Stock Code: 2609

2019 Shareholders' Meeting Handbook

YANG MING MARINE TRANSPORT CORP.

June 25, 2019

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

Table of Contents

Meeting Procedures

Procedures for 2019 Shareholders' Meeting

I. To Call the Meeting to Order

II. Chairperson's Remarks

III. Matters to Report

IV. Matters for Recognition

V. Matters for Discussion

VI. Extempore Motions

VII. Meeting Adjournment

Meeting Agenda

Agenda of 2019 Shareholders' Meeting

I. Time : 09:00 a.m. on Tuesday, June 25, 2019

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

III. To Call the Meeting to Order

IV. Chairperson's Remarks

V. Matters to Report
   i. 2018 Business Report
   ii. 2018 Audit Committee's Review Report
   iii. Execution Status of the Sound Business Plan for Public Offering in 2018

VI. Matters for Recognition
   i. Adoption of 2018 Business Report and Financial Statements
   ii. Adoption of 2018 Deficit Compensation Proposal

VII. Matters for Discussion
   i. The amendment to the Handling Procedures for Acquisition or Disposal of Assets
   ii. The amendment to the Principles for Loaning of Funds to Others
   iii. The amendment to the Procedures Governing Endorsements and Guarantees

VIII. Extempore Motions

IX. Meeting Adjournment

Matters to Report

I. 2018 Business Report

Explanation: Please refer to 2019 Shareholders' Meeting Handbook from page 9 to 15.

YANG MING MARINE TRANSPORT CORP.

2018 Business Report

The container shipping market maintained a stable development situation in 2018. However, due to the international oil price turmoil, and the new orderbook of some shipping companies continuously being put into market, the overall industry is still in an oversupply situation, and the operation of shipping companies is still extremely challenging. Looking to 2019, the global economic growth is still under pressure from uncertain factors, such as the trade war between the United States and China, and Brexit. Concerning the shipping market, the supply and demand of the overall container market are expected to be balanced, while the supply and demand situation of ships in the bulk market go stable. However, because of the implementation of IMO 2020 regulations to increase operating costs, and with the more conservative attitude of the EU and US regulators towards alliance cooperation, the future overall container shipping market is still full of challenges. Yang Ming takes cautious, non-pessimistic attitude toward future industrial development, meanwhile continue to provide the best service as the highest principle, implement the business philosophy of "teamwork, innovation, integrity, and pragmatism," improve Yang Ming's operating efficiency, do our best to maintain Yang Ming's sustainable management and social responsibility, so as to meet the support and expectations of all shareholders and the community.

I. Operational Profile

Changes in the external environment

i. Overall Economic Prosperity
According to the World Bank and the International Monetary Fund (IMF), global GDP growth rates in 2018 were 3.0% and 3.7%, respectively. According to IMF, the Global Insight, and the World Bank, the growth rate of trade volume in 2018 is between 3.8% and 4.0%, all of which original forecast are downgraded, which shows the friction of global trade relations in 2018, especially the development of trade war between the two major economies: The United States and China, as well as the Brexit and emerging market turmoil, which raises the risk of global economic prospects and further hinders trade growth. In terms of international crude oil prices, compared with the average price per barrel in 2017, which

average price was about 50-55 US dollars, the average price per barrel of 2018 was about 65-70 US dollars. The average price per barrel in the third quarter was about 70-75 US dollars, and climbed to 85 US dollars per barrel in October, but began to fall to 50-60 US dollars per barrel at the end of the fourth quarter. Based on US sanctions against Iran and other geopolitical disturbances, frequent OPEC+ production reduction actions and global demand slowdown, the international oil price fluctuated sharply throughout the year.

ii. Industry Supply and Demand

According to Alphaliner, a professional shipping consultancy, the growth rate of container shipping demand in 2018 was 4.8%, which was 1.95 percentage points lower than the 6.7% in 2017. In terms of capacity supply, the 2018 year growth rate was 5.7%, an increase of 2.0 percentage points compared with 3.7% in 2017, which indicates that the overall market for container shipping is still in a situation of imbalance between supply and demand. In the dry bulk market, the average BDI in 2018 was 1,353 points, an increase of about 20% compared with 1,133 points in 2017. According to Clarksons' latest report, the demand growth rate of bulk shipping in 2018 was 2.4%, and the supply growth rate was 2.9%, indicating that the supply and demand in the market still showed a slight oversupply situation.

II. Our Strategy

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

i. Service network upgrade and competitiveness enhancement

(i) Continue fleet renewal plans and gradually complete the short-, medium- and long-term fleet deployment plan in response to changes in the future liner cooperation;

(ii) Strengthen the competitiveness of east-west routes through close cooperation with the alliance;

(iii) Accelerate the Intra-Asia regional network and seek for opportunities to expand the niche market.

ii. Operational process improvement
   (i) Optimize operational management and improve planning, improve profitability and decision-making efficiency;
   (ii) Continuously promote pricing and booking operation optimization, improve customer satisfaction and save manpower;
   (iii) Initiate cargo delivery and cost management process optimization plan to improve cargo handling and cost control.

iii. Information system integration and upgrade: To meet the global single operating system upgrade and function enhancement, and implement centralized management objectives.

iv. Centralized management of the group: The headquarters manages the management strategy of the agents in a unified manner, enhances the agency's own ratio, centralizes the authority and responsibility of the selection and evaluation of the agents, and strengthens and optimizes the functions of the agents.

v. Investment strategy and application
   (i) Focus on the maritime industry, and develop investment based on the supply chain of container shipping industry, with a view to achieving the purpose of profiting Yang Ming, reducing operating costs and diversifying the risk of the maritime industry boom;
   (ii) Comprehensively review and track the performance of the investment business, integrate resources in a timely manner, eliminate weakness and stay strong.

III. Implementation Results of Business Plans

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

IV. Implementation Status of Operating Income and Expenses

i. Operating Revenue

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

ii. Operating Cost and Expenses

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

V. Profitability Analysis

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

VI. Research and Development Status

i. Digital Development Strategy

In order to respond to the recent development trend of digital technology and carry out the digital transformation of Yang Ming, the blockchain pilot project was introduced in the shipping related documents, and the verification of the blockchain bill of lading concept with single bank and customers was completed in 2018. At the end of 2018, the evaluation and participation in the operation of the international blockchain organization (alliance) has begun, to provide customers with multiple digital bill of lading options.

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

ii. Environment-friendly Fleet

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

(ii) Operational Phase: The company adopted the “best trim” green operation measure through inter-department cooperation by using the optimal sailing attitude, adjusting water ballast and draft of the ships in order to achieve energy-saving navigation. Meantime, monitoring on ship energy efficiency is continuously carried out for the large vessels. This is to observe the energy saving effect for timely operation improvement. On the other hand, OPTEMAR expert cooperation program has been applied to improve fleet fuel efficiency, reduce greenhouse gas emissions and waste.

iii. Awards & Performance

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

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

(ii) Awarded the annual Blue Circle Awards

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

(iii) Awarded the Best Airline Award of the Year by Target Corp.

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

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

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

(v) Awarded the Logistics Management 2018 Quality Excellence Award

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

II. 2018 Audit Committee's Review Report

Explanation: Please refer to 2019 Shareholders' Meeting Handbook page 17.

Audit Committee's Review Report

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

To: 2019 Annual Shareholders' Meeting

YANG MING MARINE TRANSPORT CORP.

Chairman of the Audit Committee: Ming-Sheu Tsai

Independent Director: Ming-Sheu Tsai

Independent Director: Tar-Shing Tang

Independent Director: Tze-Chun Wang

March 25, 2019

III. Execution Status of the Sound Business Plan for Public Offering in 2018

Explanation:

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

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

iii. The Execution Status of the Sound Business Plan for Public Offering in 2018 can be referred to 2019 Shareholders' Meeting Handbook from page 19 to 20.

Execution Status of a Sound Business Plan for Public Offering in 2018

I. Execution Status of a Sound Business Plan

(In Thousands of New Taiwan Dollars)

Items	2018	2017	Diff.
Operating Revenue	141,832,929	131,077,812	10,755,117
Operating Costs	141,790,706	124,582,587	17,208,119
Operating Gross Profit (Loss)	42,223	6,495,225	(6,453,002)
Operating Expenses	6,136,581	6,019,211	117,370
Other Operating Income and Expenses	427,966	298,772	129,194
Operating Profit (Loss)	(5,666,392)	774,786	(6,441,178)
Non-Operating Income and Expenses	(1,413,816)	(139,996)	(1,273,820)
Net Profit (Loss) Before Tax	(7,080,208)	634,790	(7,714,998)
Net Profit (Loss) for the Year	(6,306,356)	491,866	(6,798,222)

II. Explanation

The company continues to be committed deeply to developing the market, reducing operating costs and increasing the revenue of various businesses through the optimization of container flow management, the adjustment of cargo transportation structure, and the implementation of broadening sources of income and reducing expenditure. However, due to a lower freight in the market, and the rapid growth of oil price, net loss in 2018 is NT$6.306 billion, which is NT$6.798 billion differ from net profit NT$492 million in 2017.

The regular route is affected by the supply and demand imbalance of the market, and China's environmental protection policy, the overall freight descended. Yet, operating volume rose up to 11% compared to 2017, the bulk operating performance also improved as a result of the gradual recovery in the market. Additionally, by implementing the policy of broadening sources of income and reducing expenditure, the consolidative operating revenue increased NT$ 10.755 billion. Although the company has committed to adjust the cargo transportation structure, optimize container flow and promote the policies of broadening sources of income and reducing expenditure, due to the continuous growth of international oil price, the fuel costs have increased rapidly. The company's operating profit will be significantly eroded under the adverse effects of market competition that is not able to pass on fuel costs.

After completing the public offering of NT$6 billion in November 2017, the Company not only improves its financial structure but also actively promotes various operational strategies, maintains high-quality services and improves overall operating competitiveness. Although the operating performance in 2018 was not as good as in 2017 due to external environmental impacts, it had been gradually developed at the second half of 2018 and began to earn in the fourth quarter.

Matters for Recognition

I. Adoption of 2018 Business Report and Financial Statements

Explanation:

i. 2018 consolidated and stand-alone financial statements have been duly audited by the Certified Public Accountants, Chin-Tsung Cheng and Yu-Mei Hung of Deloitte & Touche. Also, 2018 business report and the aforementioned financial statements have been examined by the Audit Committee.

ii. 2018 business report can be referred to 2019 Shareholders' Meeting Handbook from page 9 to 15 and 2018 consolidated and stand-alone financial statements can be referred to 2019 Shareholders' Meeting Handbook from page 23 to 45.

Resolution:

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yang Ming Marine Transport Corporation

Opinion

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

In our opinion, based on our audits and the reports of other independent auditors (refer to the Other Matter paragraph below), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2018 are as follows:

<u>Assessment of the Impairment of Tangible Assets (Not Including Investment Properties) and Intangible Assets</u>

The carrying amount of tangible assets (not including investment properties) and intangible assets in the aggregate was NT$80,254,725 thousand. The amount was material to the consolidated financial statements. Furthermore, but also the economic trend of the industry influenced the assessment of impairment reached by the management of the Group. The Group's management evaluated the impairment amount by taking the profitability, expected cash flows, economic benefits, cost of equity and cost of debt into consideration for forming the basis of assessment. Since the assessment of impairment involves judgment of critical estimation from the Group's management, we deemed the assessment of impairment of the tangible assets (not including investment properties) and intangible assets as a key audit matter.

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

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

Evaluation of the Impairment of Deferred Tax Assets Generated from Tax Loss Carryforwards

The carrying amount of deferred tax assets generated from tax loss carryforwards was NT$4,688,658 thousand. The amount was material to the consolidated financial statements. Furthermore, the recognition of deferred tax assets is based on the prediction of future taxable income. Since the impairment involves judgment of critical estimation from the Group's management, we deemed the impairment of deferred tax assets generated from tax loss carryforwards as a key audit matter.

The evaluation of the impairment of deferred tax assets generated from tax loss carryforwards included the critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 31 to the accompanying consolidated financial statements.

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

Evaluation of the Provisions for Onerous Contracts

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

The evaluation of provisions for onerous contracts included critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 25 to the accompanying consolidated financial statements.

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

Audit of the Percentage-of-completion

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

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

The judgment of cargo revenue recognition included critical accounting judgments and key sources of estimation uncertainty disclosed in Notes 5 and 29 to the accompanying consolidated financial statements.

We tested the accuracy of the timing of the revenue recognition. Through subsequent information of voyages, berthing reports, sailing schedules and report of the estimation of the bill of landing revenue, we reviewed the basis of estimates and verified the validity of the voyage dates calculated by Group's management and of the revenue resulting from voyages.

Other Matter

We did not audit the financial subsidiaries, namely Yes Logistics Company Ltd. and Yang Ming Line Holding Co., and some subsidiaries, namely Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line B.V., as of and for the years ended December 31, 2018 and 2017. The financial statements of these subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts for these subsidiaries included in the accompanying consolidated financial statements, is based solely on the reports of other auditors. The combined assets of these subsidiaries were NT$5,388,236 thousand and NT$4,740,569 thousand, representing 3.85% and 3.57% of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively. The combined operating revenue of these subsidiaries were NT$561,174 thousand and NT$701,728 thousand, representing 0.40% and 0.54% of the Group's total consolidated operating revenue for the years ended December 31, 2018 and 2017, respectively. Also, we did not audit the financial statements of the associates and joint ventures, which were accounted for by the equity-method, listed as follows: Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Company Limited, Corstor Ltd., Chang Ming Logistics Company Limited, YES LIBERAL Logistics Corp., LogiTrans Technology Private Limited, PT. Formosa Sejati Logistics and YES AND HQL LOGISTICS COMPANY for the year ended December 31, 2018, and Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Company Limited, Corstor Ltd., Chang Ming Logistics Company Limited, Sino-YES Tianjin Cold Chain Logistics Company Limited, YES LIBERAL Logistics Corp., LogiTrans Technology Private Limited, Sino Trans PFS Cold Chain Logistics Co., Ltd. and Shanghai United Cold Chain Logistics Co., Ltd. for the year ended December 31, 2017. The financial statements of these associates and joint ventures were audited by other auditors. The carrying amounts of these associates and joint ventures were NT$1,485,082 thousand and NT$1,543,832 thousand, representing 1.06% and 1.16% of the Group's total consolidated assets as of December 31, 2018 and 2017, respectively. The amounts of profit or loss recognized on investments accounted for by the equity method were NT$187,273 thousand and NT$(109,783) thousand, representing (3.01%) and (166.08%) of the Group's total comprehensive income for the years ended December 31, 2018 and 2017, respectively. The financial statements of these associates and joint ventures were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amount of these associates and joint ventures included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

We have also audited the parent company only financial statements of Yang Ming Marine Transport Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with an Other Matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

<u>*Notice to Readers*</u>

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 37)	$ 17,399,750	12	$ 12,806,622	10
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	262,576	-	317,796	-
Available-for-sale financial assets - current (Notes 4 and 10)	-	-	1,475	-
Financial assets at amortized cost - current (Notes 4, 9 and 37)	651,187	1	-	-
Contract assets, net (Notes 4, 29 and 37)	1,747,637	1	-	-
Notes receivable, net (Notes 4 and 12)	7,534	-	7,982	-
Trade receivables, net (Notes 4 and 12)	8,203,538	6	7,965,350	6
Trade receivables from related parties (Notes 4, 12 and 37)	248,268	-	324,938	-
Shipping fuel (Notes 4 and 13)	4,082,616	3	2,772,425	2
Prepayments (Notes 4, 18 and 37)	725,586	1	770,906	1
Prepayments to shipping agents (Note 37)	18,608	-	300,225	-
Other financial assets - current (Notes 4, 19, 37 and 38)	-	-	318,790	-
Other current assets (Notes 31 and 37)	1,292,173	1	1,300,816	1
Total current assets	34,639,473	25	26,887,325	20
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	1,701,701	1	-	-
Available-for-sale financial assets - non-current (Notes 4, 10 and 38)	-	-	1,174,587	1
Financial assets at amortized cost - non-current(Notes 4 and 9)	3,254,132	2	-	-
Financial assets measured at cost - non-current (Notes 4 and 11)	-	-	488,037	-
Investments accounted for using equity method (Notes 4 and 15)	8,031,722	6	7,994,209	6
Property, plant and equipment (Notes 4, 5, 16 and 38)	78,371,995	56	80,987,285	61
Investment properties (Notes 4, 17 and 38)	6,272,493	5	6,286,118	5
Other intangible assets (Notes 4 and 5)	98,222	-	106,454	-
Deferred tax assets (Notes 4, 5 and 31)	5,324,506	4	4,044,294	3
Prepayments for equipment (Notes 4 and 5)	1,279,519	1	50,997	-
Refundable deposits (Note 34)	451,572	-	701,014	1
Other financial assets - non-current (Notes 4, 19, 26 and 38)	63,447	-	3,597,979	3
Long-term prepayments for leases (Notes 4, 5, 18 and 37)	473,417	-	504,989	-
Other non-current assets	10,900	-	53,122	-
Total non-current assets	105,333,626	75	105,989,085	80
TOTAL	$ 139,973,099	100	$ 132,876,410	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 37)	$ 4,756,377	4	$ 4,470,166	3
Short-term bills payable (Note 20)	9,601,979	7	7,212,281	6
Financial liabilities at FVTPL - current (Notes 4 and 7)	37,460	-	-	-
Contract liabilities - current (Notes 4 and 29)	120,736	-	-	-
Notes payable (Note 37)	29,763	-	31,729	-
Trade payables (Note 22)	12,965,069	9	12,248,428	9
Trade payables to related parties (Notes 22 and 37)	571,016	1	547,579	1
Other payables (Notes 24 and 37)	3,296,101	2	3,114,868	2
Current tax liabilities (Notes 4 and 31)	179,271	-	223,423	-
Provisions - current (Notes 4, 5 and 25)	478,622	-	791,602	1
Current portion of long-term liabilities (Notes 20, 21, 23, 26, 37 and 38)	14,715,685	11	15,037,430	11
Other advance account	204,546	-	282,742	-
Other current liabilities	540,003	-	380,454	-
Total current liabilities	47,496,628	34	44,340,702	33
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4, 21, 37 and 38)	13,164,195	9	11,892,879	9
Long-term borrowings (Notes 20, 37 and 38)	46,929,208	34	37,805,130	29
Provisions - non-current (Notes 4, 5 and 25)	297,007	-	24,672	-
Deferred tax liabilities (Notes 4 and 31)	1,696,647	1	1,798,614	1
Finance lease payables - non-current (Notes 4 and 23)	3,834,330	3	4,010,269	3
Other advance account - non-current	765,068	1	932,178	1
Other financial liabilities - non-current (Notes 4, 21 and 26)	2,697,493	2	3,050,068	2
Net defined benefit liabilities - non-current (Notes 4 and 27)	2,557,552	2	2,332,688	2
Other non-current liabilities	240,227	-	179,610	-
Total non-current liabilities	72,181,727	52	62,026,108	47
Total liabilities	119,678,355	86	106,366,810	80
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital - ordinary shares	23,230,248	17	23,230,248	18
Capital surplus	4,739,792	3	5,571,490	4
Accumulated deficits	(7,131,851)	(5)	(1,565,150)	(1)
Other equity	(1,010,181)	(1)	(1,203,023)	(1)
Total equity attributable to owners of the Company	19,828,008	14	26,033,565	20
NON-CONTROLLING INTERESTS	466,736	-	476,035	-
Total equity	20,294,744	14	26,509,600	20
TOTAL	$ 139,973,099	100	$ 132,876,410	100

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 5, 29 and 37)	$ 141,832,929	100	$ 131,077,812	100
OPERATING COSTS (Notes 4, 13, 30 and 37)	141,790,706	100	124,582,587	95
GROSS PROFIT	42,223	-	6,495,225	5
OPERATING EXPENSES (Notes 30 and 37)				
Selling and marketing expenses	5,346,019	4	5,183,941	4
General and administrative expenses	793,717	-	835,270	1
Expected credit loss reversed	(3,155)	-	-	-
Total operating expenses	6,136,581	4	6,019,211	5
OTHER OPERATING INCOME AND EXPENSES (Notes 4 and 30)	427,966	-	298,772	-
PROFIT (LOSS) FROM OPERATIONS	(5,666,392)	(4)	774,786	-
NON-OPERATING INCOME AND EXPENSES (Notes 4, 30 and 37)				
Other income	291,812	-	182,120	-
Other gains and losses	(38,761)	-	1,453,356	1
Finance costs	(1,829,511)	(1)	(1,811,454)	(1)
Share of profit or loss of associates and joint ventures	162,644	-	35,982	-
Total non-operating income and expenses	(1,413,816)	(1)	(139,996)	-
PROFIT (LOSS) BEFORE INCOME TAX	(7,080,208)	(5)	634,790	-
INCOME TAX BENEFIT (EXPENSE) (Notes 4, 5 and 31)	773,852	1	(142,924)	-
NET PROFIT (LOSS) FOR THE YEAR	(6,306,356)	(4)	491,866	-
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 27, 28 and 31)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at FVTOCI	86,968	-	-	-
Remeasurement of defined benefit plans	(219,875)	-	(255,378)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	$ 11,600	-	$ 291	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	61,879	-	43,414	-
	(59,428)	-	(211,673)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	148,885	-	(577,119)	-
Unrealized gain on available-for-sale financial assets	-	-	304,588	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	-	-	21,561	-
Income tax relating to items that may be reclassified subsequently to profit or loss	2,233	-	36,881	-
	151,118	-	(214,089)	-
Other comprehensive income (loss) for the year, net of income tax	91,690	-	(425,762)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (6,214,666)	(4)	$ 66,104	-
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ (6,590,955)	(4)	$ 320,849	-
Non-controlling interests	284,599	-	171,017	-
	$ (6,306,356)	(4)	$ 491,866	-
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ (6,473,151)	(4)	$ (90,971)	-
Non-controlling interests	258,485	-	157,075	-
	$ (6,214,666)	(4)	$ 66,104	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
EARNING (LOSS) PER SHARE (Note 32)				
From continuing operations				
Basic	$ (2.53)		$ 0.17	
Diluted	$ (2.53)		$ 0.17	

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company: Share Capital (Notes 4 and 28) Shares (In Thousands)	Share Capital (Notes 4 and 28) Amount	Capital Surplus (Notes 4 and 28)	Accumulated Deficits (Note 28) Deficit to be Compensated	Other Equity: Exchange Differences on Translating Foreign Operations Reserve (Notes 4 and 28)	Other Equity: Unrealized Gain/Loss from Available-for-sale Financial Assets (Notes 4 and 28)	Other Equity: Unrealized Gain/Loss on Financial Assets at Fair Value Through Other (Notes 4 and 28)	Total	Non-controlling Interests (Note 28)	Total Equity
BALANCE AT JANUARY 1, 2017	3,004,440	$ 30,044,401	$ 4,425,139	$ (17,657,109)	$ 439,738	$ (1,443,331)	$ -	$ 15,808,838	$ 469,667	$ 16,278,505
Donations from shareholders	-	-	7	-	-	-	-	7	-	7
Changes in accumulated deficits from investments in associates accounted for using equity method	-	-	-	(90)	-	-	-	(90)	90	-
Net profit for the year ended December 31, 2017	-	-	-	320,849	-	-	-	320,849	171,017	491,866
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	(212,390)	(525,579)	326,149	-	(411,820)	(13,942)	(425,762)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	108,459	(525,579)	326,149	-	(90,971)	157,075	66,104
Issuance of ordinary shares for cash	919,084	9,190,835	1,123,833	-	-	-	-	10,314,668	-	10,314,668
Share-based payments	-	-	22,511	-	-	-	-	22,511	-	22,511
Capital reduction used to offset accumulated deficits	(1,600,499)	(16,004,988)	-	16,004,988	-	-	-	-	-	-
Changes in percentage of ownership interests in subsidiaries (Note 33)	-	-	-	(21,398)	-	-	-	(21,398)	21,398	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(172,195)	(172,195)
BALANCE AT DECEMBER 31, 2017	2,323,025	23,230,248	5,571,490	(1,565,150)	(85,841)	(1,117,182)		26,033,565	476,035	26,509,600
Effect of retrospective application and retrospective restatement	-	-	-	37,543	-	1,117,182	(1,201,784)	(47,059)	(48)	(47,107)
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,323,025	23,230,248	5,571,490	(1,527,607)	(85,841)	-	(1,201,784)	25,986,506	475,987	26,462,493
Equity component of convertible bonds issued by the Company	-	-	308,765	-	-	-	-	308,765	-	308,765
Capital surplus used to offset accumulated deficits	-	-	(1,146,351)	1,146,351	-	-	-	-	-	-
Net profit (loss) for the year ended December 31, 2018	-	-	-	(6,590,955)	-	-	-	(6,590,955)	284,599	(6,306,356)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(159,640)	178,191	-	99,253	117,804	(26,114)	91,690
Total comprehensive loss for the year ended December 31, 2018	-	-	-	(6,750,595)	178,191	-	99,253	(6,473,151)	258,485	(6,214,666)
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 33)	-	-	5,718	-	-	-	-	5,718	(17,632)	(11,914)
Change in percentage of ownership interests in subsidiaries	-	-	170	-	-	-	-	170	2	172
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(250,106)	(250,106)
BALANCE AT DECEMBER 31, 2018	2,323,025	$ 23,230,248	$ 4,739,792	$ (7,131,851)	$ 92,350	$ -	$ (1,102,531)	$ 19,828,008	$ 466,736	$ 20,294,744

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FORM OPERATING ACTIVITIES		
Income (loss) before income tax	$ (7,080,208)	$ 634,790
Adjustments for:		
Depreciation expenses	6,471,883	6,412,932
Amortization expenses	35,148	38,335
Impairment loss recognized on trade receivables	-	25,818
Expected credit loss reversed on trade receivables	(3,155)	-
Net loss (gain) on fair value change of financial assets/liabilities at FVTPL	61,468	(57,375)
Finance costs	1,829,511	1,811,454
Interest income	(155,192)	(95,971)
Dividend income	(52,515)	(2,831)
Compensation costs of employee share options	-	22,511
Share of profit of associates and joint ventures	(162,644)	(35,982)
Gain on disposal of property, plant and equipment	(309,201)	(194,242)
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	-	(6,542)
Impairment loss recognized on financial assets	-	140
(Reversal of) write-downs of shipping fuel	91,276	(230,430)
Net loss (gain) on foreign currency exchange	261,130	(753,107)
Net loss on repurchase of bonds payable	466	-
Loss (gain) on changes in fair value of investment properties	19,540	(73,884)
Amortization of long-term prepayments for leases	31,572	31,572
Reversal of provisions	(59,320)	(481,380)
Recognition of donations	-	(1,542)
Changes in operating assets and liabilities		
Financial assets held for trading	-	428,181
Financial assets mandatorily classified as at FVTPL	16,656	-
Contract assets	661,954	-
Notes receivable	448	(1,039)
Trade receivables	(2,599,552)	(463,675)
Trade receivables from related parties	14,071	(29,560)
Shipping fuel	(1,402,890)	(553,344)
Prepayments	44,441	9,073
Prepayments to shipping agents	281,617	(821)
Other current assets	(94,534)	(120,553)
Notes payable	(1,966)	(22,553)
Trade payables	716,641	(1,679,205)
Trade payables to related parties	23,437	(348,320)
Other payables	184,854	(21,011)
Contract liabilities	5,104	-
Other advance account	(129,674)	(153,401)
Other current liabilities	126,794	(123,878)
Net defined benefit liabilities	4,989	(83,312)
Cash generated from (used in) operations	(1,167,851)	3,880,848

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YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	2018	2017
Interest received	$ 147,799	$ 105,606
Dividends received	331,732	246,442
Interest paid	(1,872,869)	(2,001,269)
Income tax paid	(536,100)	(315,588)
Net cash generated from (used in) operating activities	(3,097,289)	1,916,039
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital reduction and withdrawal of shares of financial assets at FVTOCI	784	-
Purchase of financial assets at amortized cost	(505,164)	-
Proceeds from sale of financial assets at amortized cost	373,687	-
Purchase of available-for-sale financial assets	-	(1,700,000)
Proceeds from disposal of available-for-sale financial assets	-	1,700,161
Proceeds from disposal of financial assets measured at cost	-	10,286
Acquisition of associates and joint ventures	(112,631)	(44,950)
Net cash inflow on disposal of associates	60,331	13,255
Payments for property, plant and equipment	(4,182,445)	(1,552,495)
Proceeds from disposal of property, plant and equipment	470,858	241,306
Decrease (increase) in refundable deposits	249,442	(299,673)
Payments for intangible assets	(27,695)	(25,491)
Acquisition of investment properties	(5,915)	(5,476)
Decrease (increase) in other financial assets	(9,912)	687,896
Decrease (increase) in other non-current assets	49,165	(2,038)
Increase in prepayments for equipment	(755,743)	(403,189)
Net cash used in investing activities	(4,395,238)	(1,380,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	286,211	(1,315,922)
Proceeds from short-term bills payable	2,400,000	5,828,000
Repurchase of bonds payable	(149,200)	-
Proceeds from issuance of bonds payable	7,676,000	-
Repayments of bonds payable	(1,275,952)	(6,585,000)
Proceeds from long-term borrowings	29,353,066	17,163,891
Repayments of long-term borrowings	(25,424,533)	(23,862,897)
Payments for obligations under finance leases	(318,966)	(381,650)
Decrease in other financial liabilities	(247,704)	(580,498)
Increase in other non-current liabilities	60,617	92,575
Issuance of ordinary shares for cash	-	10,314,668
Acquisition of subsidiaries (Note 33)	(11,914)	-
Net change in non-controlling interests	(250,106)	(172,195)
Net cash generated from financing activities	12,097,519	500,972

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	2018	**2017**
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	$ (11,864)	$ (167,357)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,593,128	869,246
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,806,622	11,937,376
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 17,399,750	$ 12,806,622

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yang Ming Marine Transport Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the financial statements of the Company for the year ended December 31, 2018 are as follows:

<u>Assessment of the Impairment of Tangible Assets (Not Including Investment Properties) and Intangible Assets</u>

The carrying amount of tangible assets (not including investment properties) and intangible assets in the aggregate was NT$36,270,437 thousand. The amount was material to the financial statements. Furthermore, the economic trend of the industry influenced the assessment of impairment reached by the management of the Company. The Company's management evaluated the impairment amount by taking the profitability, expected cash flows, economic benefits, cost of equity and cost of debt into consideration for forming the basis of assessment. Since the assessment of impairment involves judgment of critical estimation from the Company's management, we deemed the assessment of impairment of the tangible assets (not including investment properties) and intangible assets as a key audit matter.

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

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

Evaluation of the Impairment of Deferred Tax Assets Generated From Tax Loss Carryforwards

The carrying amount of deferred tax assets generated from tax loss carryforwards was NT$4,688,658 thousand. The amount was material for the financial statements. Furthermore, the recognition of deferred tax assets is based on the prediction of future taxable income. Since the impairment involves judgment of critical estimation from the Company's management, we deemed the impairment of deferred tax assets generated from tax loss carryforwards as a key audit matter.

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

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

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

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

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

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

Audit of the Percentage-of-completion

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based

on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

Notice to Readers

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 5, 27 and 35)	$ 119,440,265	100	$ 110,458,769	100
OPERATING COSTS (Notes 4, 14, 28 and 35)	124,346,683	104	108,796,309	98
GROSS PROFIT (LOSS)	(4,906,418)	(4)	1,662,460	2
OPERATING EXPENSES (Notes 28 and 35)				
Selling and marketing expenses	1,446,803	1	1,517,164	2
General and administrative expenses	349,940	-	342,554	-
Expected credit loss reversed	2,811	-	-	-
Total operating expenses	1,799,554	1	1,859,718	2
OTHER OPERATING INCOME AND EXPENSES (Note 28)	370,713	-	257,448	-
PROFIT (LOSS) FROM OPERATIONS	(6,335,259)	(5)	60,190	-
NON-OPERATING INCOME AND EXPENSES (Notes 4, 28 and 35)				
Other income	591,629	1	574,832	-
Other gains and losses	132,469	-	643,577	1
Finance costs	(1,088,641)	(1)	(1,155,818)	(1)
Share of profits or loss of subsidiaries and associates	(948,125)	(1)	91,833	-
Total non-operating income and expenses	(1,312,668)	(1)	154,424	-
PROFIT (LOSS) BEFORE INCOME TAX	(7,647,927)	(6)	214,614	-
INCOME TAX BENEFIT (Notes 4, 5 and 29)	1,056,972	1	106,235	-
NET PROFIT (LOSS) FOR THE YEAR	(6,590,955)	(5)	320,849	-
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 25, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at FVTOCI	86,868	-	-	-
Remeasurement of defined benefit plans	(209,853)	-	(231,652)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	$ 3,660	-	$ (20,119)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	58,938	-	39,381	-
	(60,387)	-	(212,390)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	175,958	-	(562,460)	-
Unrealized gain on available-for-sale financial assets	-	-	304,261	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	-	-	21,888	-
Income tax relating to items that may be reclassified subsequently to profit or loss	2,233	-	36,881	-
	178,191	-	(199,430)	-
Other comprehensive loss for the year, net of income tax	117,804	-	(411,820)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (6,473,151)	(5)	$ (90,971)	-
EARNING (LOSS) PER SHARE (Note 30)				
From continuing operations				
Basic	$(2.53)		$0.17	
Diluted	$(2.53)		$0.17	

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

	Share Capital (Note 26)				Other Equity			
	Shares (In Thousands)	Amount	Capital Surplus (Notes 26 and 31)	Accumulated Deficits (Note 26)	Exchange Differences on Translating Foreign Operations (Notes 4 and 26)	Unrealized Loss on Available-for-sale Financial Assets (Notes 4 and 26)	Unrealized Gain/Loss on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 26)	Total Equity
BALANCE AT JANUARY 1, 2017	3,004,440	$ 30,044,401	$ 4,425,139	$(17,657,109)	$ 439,738	$ (1,443,331)	$ -	$ 15,808,838
Donations from shareholders	-	-	7	-	-	-	-	7
Changes in accumulated deficits from investments in associates accounted for using equity method	-	-	-	(90)	-	-	-	(90)
Net profit for the year ended December 31, 2017	-	-	-	320,849	-	-	-	320,849
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	(212,390)	(525,579)	326,149	-	(411,820)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	108,459	(525,579)	326,149	-	(90,971)
Issuance of ordinary shares for cash	919,084	9,190,835	1,123,833	-	-	-	-	10,314,668
Share-based payments	-	-	22,511	-	-	-	-	22,511
Capital reduction used to offset accumulated deficits	(1,600,499)	(16,004,988)	-	16,004,988	-	-	-	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	(21,398)	-	-	-	(21,398)
BALANCE AT DECEMBER 31, 2017	2,323,025	23,230,248	5,571,490	(1,565,150)	(85,841)	(1,117,182)	-	26,033,565
Effect of retrospective application and retrospective restatement	-	-	-	37,543	-	1,117,182	(1,201,784)	(47,059)
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,323,025	23,230,248	5,571,490	(1,527,607)	(85,841)	-	(1,201,784)	25,986,506
Equity component of convertible bonds issued by the Company	-	-	308,765	-	-	-	-	308,765
Capital surplus used to offset accumulated deficits	-	-	(1,146,351)	1,146,351	-	-	-	-
Net loss for the year ended December 31, 2018	-	-	-	(6,590,955)	-	-	-	(6,590,955)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	(159,640)	178,191	-	99,253	117,804
Total comprehensive loss for the year ended December 31, 2018	-	-	-	(6,750,595)	178,191	-	99,253	(6,473,151)
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (Note 31)	-	-	5,718	-	-	-	-	5,718
Change in percentage of ownership interests in subsidiaries	-	-	170	-	-	-	-	170
BALANCE AT DECEMBER 31, 2018	2,323,025	$ 23,230,248	$ 4,739,792	$ (7,131,851)	$ 92,350	$ -	$ (1,102,531)	$ 19,828,008

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

	2018	2017
CASH FLOWS FORM OPERATING ACTIVITIES		
Income (loss) before income tax	$ (7,647,927)	$ 214,614
Adjustments for:		
Depreciation expenses	2,822,932	2,734,186
Amortization expenses	18,815	26,707
Impairment loss recognized on trade receivables	-	20,852
Expected credit loss reversed on trade receivables	2,811	-
Net gain on fair value change of financial assets/liabilities at FVTPL	(129,063)	(18,360)
Finance costs	1,088,641	1,155,818
Interest income	(448,367)	(482,844)
Dividend income	(50,237)	(614)
Compensation costs of employee share options	-	22,511
Share of profit (loss) of subsidiaries and associates	948,125	(91,833)
Gain on disposal of property, plant and equipment	(304,001)	(193,952)
Loss on disposal of associates	1,260	-
Gain on disposal of available-for-sale financial assets	-	(161)
(Reversal of) write-down of shipping fuel	98,349	(251,497)
Net loss on repurchase of bonds payable	466	-
Loss (gain) on change in fair value of investment properties	17,289	(89,491)
Amortization of long-term prepayments for leases	31,572	31,572
Recognition of donations	-	(1,542)
Changes in operating assets and liabilities		
Financial assets held for trading	151,172	21,264
Contract assets	(809,109)	-
Trade receivables	(1,612,026)	(210,981)
Trade receivables from related parties	793,274	(15,680)
Other receivables from related parties	23,719	54,777
Shipping fuel	(1,149,972)	(427,678)
Prepayments	55,959	12,889
Prepayments to shipping agents	264,741	(38,124)
Other current assets	(702,866)	(490,289)
Contract liabilities	41,439	-
Trade payables	1,051,532	(1,522,569)
Trade payables to related parties	(309,563)	(1,417,656)
Other payables	111,093	52,951
Other payables to related parties	(60,613)	(34,174)
Advances from customers	(197,643)	(174,016)
Other current liabilities	81,814	(154,897)
Net defined benefit liabilities	11,619	(45,928)
Cash used in operations	(5,804,765)	(1,314,145)
Interest received	920,212	1,010,323
Dividend received	496,119	455,286
Interest paid	(1,936,142)	(1,582,936)
Income tax paid	(183,603)	(145,710)
Net cash used in operating activities	(6,508,179)	(1,577,182)

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

II. Adoption of 2018 Deficit Compensation Proposal

Explanation:

i. The initial balance of accumulated deficits is NT$418,798,099. After adjustment for the recognition of the increased IFRS9 opening effects of NT$37,542,536, and the actuarial loss of NT$159,640,281 arising from the defined benefit plans, plus the net loss of NT$6,590,955,319, the ending balance of accumulated deficits is NT$7,131,851,163. Statement of deficit compensated of the year ending on December 31, 2018, can be referred to 2019 Shareholders' Meeting Handbook page 47.

ii. It is proposed not to distribute any dividends for the year ending on December 31, 2018.

Resolution:

YANG MING CORP.
Statement of Deficit Compensated
2018

Unit：NT$

Item		Amount
Beginning deficit to be compensated		(418,798,099)
Initial recognition in accordance with IFRS 9		37,542,536
Actuarial gain (loss) arising from defined benefit plans		(159,640,281)
Beginning deficit to be compensated after adjusted		(540,895,844)
Net Loss after tax for 2018		(6,590,955,319)
Deficit to be compensated		(7,131,851,163)
Compensation Item		
Capital surplus - Treasury stock trading	1,146,351,679	
Capital surplus - changes in percentage of ownership interest in subsidiaries	170,553	
Capital surplus - Difference between equity price and book value of Subsidiaries	5,718,187	
Total		17,325,368
Ending deficit to be compensated		(7,114,525,795)

In accordance with Article 239 of the Company Act

Matters for Discussion

I. The Amendment to the Handling Procedures for Acquisition and Disposal of Assets

Explanation: Due to business needs and according to the letter issued by the Financial Supervisory Commission dated November 26, 2018 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1070341072), to amend the provisions of the Handling Procedures for Acquisition and Disposal of Assets, the comparison table of the provisions can be referred to 2019 Shareholders' Meeting Handbook from page 50 to 69.

Resolution:

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

New	Now	Remark
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 property(including land, houses and buildings, investment property) 3. Memberships 4. Patents, copyrights, trademarks, franchises and other intangible assets 5. Equipment(including but not limited to vessels, containers, chassis, machinery, computer hardware and peripherals) 6. Right-of-use asset. 7. Derivatives 8. Assets acquired or disposed through mergers, split-up, tender offer or transfer of shares in accordance with laws 9. Other assets	**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(including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) 3. Memberships 4. Patents, copyrights, trademarks, franchises and other intangible assets 5. Equipment(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	Amend wording according to the letter issued by the Financial Supervisory Commission dated November 26, 2018 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1070341072)
Article 4 Defined terms **"Derivatives"** means forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The	**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	Amend wording according to the letter issued by the Financial Supervisory Commission dated November

New	Now	Remark
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 therefore(hereinafter "transfer of shares") under Article 156-3 of R.O.C. Company Act. **"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 property appraisers or other persons duly authorized by laws to engage in the value appraisal of real property, equipment 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	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 therefore(hereinafter "transfer of shares") under paragraph 8 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, equipment 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	26, 2018 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1070341072)

New	Now	Remark
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..	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 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 acquiring non-business real property or right-of-use assets thereof shall not exceed 40% 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 100% of the Company's paid-in capital. 2. Authorized quota for the management (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.	**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 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 100% of the Company's paid-in capital. 2. Authorized quota for the management (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. (2). Real estate, equipment and other assets for	Adjust some authorization amount due to business needs

<table>
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<tr><td>(2). Real <u>property</u>, equipment, other assets <u>or right-of-use assets thereof besides right-of-use of vessels</u> for the purpose of conducting business The amount for each transaction is within TWD100 million.
(3). <u>Right-of-use assets of vessels for the purpose of conducting business</u>
<u>The amount for each transaction is within TWD600 million. If there are special timeliness considerations, the amount is TWD 800 million.</u>
(4). Non-business real <u>property and right-of-use assets thereof</u>
The amount for each transaction is within TWD10 million.
(5). Memberships and intangible assets <u>and right-of-use assets thereof</u>
The amount for each transaction is within TWD10 million.
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 committee and reported to board of directors for approval and then implement.</td><td>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.
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 committee and reported to board of directors for approval and then implement.</td><td></td></tr>
<tr><td><u>Article 6 Assessment procedures for acquiring or disposing assets</u>
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</td><td><u>Article 6 Assessment procedures for acquiring or disposing assets</u>
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</td><td>Amend wording according to the letter issued by the Financial Supervisory Commission dated</td></tr>
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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 ROC 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. If the amount of the Company acquiring or disposing real property, equipment, other assets or right-of-use asset thereof is over and above 20% of the Company's paid-in capital or TWD300 million unless transacting with domestic government institutions, engaging others to build on its own land or acquiring or disposing business equipments or right-of-use asset thereof, 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 for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change 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	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 ROC 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. If the amount of the Company acquiring or disposing real estate, equipment 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 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.	November 26, 2018 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1070341072)

New	Now	Remark
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: (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 intangible assets <u>or right-of-use asset thereof or memberships</u> is over and above 20% of the Company's paid-in capital or TWD300 million, except in transactions with a <u>domestic</u> government agency, a CPA shall be retained pursuant to Financial Accounting Standards	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: (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, except in transactions with a government agency, a CPA shall be retained pursuant to Financial Accounting Standards No. 20 published by ROC Accounting Research and Development	

New	Now	Remark
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. 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 meet the following requirements: 1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence,	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. 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.	

New	Now	Remark
since expiration of the period of a suspended sentence, or since a pardon was received. 2. May not be a related party or de facto related party of any party to the transaction. 3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following: 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers. 3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion. 4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and		

New	Now	Remark
found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.		
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 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. The Company that intends to acquire or dispose of real property or right-of-use assets thereof (regardless the transaction amounts) from or to related parties, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof 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, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, 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	**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 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. 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, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, 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,	Amend wording according to the letter issued by the Financial Supervisory Commission dated November 26, 2018 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1070341072)

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<tr><td>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 <u>or right-of-use assets thereof</u> 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 <u>property</u> 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 <u>the types of transactions listed below, when to be conducted</u> between the</td><td>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 <u>the acquisition or disposal of business-use machinery and equipment</u> between the Company and its subsidiaries, the Company's board of directors may pursuant to Article 5 delegate the board chairman to decide</td><td></td></tr>
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<tr><td>Company and its subsidiaries<u> or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital,</u> 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.
1. <u>Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</u>
2. <u>Acquisition or disposal of real property right-of-use assets held for business use.</u>
The Company shall evaluate the rationality of the transaction costs by the following means when acquiring real <u>property or right-of-use assets thereof</u> from related parties. Where land and structures thereupon are combined as a single property purchased <u>or leased</u> 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</td><td>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.
<u>The Company shall follow the preceding provisions regarding appraising the transaction cost and engage a CPA to check the appraisal</u></td><td></td></tr>
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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 that acquires real property or right-of-use assets thereof form a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding paragraph shall also engage a CPA to check the appraisal and render a specific opinion. If one of the following circumstances exists when the Company acquiring real property or right-of-use assets thereof 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 acquired the real property or right-of-use assets thereof through inheritance or as a gift. 2. The time when the related party signs the contract to obtain the real property or right-of-use assets thereof is more than five years earlier than the date for signing the transaction. 3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land. 4. The real property right-of-use assets for	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, or through engaging a related party to build real property, either on the company's own land or on rented land. 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	

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business use are acquired by the company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital. 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 property 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	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	

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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 sale or leasing practices. 2. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year. 3. Completed transactions involving 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 publicly announced current value; transactions involving 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 the preceding year refers to year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof. Where the Company acquires real property or right-of-use assets thereof from related parties and the appraisal results conducted in accordance with the provisions of the fourth to the seventh paragraphs of this Article are	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	

New	Now	Remark
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 or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, 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	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.	

New	Now	Remark
transaction, and FSC has given its consent.		
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 property or right-of-use assets thereof from or to related parties (regardless transaction amounts), or acquisition or disposal of assets other than real property or right-of-use assets thereof 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 domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. 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 the type of asset acquired or disposed is equipment/machinery or right-of-use assets thereof for business use, the trading counterparty is not a related party, and the transaction amount reaches TWD1 billion or more. 5. Where land is acquired under an arrangement on engaging others to build	**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, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. 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 the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount reaches TWD1 billion or more. 5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing	Amend wording according to the letter issued by the Financial Supervisory Commission dated November 26, 2018 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1070341072)

New	Now	Remark
on the Company's own 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, <u>and furthermore the transaction counterparty is not a related party,</u> and the amount the Company expects to invest in the transaction reaches TWD500 million or more. 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, 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 <u>domestic</u> government bonds. (2). Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. 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 acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real <u>property or right-of-use assets thereof</u> within the same development project within one year. 4. The cumulative transaction amounts of acquisitions and disposals (cumulative	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 reaches TWD500 million or more. 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, <u>a disposal of receivables by financial institutions</u>, 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). <u>Securities trading by investment professionals on foreign or domestic securities exchanges or OTC markets, or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market.</u> (3). Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises. 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	

New	Now	Remark
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 within two days	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	

New	Now	Remark
counting inclusively from the date of knowing of such error or omission. 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.	announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. 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 property or right-of-use assets thereof 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	**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	Amend wording according to the letter issued by the Financial Supervisory Commission dated November 26, 2018 (Ref. No.: Jin-Guan-Zheng-Fa-Zi-1070341072)

New	Now	Remark
Company shall be the standard applicable to a subsidiary referred to in the preceding paragraph in determining whether, relative to paid-in capital or total assets, it reaches a threshold requiring public announcement and regulatory filing under Article 10.	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.	

II. The Amendment to the Principles for the Loaning Funds to Others

Explanation: According to the letter issued by the Financial Supervisory Commission dated March 7, 2019(Ref. No.: Jin-Guan-Zheng-Shen-Zi-1080304826), to amend the provisions of the Principles for the Loaning Funds to Others, the comparison table of the provisions can be referred to 2019 Shareholders' Meeting Handbook from page 71 to 73.

Resolution:

The Amendment to the Principles for Loaning Funds to Others of Yang Ming Marine Transport Corporation

New	Now	Remark
<u>Article 8 Internal Control</u> 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 <u>and provide the plan improved the violation of the regulations.</u> 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.	**<u>Article 8 Internal Control</u>** 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.	Amend wording according to the letter issued by the Financial Supervisory Commission dated March 7, 2019 (Ref. No.: Jin-Guan-Zheng-Shen-Zi-1080304826)
<u>Article 10 Procedures for controlling and managing funds loaned by subsidiaries</u> 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 its' 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.	**<u>Article 10 Procedures for controlling and managing funds loaned by subsidiaries</u>** 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 its' 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.	Amend wording according to the letter issued by the Financial Supervisory Commission dated March 7, 2019 (Ref. No.: Jin-Guan-Zheng-Shen-Zi-1080304826) and adjust the cap amount due to business needs.

New	Now	Remark
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 <u>or the foreign subsidiaries the Company holds directly or indirectly, 100% of the voting shares may loan funds to the Company</u>. The total amount of funds loaned shall not exceed <u>10%</u> 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.	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.	
<u>**Article 12 Effect and Amendment**</u> These Principles should be approved by <u>more than one-half of all members of the</u> audit committee and be passed by the board of directors, these Principles will take effect after the Company submits to and be approved 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>If the above-mentioned is unapproved by more than one-half of all members of the audit committee, more than two-thirds of all directors can agree to do so, and the resolutions of the audit committee shall be stated in the minutes of the board meeting. All members of the audit committee and all</u>	<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 be approved 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.	Amend wording according to the letter issued by the Financial Supervisory Commission dated March 7, 2019 (Ref. No.: Jin-Guan-Zheng-Shen-Zi-1080304826)

New	Now	Remark
directors shall be counted as actual incumbents.		

III. The Amendment to the Principles Governing Endorsements and Guarantees

Explanation: According to the letter issued by the Financial Supervisory Commission dated March 7, 2019(Ref. No.: Jin-Guan-Zheng-Shen-Zi-1080304826), to amend the provisions of the Principles Governing Endorsements and Guarantees, the comparison table of the provisions can be referred to 2019 Shareholders' Meeting Handbook from page 75 to 76.

Resolution:

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

New	Now	Remark
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 and provide the plan improved the violation of the regulations. 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 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.	Amend wording according to the letter issued by the Financial Supervisory Commission dated March 7, 2019 (Ref. No.: Jin-Guan-Zheng-Shen-Zi-1080304826)
Article 12 Effect and Amendment These Principles should be approved by more than one-half of all members of the audit committee and be passed by the board of directors, these Principles will take effect after the Company submits to and be approved 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. If the above-mentioned is unapproved by more than one-half of all members of the audit committee, more than two-thirds of all directors can agree to do so, and the resolutions of the audit committee shall be stated in the minutes of the board meeting. All members of the audit committee and all	**Article 12 Effect and Amendment** These Principles should be approved by audit committee and be passed by the board of directors, these Principles will take effect after the Company submits to and be approved 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.	Amend wording according to the letter issued by the Financial Supervisory Commission dated March 7, 2019 (Ref. No.: Jin-Guan-Zheng-Shen-Zi-1080304826)

New	Now	Remark
directors shall be counted as actual incumbents.		

Extempore Motions

Meeting Adjournment

Appendix

Appendix I

Article of Incorporation

(The 30th 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 .

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 This company may provide guarantee for other entities.
The total amount of investment made by this company is not restricted by Clause 13 of the Company Act of the Republic of China.

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 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 2/3 of the directors.

Article 13 The board of directors shall meet as least once quarterly 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.

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 unabled to attend the meeting.

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

A. Reviewing 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 From the 17th term of board of directors, this company shall establish an Audit Committee, which shall be composed of independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, Securities and Exchange Act and other relevant laws and regulations of the Republic of China.

This Remuneration Committee, composed of all independent directors, propose the following matters and then submit its recommendation to the board of directors for deliberation.

A. Prescribe and periodically evaluate the performance review and remuneration policy, system, standards, and structure for directors and managers.
B. Periodically evaluate and prescribe the remuneration of directors and managers.
C. Others in connection with remuneration assigned by the board of directors.

This company may set up all kinds of functional committees resolved by the board of directors according to the laws, regulations or principles or due to business needs. Functional committees shall adopt an organizational charter to be resolved by the board of directors and be responsible to the board of directors.

Article 16 This company shall have a president.

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.

The appointment, relief of duty, and remuneration for the chief executive officer and president 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 summit 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 net profit at the year-end, it shall appropriate 1% to 5% of the profits as employees’ bonus and no more than 2% for the directors. But if there is an accumulated loss, it shall first keep the amount for making up the losses.

The employees' bonus shall be distributed in stocks or cash.

The distribution of bonus for employees and directors shall be determined by the board of directors and reported at the shareholders' meeting.

Article 18-1 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 or rotate 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 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. The 28th amendment was approved on June 18, 2014. The 29th amendment was approved on June 22, 2016. The 30th amendment was approved on June 22, 2018.

Appendix II

Rules of Procedure for Shareholders Meetings of Yang Ming Marine Transport Corporation

Created on June 21, 2002

Amendment was made on June 18, 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 III

Handling Procedures for Acquisition and Disposal of Assets

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(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(including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory)
3. Memberships
4. Patents, copyrights, trademarks, franchises and other intangible assets
5. Equipment(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 therefore(hereinafter "transfer of shares") under paragraph 8 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, equipment 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 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 100% of the Company’s paid-in capital.
2. Authorized quota for the management

(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.

(2). Real estate, equipment 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.

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 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 ROC 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.

If the amount of the Company acquiring or disposing real estate, equipment 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 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 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:
   (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, except in transactions with a government agency, 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.

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 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.

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, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, 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.

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, or through engaging a related party to build real property, either on the company's own land or on rented land.

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). The maximum loss limits: Either estimated loss of each individual contract exceed 1% of the Company's paid-up capital for two successive months or estimated loss of total contracts exceed 2% of the Company's paid-up capital for two successive months, the measures of controlling the losses shall report to the next board of directors.

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 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 derivates 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. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

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, spilt-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.

<u>Article 10 Public disclosure of information</u>

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, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

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 the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount reaches TWD1 billion or more.
5. Where land is acquired under an arrangement on engaging others to build on the Company's own 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 reaches TWD500 million or more.
6. Where an asset transaction other than any of those referred to in the preceding five 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 , or subscription by investment professionals of ordinary corporate bonds or of general bank debentures without equity characteristics that are offered and issued in the domestic primary market.
   (3). Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

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 within two days counting inclusively from the date of knowing of such error or omission.

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.

<u>Article 11 Procedures for control and management of the acquisition and disposal of assets by subsidiaries</u>

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

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.
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 audit committee and then submitted to the board of directors and shareholders’ meeting for approval. The amendments hereof shall be subjected to the same.

Appendix IV

Principles for Loaning Funds to Others

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 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 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 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 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 its' 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 Others

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

Article 12 Effect and Amendment

These Principles should be approved by audit committee and be passed by the board of directors, these Principles will take effect after the Company submits to and be approved 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.

Appendix V

Principles Governing Endorsements and Guarantees

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 300% 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 400% 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 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 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, 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 10^{th} 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 paragraph 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 Others

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

Article 12 Effect and Amendment

These Principles should be approved by audit committee and be passed by the board of directors, these Principles will take effect after the Company submits to and be approved 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.

Appendix Ⅵ

Shareholding of Current Directors

The minimum required combined shareholding of all directors by law on the book closure date, April 27, 2019: 55,752,595 shares (2.4%).

Position	Name	shareholding on the book closure date
Chairman / Board of Directors	Corporate Representatives of MOTC: Chih-Chien Hsieh	467,682,372
Director	Corporate Representatives of MOTC: Kun-Ching Liao	467,682,372
Director	Corporate Representatives of MOTC: Ping-Jen Tseng	467,682,372
Director	Corporate Representative of NDF: Chien-Yi Chang	460,000,000
Director	Corporate Representative of NDF: Cheng-mount Cheng	460,000,000
Director	Corporate Representative of NDF: Chuan-Te Ho	460,000,000
Director	Corporate Representative of TIPC: Shao-Liang Chen	119,514,708
Director	Corporate Representative of TNC: Wen-Ching Liu	32,292,930
Independent Director	Ming-Sheu Tsai	154,777
Independent Director	Tar-Shing Tang	0
Independent Director	Tze-Chun Wang	0
The combined shareholding of all directors (excluding independent directors)		1,079,490,010

Note 1: According to the Article 26 of Securities and Exchange Act, the minimum required combined shareholding of all directors by law excludes the shareholding of independent directors.

Note 2: Chuan-Te Ho, one of the Corporate Representatives of NDF, is replaced by Shao-Yuan Chang on April 29, 2019.