

# Minutes of the 2016 1<sup>st</sup> Special Shareholders Meeting

## YANG MING MARINE TRANSPORT CORP.

Time: 9:00 a.m. on Thursday, December 22, 2016

Venue: Victoria Hall of Armed Forces Officer's Club at No.142, Yanping S. Rd., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.)

Number of shares represented: 1,517,564,024 (including 315,980,886 shares using electronic voting), or 50.51% of the total 3,004,440,135 shares issued

Directors attending: Chih-Chien Hsieh, Ping-Jen Tseng, Leung Wing Kong Joseph, and Heng-Chih Chou (independent directors)

Others attending: Chin-Tsung Cheng, (an accountant), Yi-Ting Huang(a lawyer) and Chih-Cheng Li (a lawyer)

Chairman: Chih-Chien Hsieh

Minute Taker: Tina Lu

- I. The Chairman announces opening of the 2016 1<sup>st</sup> Special Shareholders Meeting of Yang Ming Marine Transport Corporation and delivers his opening address. (omitted)

- II. Management Report:

- Report 1. Audit Committee's Review Report on the Financial Statements for the Nine Months Ending on September 30, 2016. (See Appendix 1)

Shareholders Nos. 335172, 623746, 626185, 3000001, 626170, 329, 578611, 232, 115127 and 332252 raise the concern for the Audit Committee, financial statements, subsidiaries, business cost and performance, interpellation and business plan.

The Chairman, or persons designated by the Chairman, clarifies the concerns raised by said Shareholders.

- Report 2. Report on Accumulated Losses Reaching One-Half of Paid-in Capital.

Explanation:

1. The accumulated deficits on September 30, 2016 reviewed by CPA was NT\$16,143,568,821, reaching one-half of paid-in capital. According to Article 211 of the Company Act, the Company convenes the shareholders' meeting and makes report to the shareholders.
2. Due to the continuing oversupply of ship vacancies and the decline of freight rates, most global carriers make losses. As a result, the

Company's accumulated losses reach one-half of paid-in capital.

3. Response measures:

A. Operation measures

I. Proceeding mega vessels upgrade, fleet cascading and re-deployment and hub-and-spoke allocation and integration, and intensifying regional market for creating the niche to our business.

II. Yang Ming, Hapag-Lloyd, "K" Line, Mitsui O.S.K. Lines and Nippon Yusen Kaisha would create a new partnership "THE Alliance" on April 2017. Yang Ming will enlarge shipping service network, increase the efficiency by improving the loading factor and achieve the cost reduction after THE Alliance begins operation.

III. Integration of the Group's container business, logistic, bulk and terminal business to Improve Yang Ming's profitability.

B. Financial measures

In order to improve the finance structure and enrich working capital, the Board also approved a capital reduction by the amount about NTD 16 billion and, at the same time, will carry out additional capital raising by issuing 1 billion new shares in private placement. The plan will be implemented after it is approved by the special shareholders meeting.

III. Matters for Recognition:

Proposal 1. Adoption of the Financial Statements for the Nine Months Ending on September 30, 2016. (Proposed by the Board)

Explanation: Yang Ming Marine Transport Corporation's Financial Statements for the Nine Months Ending on September 30, 2016 have been reviewed by the Certified Public Accountants, Cheng Chin Tsung and Chen Chin Hsiang of Deloitte & Touche. Also, the aforementioned Financial Statements have been examined by the audit committees.

(See Appendix 2)

Shareholders No. 329 and No. 232 raise the concern for the procedure of the proposal.

The Chairman, or persons designated by the Chairman, clarifies the concerns raised by the Shareholders.

Shareholder No. 329 raises an objection.

Resolution: The eligible shares for voting are 1,517,564,013 with 1,424,353,464 shares (including 277,379,103 electronic votes) voting for the proposal, 3,128,116 shares (including 1,182,180 electronic votes) voting against it, 90,082,433 shares (including 37,419,603 shares in electronic votes) abstaining, and there are no invalid shares. With 93.85% of the eligible shares voting voted for this proposal, this motion is approved as proposed.

Proposal 2. Adoption of the Proposal for Deficit Compensation for the Year Ending on September 30, 2016. (Proposed by the Board)

Explanation:

1. The beginning balance of the FY 2016 accumulated deficits of the Company pending to be made up is NT\$ 2,929,163,238. The net loss of the first three quarters came to NT\$ 13,023,037,380, and the amount of percentage change in ownership interest in subsidiaries was NT\$ 191,368,203. These are to be compensated by the capital surplus - share premium NT\$ 138,580,959. The ending balance of accumulated deficits on September 30, 2016 amounts to NT\$16,004,987,862.
2. The statement of Deficit Compensation for the year ending on September 30, 2016 is attached as Appendix 3.

Shareholders No. 329 and No. 232 raise the concern for the proposal of capital reduction plan, the employee benefits, the strategy and performance of the company.

The Chairman, or persons designated by the Chairman, clarifies the concerns raised by the Shareholders.

Shareholder No. 329 raises an objection.

Resolution: The eligible shares for voting are 1,517,564,024 with 1,433,870,793 shares (including 281,750,921 electronic votes) voting for the proposal, 1,733,375 shares (including 1,577,056 electronic votes) voting against it, 81,959,856 shares (including 32,652,909 shares in electronic votes) abstaining, and there are no invalid shares. With 94.48% of the eligible shares voting voted for this proposal, this motion is approved as proposed.

#### IV. Matters for Discussion:

Proposal 1. Proposal for a capital reduction plan to offset losses, please proceed to discuss. (Proposed by the Board)

Explanation:

1. Reason for reduction: The ending balance of The Company's accumulated deficits on September 30, 2016 is NT\$16,004,987,862. For purposes of strengthening financial structure and business development, the company proposes to carry out a capital reduction plan to eliminate accumulated deficit in accordance with Article 168 of the Company Act.  
Total capital reduction amount: NTD\$16,004,987,860  
Cancelled shares: 1,600,498,786 shares of common stock  
Cancellation ratio: 53.27%  
Paid-in capital after reduction: NTD\$14,039,413,490 (share par value NTD\$10, total 1,403,941,349 shares issued)
2. The cancelled shares are determined by the shareholding ratio of shareholders in the register of shareholders on the record date of the reduction, i.e. for every 1,000 shares, 533 shares will be cancelled. Shareholding of less than one share after reduction shall be paid in cash. Fractional shares will be purchased by persons arranged by the Chairman as authorized by the Board.
3. The company shall file the capital reduction plan with the Financial

Supervisory Commission for approval after the resolution by the special shareholders meeting, and authorize the Board to set up a reduction record date and to conduct the reduction procedures.

4. It is also proposed that the Board be authorized by the special shareholders meeting to take any action that may be required in connection with the capital reduction plan as a result of any amendment to applicable laws or regulations or as required by the competent authorities.
5. The capital reduction plan is aimed at improving the capital structure and reducing the financial risks of its business operations. Furthermore, it will enable the Company to expand its business and strengthen its long-term competitiveness. For the business plans of the Company, please refer to Appendix 4.

Shareholders Nos. 377979, 285, 329, 132, 332252 and 232 raise the concern for the demand and supply of the shipping market, the procedure of shareholders' meeting, the cancellation ratio of the capital reduction plan, the shareholders benefits.

The Chairman, or persons designated by the Chairman, clarifies the concerns raised by the Shareholders.

Shareholder No. 329 raises an objection.

Resolution: The shares eligible for voting are 1,517,564,024 with 1,432,784,134 shares (including 281,489,160 electronic votes) voting for the proposal, 3,108,331 shares (including 2,155,123 electronic votes) voting against it, 81,671,559 shares (including 32,336,603 shares in electronic votes) abstaining, and there are no invalid shares. With 94.41% of the eligible shares voting voted for this proposal, this motion is approved as proposed.

Proposal 2. Proposal for the issuance of common shares in private placement, please proceed to discuss. (Proposed by the Board)

Explanation:

1. To enhance working capital and capital needs for the company's future development, it is hereby proposed in the special shareholders' meeting to authorize the Board to carry out capital injection by issuing common shares in private placement at appropriate time pursuant to provisions of Articles of Incorporation or relevant laws.
2. The necessity, amount, use of fund and the expected benefits of the issuance of common shares in private placement:
  - (1) The reasons for not taking public offering: Considering the effectiveness, feasibility and costs of cash capital increase, the Company is proposed to carry out cash capital increase through issuing common shares in private placement.
  - (2) The amount of common shares in private placement: The total issuance amount of common shares in private placement shall

be no more than 1 billion shares.

- (3) Use of fund and the expected benefits: The private placement fund will enrich working capital, improve the financial structure and enhance the net worth per share, so it will be positive to shareholders' equity and the Company's long-term competitiveness.
3. Basis and reasonableness for determination of issuance price of the common shares in private placement:
    - (1) Basis for determination of the issuance price:

Comply with Matters for Attention by Public Companies for the Processing of Private Securities Placement (a) the simple arithmetic average of the closing price(s) of the Company's ordinary shares one, three or five business days (one of them shall be chosen) before the price setting day, minus stock and cash dividends and plus capital reduction. (b) the simple arithmetic average of the closing prices of the Company's ordinary shares 30 business days prior to the price setting day, minus stock and cash dividends and plus capital reduction. The higher of above two prices as the reference price of the private placement, the private placement price shall not be less than 80% of reference price.
    - (2) Reasonableness for determination of the issuance price:

The special shareholders' meeting is hereby proposed to authorize the Board depending on laws and regulations and not less than percentage range determined by the special shareholders meeting, considering qualification of specific party and market status to determine the actual private placement price.
  4. The method and purpose to determine specific parties:

The investors of the private placement of common shares shall meet the qualifications listed in Article 43-6 of the Securities and Exchange Law, potential investors including banks, bills, trust, insurance, securities house or any institutional investors in compliance with relevant regulations, strategic investors, internal or related party, but the Company does not decide any investors yet.

    - (1) If the investors are strategic investors, the Company will choose the individual or institutions who can assist the Company to reduce costs, enhance efficiency and expand market through its experience, technical, knowledge, brand or channel and by means of industry vertical integration, horizontal integration or co-development of the market, it is necessary to enhance the Company's long-term competition. Related qualification of the strategic investor is proposed to be examined by the Board.
    - (2) If the investors are internal or related party, the Company will choose the investors who are familiar with the Company's operation and will be beneficial to the Company's future. The purpose is not only to strengthen capital structure and support the

Company's long-term development, but also improve the financial structure of the Company, strengthen the solvency and reduce the operating risk. The investor lists of internal or related party are listed below which are only potential investors, it doesn't mean that such internal or related party has been aware of or agreed to invest the Company's private placement common shares.

The name of investor	Relationship with the Company
Ministry of Transportation and Communications R.O.C.	The director of the Company
National Development Fund, Executive Yuan	Government related party
Taiwan Navigation Co., Ltd.	Affiliate of the director of the Company
Taiwan Chinachem Investment Co Ltd.	The director of the Company

5. The new private placement shares will have the same rights and obligations as the Company's ordinary shares, but the private placement shares shall not be sold within three years upon delivery, unless pursuant to Article 43-8 of the Securities and Exchange Act, upon three years expired after the delivery of the securities, the Company can authorize the Board to apply to the Authorities for listing trade in accordance with relevant provisions.
6. In consideration of market changes, the Company's steady operation and financial structure, the issuance price may be lower than par value. If issuance price is lower than par value, the effect of the equity will be the loss incurred by the difference between issuance price and par value. After the Company increases capital, the financial structure will be improved, it is beneficial to the Company's long-term development and is positive to shareholder's equity.
7. If the conditions of issuance, project items, fund usage timeline, expected benefit and other matters need to be revised due to the authority's instruction or a change of environment, it is hereby proposed in the special shareholders' meeting to authorize the Board to handle it according to relevant provisions.
8. For matters not mentioned above, it is hereby proposed in the special shareholders' meeting to authorize the Board to handle

them based on relevant laws and regulations.

9. In accordance with the Company's actual needs and market conditions, it is hereby proposed in the special shareholders' meeting to authorize the Board in appropriate timing to issue common shares in private placement once or in batches within one year from the date of the determination of the special shareholder's meeting.

Shareholders Nos. 329, 232 and 115127 raise the concern for the capital reduction plan and the issuance of common shares in private placement.

The Chairman, or persons designated by the Chairman, clarifies the concerns raised by the Shareholders.

Shareholder No. 329 raises an objection.

Resolution: The shares eligible for voting are 1,517,564,024 with 1,425,964,222 shares (including 274,593,248 electronic votes) voting for the proposal, 9,880,061 shares (including 9,045,127 electronic votes) voting against it, 81,719,741 shares (including 32,342,511 shares in electronic votes) abstaining, and there are no invalid shares. With 93.96% of the eligible shares voting voted for this proposal, this motion is approved as proposed.

Proposal 3. Amendment to the Principles Governing Endorsement and Guarantees, please proceed to discuss. (Proposed by the Board)

Explanation:

1. Amend the Principles Governing Endorsement and Guarantees in compliance with the Company's business requirements.
2. Due to capital-intensive industry and large scale of operations, adjusting limits of endorsements/guarantees to comply with business requirements is necessary and reasonable. Please refer to Appendix 5 for details.

Shareholder No. 232 raises the concern for the amendment.

The Chairman, or persons designated by the Chairman, clarifies the concerns raised by the Shareholders.

Shareholder No. 329 raises an objection.

Resolution: The shares eligible for voting are 1,517,564,024 with 1,433,561,839 shares (including 281,654,958 electronic votes) voting for the proposal, 1,479,477 shares (including 1,405,158 electronic votes) voting against it, 82,522,708 shares (including 32,920,770 shares in electronic votes) abstaining, and there are no invalid shares. With 94.46% of the eligible shares voting voted for this proposal, this motion is approved as proposed.

V. Other Matters:

Proposal 1. Proposal for Releasing the Prohibition on Directors from Participation in Competitive Business, please proceed to discuss. (Proposed by the Board)

Explanation:

1. According to Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Under the circumstances that there is no harm to the company, the Board proposes for releasing the prohibition on directors from participation in competitive business if the director does anything for himself or on behalf of another person as the provision.
3. Please refer to Appendix 6 for the list of release the prohibition on Directors.

Shareholder No. 329 raises an objection.

Resolution: The shares eligible for voting are 1,517,564,024 with 1,432,691,687 shares (including 281,449,806 electronic votes) voting for the proposal, 2,430,827 shares (including 1,765,827 electronic votes) voting against it, 82,441,510 shares (including 32,765,253 shares in electronic votes) abstaining, and there are no invalid shares. With 94.40% of the eligible shares voting voted for this proposal, this motion is approved as proposed.

VI. Extempore Motions:

Shareholder No. 578611 raises the concern for the port management.

The Chairman, or persons designated by the Chairman, clarifies the concerns raised by the Shareholders.

VII. Adjournment: 03:06 p.m.

Chairman: Chih-Chien Hsieh

Minute Taker: Tina Lu

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

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



## Audit Committee's Review Report

The Board of Directors has prepared and submitted to the Audit Committee the Company's individual and consolidated Financial Statements, and Deficit Compensation Proposal of the Nine Months Ending on September 30, 2016. The CPA firm of Deloitte & Touche, Taiwan, was retained to review Yang Ming Marine Transport Corporation's Financial Statements and has issued an Independent Auditors' Review Report relating to the individual and consolidated Financial Statements by complying with the requirements of Statement of Auditing Standards No. 36. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, the undersigned hereby certifies the individual and consolidated Financial Statements, and Deficit Compensation Proposal of the Nine Months Ending on September 30, 2016 have been examined and approved by the undersigned.

To: 2016 1st Special Shareholders Meeting  
YANG MING MARINE TRANSPORT CORP.

Independent director: Chen, Kuen-Mu

Independent director: Yen, Jin-Ru

Independent director: Chou, Heng-Chih

November 7, 2016

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Yang Ming Marine Transport Corporation

We have reviewed the accompanying balance sheets of Yang Ming Marine Transport Corporation (the "Company") as of September 30, 2016 and 2015, and the related statements of comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2016 and 2015. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 14, the carrying amounts of investments accounted for using equity method were NT\$14,012,688 thousand and NT\$13,322,096 thousand as of September 30, 2016 and 2015, respectively. The comprehensive income recognized by investments accounted for using equity method were NT\$(1,292,071) thousand and NT\$249,196 thousand for nine months ended September 30, 2016 and 2015, respectively. Related information on the investments held by subsidiaries, associates and joint ventures disclosed in Note 38 to the financial statements that were not reviewed either.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of these non-significant subsidiaries and associates as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

November 7, 2016

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 review such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review 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' review report and financial statements shall prevail.*

**YANG MING MARINE TRANSPORT CORPORATION**

**BALANCE SHEETS**

(In Thousands of New Taiwan Dollars)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 8,928,156	8	\$ 16,439,781	13	\$ 10,630,524	9
Financial assets at fair value through profit or loss - current	10,554	-	170,442	-	399,006	-
Available-for-sale financial assets - current	-	-	-	-	260,074	-
Trade receivable, net	3,301,335	3	3,043,385	3	3,058,397	3
Trade receivable from related parties	2,479,403	2	2,211,666	2	2,592,042	2
Other receivable from related parties	144,580	-	224,715	-	144,874	-
Shipping fuel	1,228,973	1	1,432,976	1	1,429,916	1
Prepayments	602,368	1	514,745	-	568,158	-
Prepayments to shipping agents	417,038	-	918,134	1	917,446	1
Other financial assets - current	-	-	12,000	-	2,505,285	2
Other current assets	227,324	-	175,843	-	184,959	-
<b>Total current assets</b>	<b>17,339,731</b>	<b>15</b>	<b>25,143,687</b>	<b>20</b>	<b>22,690,681</b>	<b>18</b>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current	866,788	1	976,464	1	902,168	1
Financial assets carried at cost - non-current	477,188	-	477,188	-	477,188	-
Debt investment with no active market - non-current	1,000,000	1	1,000,000	1	1,000,000	1
Investments accounted for using equity method	19,034,786	17	21,873,700	17	23,273,896	19
Property, plant and equipment	37,921,659	34	39,648,516	32	38,925,372	31
Investment properties	8,364,085	7	8,363,761	7	8,306,900	7
Other intangible assets	109,844	-	32,943	-	24,246	-
Deferred tax assets	3,354,847	3	2,743,448	2	2,740,029	2
Refundable deposits	317,897	-	1,450,368	1	1,764,141	1
Long-term prepayments for lease	544,454	1	568,133	-	576,026	1
Long-term receivables from related parties	23,309,364	21	23,657,081	19	23,132,865	19
Other non-current assets	47,088	-	61,994	-	45,251	-
<b>Total non-current assets</b>	<b>95,348,000</b>	<b>85</b>	<b>100,853,596</b>	<b>80</b>	<b>101,168,082</b>	<b>82</b>
<b>TOTAL</b>	<b>\$ 112,687,731</b>	<b>100</b>	<b>\$ 125,997,283</b>	<b>100</b>	<b>\$ 123,858,763</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings	\$ 3,510,000	3	\$ 2,410,000	2	\$ 660,000	1
Short-term bills payable	1,699,217	2	-	-	4,998,309	4
Financial liabilities at fair value through profit or loss - current	-	-	89,105	-	86,594	-
Trade payable	9,993,668	9	10,520,380	8	11,604,942	9
Trade payable to related parties	4,292,443	4	5,195,555	4	4,257,889	4
Payables on equipment	9,031	-	615,616	1	200,950	-
Other payables	1,648,722	1	1,688,850	1	1,586,729	1
Other payables to related parties	219,142	-	200,205	-	52,518	-
Current tax liabilities	4,158	-	14,182	-	14,182	-
Current portion of long-term liabilities	15,652,159	14	11,386,948	9	11,904,739	10
Advance from customers	1,099,791	1	1,196,616	1	1,207,141	1
Other current liabilities	134,664	-	172,168	-	177,750	-
<b>Total current liabilities</b>	<b>38,262,995</b>	<b>34</b>	<b>33,489,625</b>	<b>26</b>	<b>36,751,743</b>	<b>30</b>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable	13,316,045	12	19,891,948	16	19,158,828	15
Long-term borrowings	39,648,570	35	37,027,266	29	28,451,108	23
Deferred tax liabilities	1,756,436	2	1,887,173	2	1,919,193	2
Finance lease payables - non-current	73,777	-	173,298	-	204,672	-
Other financial liabilities - non-current	79,128	-	117,481	-	129,768	-
Net defined benefit liabilities - non-current	2,181,246	2	2,257,398	2	1,850,695	2
Other non-current liabilities	62,062	-	114,384	-	190,918	-
<b>Total non-current liabilities</b>	<b>57,117,264</b>	<b>51</b>	<b>61,468,948</b>	<b>49</b>	<b>51,905,182</b>	<b>42</b>
<b>Total liabilities</b>	<b>95,380,259</b>	<b>85</b>	<b>94,958,573</b>	<b>75</b>	<b>88,656,925</b>	<b>72</b>
<b>EQUITY</b>						
Share capital - ordinary shares	30,044,401	26	30,044,401	24	30,044,401	24
Capital surplus	4,563,719	4	5,500,037	4	5,449,729	4
Retained earnings (accumulated deficits)						
Legal reserve	-	-	41,137	-	41,137	-
Special reserve	-	-	4,098,535	3	4,098,535	3
Unappropriated earnings (accumulated deficits)	(16,143,568)	(14)	(8,005,152)	(6)	(3,835,056)	(3)
<b>Total retain earnings (accumulated deficits)</b>	<b>(16,143,568)</b>	<b>(14)</b>	<b>(3,865,480)</b>	<b>(3)</b>	<b>304,616</b>	<b>-</b>
Other equity	(1,157,080)	(1)	(640,248)	-	(596,908)	-
<b>Total equity</b>	<b>17,307,472</b>	<b>15</b>	<b>31,038,710</b>	<b>25</b>	<b>35,201,838</b>	<b>28</b>
<b>TOTAL</b>	<b>\$ 112,687,731</b>	<b>100</b>	<b>\$ 125,997,283</b>	<b>100</b>	<b>\$ 123,858,763</b>	<b>100</b>

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

(With Deloitte & Touche auditors' review report dated November 7, 2016)

**YANG MING MARINE TRANSPORT CORPORATION**

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	<b>For the Nine Months Ended September 30</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE	\$ 70,565,365	100	\$ 81,444,634	100
OPERATING COSTS	<u>81,166,935</u>	<u>115</u>	<u>83,353,789</u>	<u>102</u>
GROSS LOSS	<u>(10,601,570)</u>	<u>(15)</u>	<u>(1,909,155)</u>	<u>(2)</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,047,963	2	1,102,619	2
General and administrative expenses	<u>252,002</u>	<u>-</u>	<u>264,002</u>	<u>-</u>
Total operating expenses	<u>1,299,965</u>	<u>2</u>	<u>1,366,621</u>	<u>2</u>
OTHER OPERATING INCOME AND EXPENSES	<u>133,319</u>	<u>1</u>	<u>318,548</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(11,768,216)</u>	<u>(16)</u>	<u>(2,957,228)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses	305,632	-	209,392	-
Share of profits or loss of subsidiaries and associates	(1,666,813)	(2)	(1,129,190)	(1)
Other income	471,372	1	549,461	1
Finance costs	<u>(1,020,233)</u>	<u>(2)</u>	<u>(892,140)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(1,910,042)</u>	<u>(3)</u>	<u>(1,262,477)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(13,678,258)	(19)	(4,219,705)	(5)
INCOME TAX BENEFIT	<u>(655,221)</u>	<u>(1)</u>	<u>(301,248)</u>	<u>-</u>
NET LOSS	<u>\$ (13,023,037)</u>	<u>(18)</u>	<u>\$ (3,918,457)</u>	<u>(5)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(435,098)	(1)	322,495	1
Unrealized gain (loss) on available-for-sale financial assets	(109,676)	-	(636,755)	(1)

(Continued)

## YANG MING MARINE TRANSPORT CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Nine Months Ended September 30			
	2016		2015	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	\$ (7,113)	-	\$ (45,400)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>35,055</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>(516,832)</u>	<u>(1)</u>	<u>(359,660)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (13,539,869)</u>	<u>(19)</u>	<u>\$ (4,278,117)</u>	<u>(5)</u>
LOSS PER SHARE				
From continuing operation				
Basic	<u>\$ (3.76)</u>		<u>\$ (1.14)</u>	
Diluted	<u>\$ (3.76)</u>		<u>\$ (1.14)</u>	

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

(With Deloitte & Touche review report dated November 7, 2016)

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)

	Equity						Other Equity		Total Equity
	Share Capital Stock		Capital Surplus	Retained Earnings (Accumulated Deficits)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for Foreign Assets	
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)			
BALANCE AT JANUARY 1, 2015	2,856,380	\$ 28,563,800	\$ 4,899,288	\$ -	\$ -	\$ 443,918	\$ 490,379	\$ (727,627)	\$ 33,669,758
Effect of retrospective application and retrospective restatement	-	-	-	-	-	3,779,155	-	-	3,779,155
BALANCE AT JANUARY 1, 2015 AS RESTATED	2,856,380	28,563,800	4,899,288	-	-	4,223,073	490,379	(727,627)	37,448,913
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	3,719,643	(3,719,463)	-	-	-
Convertible bonds converted to ordinary shares	148,060	1,480,601	515,288	-	-	-	-	-	1,995,889
Change in percentage of ownership interest in subsidiaries	-	-	35,153	-	-	-	-	-	35,153
Appropriation of 2014 earnings									
Legal reserve	-	-	-	41,137	-	(41,137)	-	-	-
Special reserve	-	-	-	-	379,092	(379,072)	-	-	-
Net loss for the nine months ended September 30, 2015	-	-	-	-	-	(3,918,457)	-	-	(3,918,457)
Other comprehensive income (loss) for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	-	322,495	(682,155)	(359,660)
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	-	(3,918,457)	322,495	(682,155)	(4,278,117)
BALANCE AT SEPTEMBER 30, 2015	<u>3,004,440</u>	<u>\$ 30,044,401</u>	<u>\$ 5,449,729</u>	<u>\$ 41,137</u>	<u>\$ 4,098,535</u>	<u>\$ (3,835,056)</u>	<u>\$ 812,874</u>	<u>\$ (1,409,782)</u>	<u>\$ 35,201,838</u>
BALANCE AT JANUARY 1, 2016	3,004,440	\$ 30,044,401	\$ 5,500,037	\$ 41,137	\$ 4,098,535	\$ (8,005,152)	\$ 690,054	\$ (1,330,302)	\$ 31,038,710
Legal reserve for compensating deficit	-	-	-	(41,137)	-	41,137	-	-	-
Special reserve for compensating deficit	-	-	-	-	(4,098,535)	4,098,535	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(936,318)	-	-	936,318	-	-	-
Net loss for the nine months ended September 30, 2016	-	-	-	-	-	(13,023,037)	-	-	(13,023,037)
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(400,043)	(116,789)	(516,832)
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	-	(13,023,037)	(400,043)	(116,789)	(13,539,869)
Change in percentage of ownership interest in subsidiaries	-	-	-	-	-	(191,369)	-	-	(191,369)
BALANCE AT SEPTEMBER 30, 2016	<u>3,004,440</u>	<u>\$ 30,044,401</u>	<u>\$ 4,563,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,143,568)</u>	<u>\$ 290,011</u>	<u>\$ (1,447,091)</u>	<u>\$ 17,307,472</u>

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

(With Deloitte & Touche review report dated November 7, 2016)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (13,678,258)	\$ (4,219,705)
Adjustments for:		
Depreciation expenses	2,101,617	2,109,650
Amortization expenses	23,234	13,847
Impairment loss recognized on trade receivables	4,256	2,254
Net (gain) loss arising on financial assets/liabilities at fair value through profit and loss	(59,943)	79,921
Finance costs	1,020,233	892,140
Interest income	(352,398)	(412,988)
Dividend income	(16,231)	(46,732)
Share of loss of subsidiaries and associates	1,666,813	1,129,190
Gain on disposal of property, plant and equipment	(17,795)	(260,935)
Gain on disposal of available-for-sale financial assets	(5,609)	(5,279)
Write-down of shipping fuel	329,181	532,987
Net loss on repurchase of bonds payable	58,970	-
Gain on change in fair value of investment properties	(324)	(7,924)
Amortization of long-term prepayments for lease	23,679	23,679
Changes in operating assets and liabilities		
Increase in financial assets held for trading	30,387	295,883
Decrease (increase) in trade receivable	(262,206)	910,489
Decrease (increase) in trade receivable from related parties	(267,737)	58,331
Decrease (increase) in other receivable from related parties	80,135	(34,367)
Decrease (increase) in shipping fuel	(125,178)	490,292
Decrease in prepayments	(188,776)	(49,986)
Decrease (increase) in prepayments to shipping agents	501,096	(223,321)
Decrease (increase) in other current assets	(51,163)	217,238
Increase (decrease) in trade payable	(526,712)	390,875
Increase (decrease) in trade payable to related parties	(903,112)	895,350
Decrease in other payable	(109,009)	(18,540)
Increase (decrease) in other payable to related parties	18,937	(42,140)
Decrease in advances from customers	(96,825)	(60,565)
Decrease in other current liabilities	(83,555)	(65,265)
Increase (decrease) in net defined benefit liabilities	(76,152)	13,576
Cash generated from (used in) operations	(10,962,445)	2,607,955
Dividend received	554,753	170,545
Interest received	73,204	141,766
Interest paid	(1,046,220)	(768,427)
Income tax paid	(61,242)	(94,880)
Net cash generated from (used in) operating activities	<u>(11,441,950)</u>	<u>2,056,959</u>

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit or loss	\$ (97,860)	\$ (1,794,527)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	198,199	2,066,745
Acquisition of available-for-sale financial assets	(18,884,000)	(8,086,489)
Proceeds from disposal of available-for-sale financial assets	18,889,609	7,831,764
Acquisition of property, plant and equipment	(885,913)	(2,563,299)
Proceeds from disposal of property, plant and equipment	69,567	366,825
Decrease (increase) in refundable deposits	1,132,471	(1,222,061)
Decrease (increase) in long-term receivables from related parties	625,950	(283,797)
Acquisition of intangible assets	(100,135)	(21,048)
Decrease (increase) in other financial assets	12,000	(1,519,589)
Decrease (increase) in other non-current assets	<u>14,906</u>	<u>1,820</u>
Net cash generated from (used in) investing activities	<u>974,794</u>	<u>(5,223,656)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,100,000	5,658,309
Increase in short-term bills payable	1,700,000	-
Repurchase of bonds payable	(1,807,900)	-
Repayment of bonds payable	(3,309,000)	(2,642,900)
Proceeds from long-term borrowings	17,164,440	12,379,837
Repayment of long-term borrowings	(11,702,602)	(14,879,871)
Payment for obligations under finance leases	(99,869)	(71,465)
Decrease in other financial liabilities	(37,216)	(36,135)
Decrease in other non-current liabilities	(52,322)	(17,048)
Acquisition of subsidiaries	<u>-</u>	<u>(1,943,491)</u>
Net cash generated from (used in) financing activities	<u>2,955,531</u>	<u>(1,552,764)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,511,625)	(4,719,461)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,439,781</u>	<u>15,349,985</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 8,928,156</u>	<u>\$ 10,630,524</u>

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

(With Deloitte & Touche review report dated November 7, 2016)

(Concluded)

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Yang Ming Marine Transport Corporation

We have reviewed the accompanying consolidated balance sheets of Yang Ming Marine Transportation Corporation (the "Company") and its subsidiaries as of September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months ended September 30, 2016 and 2015 and for the nine months ended September 30, 2016 and 2015, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 12 of the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. The combined total assets of these subsidiaries were 14.29% (NT\$19,828,726 thousand) and 7.86% (NT\$12,085,615 thousand) of the consolidated total assets as of September 30, 2016 and 2015, respectively. The combined total liabilities of these subsidiaries were 8.62% (NT\$10,426,949 thousand) and 3.00% (NT\$3,530,531 thousand) of the consolidated total liabilities as of September 30, 2016 and 2015, respectively. The combined total comprehensive income of these subsidiaries were 35.07% (NT\$(1,679,110) thousand), (2.00%) (NT\$78,358 thousand), 30.74% (NT\$(4,155,037) thousand) and (7.14%) (NT\$310,390 thousand) of the consolidated total comprehensive income for the three months and nine months ended September 30, 2016 and 2015, respectively. Also, as disclosed in Note 13, the carrying amounts of investments accounted for using equity method were NT\$8,272,454 thousand and NT\$8,462,838 thousand as of September 30, 2016 and 2015, respectively. The comprehensive income recognized by investments accounted for using equity method were NT\$(36,930) thousand, \$(75,902) thousand, \$(68,302) thousand and \$(62,526) thousand for three months and nine months ended September 30, 2016 and 2015, respectively. Related information on the investments held by subsidiaries, associates and joint ventures disclosed in Note 39 to the consolidated financial statements that were not reviewed either.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the consolidated financial statements of these non-significant subsidiaries, associates and joint ventures as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

As disclosed in Note 3 of the consolidated financial statements, the Company and its subsidiaries changed their accounting policy for investment properties effective January 1, 2015 and subsequently measured investment properties using the fair value model. As a result of this retrospective application of the accounting policy, the consolidated financial statements as of and for the nine months ended September 30, 2015 and the consolidated balance sheet as of January 1, 2015 have been restated.

November 7, 2016

#### 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.*

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed after Restated)		January 1, 2015 (Audited after Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>								
Cash and cash equivalents	\$ 13,601,388	10	\$ 23,749,249	15	\$ 18,182,996	12	\$ 21,683,555	14
Financial assets at fair value through profit or loss - current	665,781	-	847,046	1	1,197,133	1	1,868,239	1
Available-for-sale financial assets - current	1,177	-	2,365	-	262,451	-	2,648	-
Notes receivable, net	208,143	-	218,416	-	280,217	-	364,608	-
Trade receivable, net	6,293,981	5	5,967,345	4	6,577,501	4	7,479,618	5
Trade receivable from related parties	298,088	-	319,935	-	451,799	-	373,677	-
Shipping fuel	1,477,270	1	1,730,036	1	1,861,989	1	3,199,263	2
Prepayments	949,053	1	754,290	-	875,114	1	756,119	1
Prepayments to shipping agents	293,009	-	780,717	1	776,447	-	599,718	-
Other financial assets - current	256,700	-	82,700	-	2,574,735	2	1,055,463	1
Other current assets	1,104,881	1	1,119,364	1	1,149,230	1	1,034,966	1
Total current assets	25,149,471	18	35,571,463	23	34,189,612	22	38,417,874	25
<b>NON-CURRENT ASSETS</b>								
Available-for-sale financial assets - non-current	866,788	1	976,464	1	902,168	1	1,538,992	1
Financial assets carried at cost - non-current	492,082	-	494,597	-	494,597	-	494,597	-
Investments accounted for using equity method	8,272,454	6	8,630,101	6	8,462,838	6	8,671,138	6
Property, plant and equipment	87,120,442	63	90,573,485	58	90,576,173	59	86,085,989	57
Investment properties	7,943,073	6	7,942,862	5	7,909,104	5	7,903,220	5
Other intangible assets	127,671	-	50,623	-	44,693	-	40,387	-
Deferred tax assets	3,452,455	3	2,813,823	2	2,898,304	2	2,655,515	2
Prepayments for equipment	506,895	-	1,065,059	1	930,591	1	507,033	-
Refundable deposits	412,365	-	1,556,487	1	1,859,916	1	636,196	1
Other financial assets - non-current	3,815,033	3	4,719,728	3	4,838,445	3	5,011,864	3
Long-term prepayments for lease	544,454	-	568,133	-	576,026	-	599,705	-
Other non-current assets	85,014	-	13,276	-	21,334	-	25,771	-
Total non-current assets	113,638,726	82	119,404,638	77	119,514,189	78	114,170,407	75
<b>TOTAL</b>	<b>\$ 138,788,197</b>	<b>100</b>	<b>\$ 154,976,101</b>	<b>100</b>	<b>\$ 153,703,801</b>	<b>100</b>	<b>\$ 152,588,281</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>								
<b>CURRENT LIABILITIES</b>								
Short-term borrowings	\$ 5,999,266	4	\$ 4,949,787	3	\$ 2,029,999	1	\$ 947,025	1
Short-term bills payable	1,799,045	1	99,872	-	4,998,309	3	-	-
Financial liabilities at fair value through profit or loss - current	-	-	89,105	-	86,594	-	78,658	-
Notes payable	48,819	-	53,624	-	48,817	-	50,151	-
Trade payable	12,893,975	9	13,561,068	9	14,641,620	10	14,084,195	9
Trade payable to related parties	662,882	1	1,165,804	1	850,916	1	1,084,507	1
Payables on equipment	12,046	-	624,378	-	169,355	-	2,733	-
Other payables	2,981,060	2	3,063,322	2	2,977,911	2	2,896,352	2
Current tax liabilities	185,823	-	149,392	-	162,096	-	126,170	-
Provisions-current	608,941	1	741,512	1	541,791	-	620,012	-
Current portion of long-term liabilities	19,333,391	14	15,176,994	10	15,691,489	10	13,124,982	9
Advance from customers	1,181,151	1	1,274,957	1	1,340,529	1	1,469,997	1
Other current liabilities	515,928	-	553,471	-	661,421	1	442,722	-
Total current liabilities	46,222,327	33	41,503,286	27	44,200,847	29	34,927,504	23
<b>NON-CURRENT LIABILITIES</b>								
Bonds payable	13,316,045	10	19,891,948	13	19,158,828	13	26,431,834	17
Long-term borrowings	48,718,367	35	47,389,835	31	40,000,109	26	37,942,145	25
Provisions - non-current	102,300	-	158,425	-	102,300	-	102,300	-
Deferred tax liabilities	1,899,677	1	2,039,154	1	2,095,277	1	2,327,541	2
Finance lease payables - non-current	4,658,913	3	5,183,473	3	5,288,634	4	5,380,340	4
Other financial liabilities - non-current	3,502,288	3	4,399,379	3	4,559,239	3	4,715,322	3
Net defined benefit liabilities - non-current	2,422,328	2	2,522,877	2	2,060,858	1	2,079,333	1
Other non-current liabilities	97,235	-	156,392	-	226,965	-	235,556	-
Total non-current liabilities	74,717,153	54	81,741,483	53	73,492,210	48	79,214,371	52
Total liabilities	120,939,480	87	123,244,769	80	117,693,057	77	114,141,875	75
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>								
Share capital - ordinary shares	30,044,401	22	30,044,401	19	30,044,401	20	28,563,800	18
Capital surplus	4,563,719	3	5,500,037	4	5,449,729	3	4,899,288	3
Retained earnings (accumulated deficits)	-	-	-	-	-	-	-	-
Legal reserve	-	-	41,137	-	41,137	-	-	-
Special reserve	-	-	4,098,535	2	4,098,535	3	-	-
Unappropriated earnings (accumulated deficits)	(16,143,568)	(11)	(8,005,152)	(5)	(3,835,056)	(3)	4,223,073	3
Total retained earnings (accumulated deficits)	(16,143,568)	(11)	(3,865,480)	(3)	304,616	-	4,223,073	3
Other equity	(1,157,080)	(1)	(640,248)	-	(596,908)	-	(237,248)	-
Total equity attributable to owners of the Company	17,307,472	13	31,038,710	20	35,201,838	23	37,448,913	24
<b>NON-CONTROLLING INTERESTS</b>								
	541,245	-	692,622	-	808,906	-	997,493	1
Total equity	17,848,717	13	31,731,332	20	36,010,744	23	38,446,406	25
<b>TOTAL</b>	<b>\$ 138,788,197</b>	<b>100</b>	<b>\$ 154,976,101</b>	<b>100</b>	<b>\$ 153,703,801</b>	<b>100</b>	<b>\$ 152,588,281</b>	<b>100</b>

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

(With Deloitte & Touche review report dated November 7, 2016)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015 (Reviewed after Restated)		2016		2015 (Reviewed after Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE	\$ 28,995,500	100	\$ 31,903,399	100	\$ 83,887,741	100	\$ 97,647,554	100
OPERATING COSTS	<u>32,233,766</u>	<u>111</u>	<u>34,014,380</u>	<u>107</u>	<u>92,458,431</u>	<u>110</u>	<u>96,507,032</u>	<u>99</u>
GROSS PROFIT (LOSS)	<u>(3,238,266)</u>	<u>(11)</u>	<u>(2,110,981)</u>	<u>(7)</u>	<u>(8,570,690)</u>	<u>(10)</u>	<u>1,140,522</u>	<u>1</u>
OPERATING EXPENSES								
Selling and marketing expenses	1,223,688	4	1,232,251	4	3,863,549	4	3,803,545	4
General and administrative expenses	<u>235,464</u>	<u>1</u>	<u>216,138</u>	<u>-</u>	<u>645,387</u>	<u>1</u>	<u>637,480</u>	<u>-</u>
Total operating expenses	<u>1,459,152</u>	<u>5</u>	<u>1,448,389</u>	<u>4</u>	<u>4,508,936</u>	<u>5</u>	<u>4,441,025</u>	<u>4</u>
OTHER OPERATING INCOME AND EXPENSES	<u>7,652</u>	<u>-</u>	<u>83,612</u>	<u>-</u>	<u>193,465</u>	<u>-</u>	<u>323,499</u>	<u>-</u>
LOSS FROM OPERATIONS	<u>(4,689,766)</u>	<u>(16)</u>	<u>(3,475,758)</u>	<u>(11)</u>	<u>(12,886,161)</u>	<u>(15)</u>	<u>(2,977,004)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES								
Other gains and losses	497,312	2	(430,060)	(1)	781,006	1	(174,456)	-
Share of profit or loss of associates and joint ventures	(37,682)	-	(53,087)	-	(60,530)	-	(17,397)	-
Other income	82,128	-	132,140	-	214,290	-	308,125	-
Finance costs	<u>(473,359)</u>	<u>(2)</u>	<u>(449,918)</u>	<u>(1)</u>	<u>(1,518,844)</u>	<u>(2)</u>	<u>(1,338,259)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>68,399</u>	<u>-</u>	<u>(800,925)</u>	<u>(2)</u>	<u>(584,078)</u>	<u>(1)</u>	<u>(1,221,987)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(4,621,367)	(16)	(4,276,683)	(13)	(13,470,239)	(16)	(4,198,991)	(4)
INCOME TAX BENEFIT	<u>(91,743)</u>	<u>-</u>	<u>(78,604)</u>	<u>-</u>	<u>(490,065)</u>	<u>(1)</u>	<u>(224,384)</u>	<u>-</u>
NET LOSS	<u>(4,529,624)</u>	<u>(16)</u>	<u>(4,198,079)</u>	<u>(13)</u>	<u>(12,980,174)</u>	<u>(15)</u>	<u>(3,974,607)</u>	<u>(4)</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(292,511)	(1)	630,132	2	(453,044)	(1)	307,841	-
Unrealized gain (loss) on available-for-sale financial assets	10,697	-	(322,048)	(1)	(109,017)	-	(637,026)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	752	-	(22,815)	-	(7,772)	-	(45,129)	-

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015 (Reviewed after Restated)		2016		2015 (Reviewed after Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>23,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,055</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>(257,745)</u>	<u>(1)</u>	<u>285,269</u>	<u>1</u>	<u>(534,778)</u>	<u>(1)</u>	<u>(374,314)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (4,787,369)</u>	<u>(17)</u>	<u>\$ (3,912,810)</u>	<u>(12)</u>	<u>\$ (13,514,952)</u>	<u>(16)</u>	<u>\$ (4,348,921)</u>	<u>(4)</u>
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Company	\$ (4,560,956)	(16)	\$ (4,222,098)	(13)	\$ (13,023,037)	(15)	\$ (3,918,457)	(4)
Non-controlling interests	<u>31,332</u>	<u>-</u>	<u>24,019</u>	<u>-</u>	<u>42,863</u>	<u>-</u>	<u>(56,150)</u>	<u>-</u>
	<u>\$ (4,529,624)</u>	<u>(16)</u>	<u>\$ (4,198,079)</u>	<u>(13)</u>	<u>\$ (12,980,174)</u>	<u>(15)</u>	<u>\$ (3,974,607)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Company	\$ (4,804,724)	(17)	\$ (3,948,415)	(12)	\$ (13,539,869)	(16)	\$ (4,278,117)	(4)
Non-controlling interests	<u>17,355</u>	<u>-</u>	<u>35,605</u>	<u>-</u>	<u>24,917</u>	<u>-</u>	<u>(70,804)</u>	<u>-</u>
	<u>\$ (4,787,369)</u>	<u>(17)</u>	<u>\$ (3,912,810)</u>	<u>(12)</u>	<u>\$ (13,514,952)</u>	<u>(16)</u>	<u>\$ (4,348,921)</u>	<u>(4)</u>
LOSS PER SHARE								
From continuing operations								
Basic	<u>\$ (1.32)</u>		<u>\$ (1.22)</u>		<u>\$ (3.76)</u>		<u>\$ (1.14)</u>	
Diluted	<u>\$ (1.32)</u>		<u>\$ (1.22)</u>		<u>\$ (3.76)</u>		<u>\$ (1.14)</u>	

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

(With Deloitte & Touche review report dated November 7, 2016)

(Concluded)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital Stock		Capital Surplus	Retained Earnings (Accumulated Deficits)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)					
BALANCE AT JANUARY 1, 2015	2,856,380	\$ 28,563,800	\$ 4,899,288	\$ -	\$ -	\$ 443,918	\$ 490,379	\$ (727,627)	\$ 33,669,758	\$ 996,631	\$ 34,666,389
Effect of retrospective application and retrospective restatement	-	-	-	-	-	3,779,155	-	-	3,779,155	862	3,780,017
BALANCE AT JANUARY 1, 2015 AS RESTATED	2,856,380	28,563,800	4,899,288	-	-	4,223,073	490,379	(727,627)	37,448,913	997,493	38,446,406
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	3,719,463	(3,719,463)	-	-	-	-	-
Convertible bonds converted to ordinary shares	148,060	1,480,601	515,288	-	-	-	-	-	1,995,889	-	1,995,889
Appropriation of 2014 earnings											
Legal reserve	-	-	-	41,137	-	(41,137)	-	-	-	-	-
Special reserve	-	-	-	-	379,072	(379,072)	-	-	-	-	-
Net loss for the nine months ended September 30, 2015	-	-	-	-	-	(3,918,457)	-	-	(3,918,457)	(56,150)	(3,974,607)
Other comprehensive income (loss) for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	-	322,495	(682,155)	(359,660)	(14,654)	(374,314)
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	-	(3,918,457)	322,495	(682,155)	(4,278,117)	(70,804)	(4,348,921)
Changes in percentage of ownership interest in subsidiaries	-	-	35,153	-	-	-	-	-	35,153	(35,153)	-
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	(82,630)	(82,630)
BALANCE AT SEPTEMBER 30, 2015	<u>3,004,440</u>	<u>\$ 30,044,401</u>	<u>\$ 5,449,729</u>	<u>\$ 41,137</u>	<u>\$ 4,098,535</u>	<u>\$ (3,835,056)</u>	<u>\$ 812,874</u>	<u>\$ (1,409,782)</u>	<u>\$ 35,201,838</u>	<u>\$ 808,906</u>	<u>\$ 36,010,744</u>
BALANCE AT JANUARY 1, 2016	3,004,440	\$ 30,044,401	\$ 5,500,037	\$ 41,137	\$ 4,098,535	\$ (8,005,152)	\$ 690,054	\$ (1,330,302)	\$ 31,038,710	\$ 692,622	\$ 31,731,332
Legal reserve for compensating deficit	-	-	-	(41,137)	-	41,137	-	-	-	-	-
Special reserve for compensating deficit	-	-	-	-	(4,098,535)	4,098,535	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(936,318)	-	-	936,318	-	-	-	-	-
Net profit (loss) for the nine months ended September 30, 2016	-	-	-	-	-	(13,023,037)	-	-	(13,023,037)	42,863	(12,980,174)
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(400,043)	(116,789)	(516,832)	(17,946)	(534,778)
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	-	(13,023,037)	(400,043)	(116,789)	(13,539,869)	24,917	(13,514,952)
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(191,369)	-	-	(191,369)	(59,442)	(250,811)
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	(116,852)	(116,852)
BALANCE AT SEPTEMBER 30, 2016	<u>3,004,440</u>	<u>\$ 30,044,401</u>	<u>\$ 4,563,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,143,568)</u>	<u>\$ 290,011</u>	<u>\$ (1,447,091)</u>	<u>\$ 17,307,472</u>	<u>\$ 541,245</u>	<u>\$ 17,848,717</u>

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

(With Deloitte & Touche review report dated November 7, 2016)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015 Reviewed after Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$(13,470,239)	\$ (4,198,991)
Adjustments for:		
Depreciation expenses	4,835,351	4,667,387
Amortization expenses	32,955	21,181
Impairment loss recognized on trade receivables	56,715	3,614
Net (gain) loss arising on financial assets/liabilities at fair value through profit and loss	(60,262)	88,130
Finance costs	1,518,844	1,338,259
Interest income	(94,845)	(171,339)
Dividend income	(20,703)	(50,503)
Share of profit of associates and joint ventures	60,530	17,397
Gain on disposal of property, plant and equipment	(54,703)	(274,354)
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	(7,450)	(4,692)
Write-down of shipping fuel	356,995	557,296
Net (gain) loss on foreign currency exchange	(440,212)	536,297
Net loss on repurchase of bonds payable	58,970	-
(Gain) loss on change in fair value of investment properties	(211)	2,798
Amortization of long-term prepayments for lease	23,679	23,679
Amortization of unearned revenue	(89,760)	(17,952)
Provision for liabilities	571,930	541,384
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	40,338	(47,438)
Decrease in notes receivable	9,761	83,875
Decrease (increase) in trade receivable	(380,481)	899,490
Decrease (increase) in trade receivable from related parties	21,847	(78,122)
Decrease (increase) in shipping fuel	(104,229)	779,978
Increase in prepayments	(198,395)	(85,439)
Decrease (increase) in advances to shipping agents	487,708	(176,729)
Decrease (increase) in other current assets	14,216	(93,748)
Decrease in notes payable	(4,805)	(1,334)
Increase (decrease) in trade payable	(667,093)	557,425
Decrease in trade payable to related parties	(502,922)	(233,591)
Increase (decrease) in other payables	(168,662)	34,896
Decrease in provisions	(734,465)	(635,215)
Increase (decrease) in advances from customers	27,810	(111,516)
Increase (decrease) in other current liabilities	(83,594)	186,211
Decrease in net defined benefit liabilities	<u>(100,549)</u>	<u>(18,475)</u>
Cash generated from (used in) operations	(9,065,931)	4,139,859
Dividend received	211,434	237,743

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015 Reviewed after Restated)
Interest received	95,706	166,185
Interest paid	(1,556,592)	(1,218,249)
Income tax paid	<u>(165,991)</u>	<u>(235,546)</u>
Net cash generated from (used in) operating activities	<u>(10,481,374)</u>	<u>3,089,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit or loss	(99,720)	(2,308,966)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	197,999	2,952,528
Acquisition of available-for-sale financial assets	(18,884,000)	(8,086,489)
Proceeds from disposal of available-for-sale financial assets	18,890,981	7,831,764
Proceeds from disposal financial assets measured at cost	4,831	-
Acquisition of property, plant and equipment	(1,757,527)	(8,615,086)
Proceeds from disposal of property, plant and equipment	109,914	382,742
Decrease (increase) in refundable assets	1,144,122	(1,223,720)
Acquisition of intangible assets	(109,217)	(24,607)
Decrease (increase) in other financial assets	174,541	(1,487,517)
Decrease (increase) in other non-current assets	(72,837)	2,783
Increase in prepayments for equipment	<u>(287,390)</u>	<u>(423,570)</u>
Net cash used in investing activities	<u>(688,303)</u>	<u>(11,000,138)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in short-term debt	1,049,479	1,082,974
Increase in short-term bills payable	1,700,000	4,998,309
Repurchase of bonds payable	(1,807,900)	-
Repayment of bonds payable	(3,309,000)	(2,674,000)
Proceeds from long-term borrowings	18,267,785	17,887,963
Repayment of long-term borrowings	(13,676,092)	(16,540,512)
Payment for obligations under finance leases	(283,397)	(246,623)
Decrease in other financial liabilities	(365,670)	(88,989)
Decrease in other non-current liabilities	(59,157)	(8,591)
Acquisition of subsidiaries	(250,811)	-
Net change in non-controlling interests	<u>(116,852)</u>	<u>(82,630)</u>
Net cash generated from financing activities	<u>1,148,385</u>	<u>4,327,901</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(126,569)</u>	<u>81,686</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2016	2015 Reviewed after Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,147,861)	(3,500,559)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>23,749,249</u>	<u>21,683,555</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 13,601,388</u>	<u>\$ 18,182,996</u>

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

(With Deloitte & Touche review report dated November 7, 2016)

(Concluded)

YANG MING MARINE TRANSPORT CORP.  
Statement of Deficit Compensation  
30-Sep-16

	Unit : NT\$
Item	Amount
Beginning Balance of Accumulated deficits	(2,929,163,238)
Change in percentage of ownership interest in subsidiaries	(191,368,203)
Net Loss after tax for the year ending on September 30, 2016	(13,023,037,380)
Deficit to be compensated	(16,143,568,821)
Compensation Item :	
Capital surplus - share premium	138,580,959
Ending Balance of Accumulated deficits	(16,004,987,862)

## Business Plans

To meet the challenges of global market recession, Yang Ming readjusts the financial structure and implements asset activation plans. Furthermore, the business plans of the Company are as follows:

1. New Alliance:

Operating procedure improvement: Yang Ming will go further to enlarge shipping service network, increase the efficiency by improving the loading factor and achieve the cost reduction after THE Alliance begins operation in April 2017.

2. Optimizing the operating procedure:

Yang Ming will continuously ramp up its operational effectiveness by optimizing the operating procedure in terms of business, planning, and management. To enhance the revenue and reduce the operation cost.

3. Business improvement:

Since August 1, 2016, Yang Ming focuses on cargo marginal contribution management, and controls the collection of detention and demurrage.

4. Centralizing group management:

To improve the performance management of agents and liner services and enhance the profitability of liner services.

5. Enhance IT system:

Establishing a unified IT system, to reduce the terminal operation cost, enlarge the slot utilization, and improve the operation performance.

6. Enrich working capital:

To improve the financial structure and enrich working capital, the Company would like to carry out additional capital raising by issuing 1 billion new shares in private placement.

The execution of business plans would be submitted to the Board meeting quarterly, and the annual shareholders' meeting next year.

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

New	Now	Remark
<p><u>Article 4 Limits of endorsements/guarantees of the Company</u></p> <p>The limits of endorsements/guarantees are as follows:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsements/guarantees shall not exceed <b>300%</b> of the net value of the Company's latest audited or reviewed financial reports.</li> <li>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.</li> <li>3. The total amount of endorsements/guarantees provided by the Company and its subsidiaries shall not exceed <b>400%</b> of the net value of the Company's latest audited or reviewed financial reports.</li> <li>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.</li> <li>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.</li> </ol>	<p><u>Article 4 Limits of endorsements/guarantees of the Company</u></p> <p>The limits of endorsements/guarantees are as follows:</p> <ol style="list-style-type: none"> <li>1. The total amount of endorsements/guarantees shall not exceed <b>200%</b> of the net value of the Company's latest audited or reviewed financial reports.</li> <li>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.</li> <li>3. The total amount of endorsements/guarantees provided by the Company and its subsidiaries shall not exceed <b>300%</b> of the net value of the Company's latest audited or reviewed financial reports.</li> <li>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.</li> <li>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.</li> </ol>	<p>Due to capital-intensive industry and large scale of operations, adjusting limits of endorsements/guarantees to comply with business requirements is necessary and reasonable.</p>

## List of release the prohibition on Directors

Name	Company	Job Title
Chih-Chien Hsieh	Kao Ming Container Terminal Corp.	Chairman
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Director
	Yang Ming Line (Singapore) Pte. Ltd.	Director
	Yang Ming Line Holding Co.	Director and President