of derivatives engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by FSC by the tenth day of each month.

When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be

again publicly announced and reported in their entirety.

The Company acquiring or disposing assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company, where they shall be retained for five years except where another act provides otherwise.

Article 11 Procedures for control and management of the acquisition and disposal of assets by subsidiaries

The Company's subsidiaries should set up its own handling procedures of acquisition and disposal of assets in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by 'SFC, the 'Procedures and its business and management requirements. Subsidiaries' handling procedures should be submitted to its board of directors and shareholders' meeting for approval and then submitted to the Company for reference. The amendments hereof shall be subjected to the same.

Each subsidiary shall set up its own authorized quota for purchasing non-business real estates and securities.

Information required to be reported in accordance with the provisions of Article 10 on acquisitions and disposals of assets by the Company's subsidiaries that are not domestic public companies in R.O.C. shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the standard for determining whether subsidiaries under the preceding paragraph is subject to the fifth subparagraph of the first paragraph of Article 10 requiring public announcements and filing with the authorities in the event the type of transaction specified therein is over and above 10% of the Company's paid-in capital.

Article 12 Penalty

The Company acquiring and disposing assets should be pursuant to the Procedures and the Company's internal control system. If irregular circumstances are found, it shall be considered as violation of the Company's internal stipulation and the related undertakers shall be punished.

Article 13 Others

Anything that is not specified in the Procedures shall follow the related regulations, the Company's internal control system and operation procedures.

Article 14 Enforcement

The Procedures shall be first implemented upon approval by one-two of all members of audit committee and then submitted to the board of directors and shareholders' meeting for approval. The amendments hereof shall be subjected to the same. In case the directors have any written objections or different written opinions, the Company should submit such information to audit committee and shareholders' meeting for discussion.

The Company has set up independent directors, when this procedure was reported to the board of directors for discussion in accordance with preceding paragraph, the Company should consider opinions of each independent director, if the independent directors have dissenting opinion or qualified opinion, the Company should record in the minutes of the board of directors.

If the first paragraph has not been passed by one-two of all members of audit committee, it shall be implemented upon approval by two-three of all directors and record the resolution of audit committee in the minutes of the board of directors.

All members of audit committee referred to in the first paragraph and all directors referred to in the preceding paragraph should be counted by actually incumbent.

Appendix F.

Current Shareholding of Directors and Supervisors

The minimum required combined shareholding of all directors by law on the book closure date, April 20, 2014 : 67,649,114 shares (3%).

Position	Name	shareholding on the book closure date
Chairman / Board of Directors	representatives of MOTC : Feng-Hai Lu	Directors herein as, and holding a total of 1,000,842,140 shares
Director	representatives of MOTC : Chih-Tsong Hwang	
Director	representatives of MOTC : Jian-Yeu Chen	
Director	representatives of MOTC : Younger Wu	
Director	representatives of MOTC : Chi Huang Shen	
Director	representatives of MOTC : Wen-Che Huang	
Director	Representative of Chinachem Group : Wing-Kong-Joseph Leung	
Director	Mon-Chang Hsieh	319,000 shares
Independent Director	Kuen-Mu Chen	0
Independent Director	Jin-Ru, Yen	0
Independent Director	Heng-Chih, Chou	0

The combined shareholding of all directors on the book closure date: 1,066,868,566 shares

Appendix G.

Dividend Policy and Execution

1. Dividend Policy

If there is net profit at the year-end, it shall first be used for making up the losses carried over from previous year, for disbursing the income taxes and for paying the various reserves required by the laws and regulations of the Republic of China. If there are needs for increasing the equipment of transportation and improving financial structure, the company may set aside a special reserve. If there are more surpluses, plus the undistributed cumulative earnings from the previous year, the board of directors shall appropriate at least 25% and work out an allocation proposal for approval by the shareholders' meeting. The proportions of the distribution of the earnings are as follows:

- a. 1% ~ 5% for employees bonus
- b. Not more than 2% for directors remuneration
- c. The remaining amounts after deducting the disbursements of the proceeding two subparagraphs shall be distributed to shareholders as dividends.

The dividend policy shall take into account of the company's profit and future growth, the changes of economy and industry, capital expenditure and working capital. The dividends of the company include stock dividends and cash dividends and the cash dividends shall account not less than 20% of the total dividends.

2. Shareholders' meeting to discuss the dividend distribution : Since Yang Ming made loss in year 2013, Yang Ming's BOD meeting resolved not to distribute dividend, directors remunerations, and employees bonus.

3. Stock dividends impact on company's operating performance, EPS and ROE : N.A.