

Stock Code : 2609



# **Handbook for 2016 Shareholders Meeting**

## **YANG MING MARINE TRANSPORT CORP.**

**June 22, 2016**

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

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# YANG MING MARINE TRANSPORT CORP.

## Procedure for the 2016 Annual Meeting of Shareholders

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

# Agenda for 2016 Annual Shareholders Meeting

## YANG MING MARINE TRANSPORT CORP.

- I. Time : 09:00 a.m. on Wednesday, June 22, 2016
- II. Venue : No.142, Yanping S. Rd., Zhongzheng Dist., Taipei City, Taiwan (R.O.C.) (the Victoria Hall of Armed Forces Officer's Club)
- III. To Call the Meeting to Order
- IV. Chairperson's Remarks
- V. Management Presentation
  1. 2015 Business Report
  2. Audit Committee's Review Report on the 2015 Financial Statements
  3. Report on the 2015 Issue of Domestic Secured Bonds
  4. Report on the Change of Accounting Policy
- VI. Matters for Recognition
  1. Adoption of the 2015 Business Report and Financial Statements
  2. Adoption of the Proposal for 2015 Deficit Compensation
- VII. Matters for Discussion
  1. Amendment to the Articles of Incorporation
- VIII. Election
  1. The Election of Directors
- IX. Other Matters
  1. Proposal for Releasing the Prohibition on Directors from Participation in Competitive Business
- X. Extempore Motions
- XI. Adjournment

## **Management Presentation**

### **Report No.1**

2015 Business Report

### **Explanation:**

The 2015 Business Report is attached as pp. 5-7.

# Yang Ming Marine Transport Corporation's 2015 Business Report

## OUR STRATEGY

The global economy in 2015 appeared to be lukewarm, due to the negative impact of FED's rate hike, US dollar appreciation, China's subdued economic growth and tumbled commodity prices. In the meantime, shipping industry encountered the challenge of imbalance between supply and demand, shipping consolidation and alliance reconfiguration.

For the sake of sustainable development, Yang Ming sets its annual policy as "Grow greatly, Profit steadily" in expectation that the employment of newly-built megaships, the adoption of delicate cost-saving management and the implementation of task forces could contribute to our comprehensive profitability.

## IMPLEMENTATION

According to Drewry's Global Supply/Demand Index provided by Drewry Maritime Research, the index for 2015 had fallen to 89.8 compared to 95.9 in 2014, representing a whopping deterioration in oversupply. (Container Forecaster, 2015 Q4 set the index 100 as equilibrium. Index smaller than 100 refers to oversupply in capacity.) In addition, the growth rate of global port throughput plummeted to 1.3% in 2015, the lowest record since economic downturn and Great Recession in 2009.

In addition to the three containerships of 4,662 TEU and ten containerships of 14,000 TEU that participated in our services in 2015, another three and two newly-built containerships of 14,000 TEU are scheduled for delivery in 2016 and 2017 respectively. With these newly-built megaships, we are committed to hub-and-spoke allocation and integration, expansion of service network and multi-utilization of service trade along with delicate cost-saving management and the promotion of voyage-scheme cancellation.

## PERFORMANCE

In 2015, our consolidated revenue amounted to NT\$127.56 billion, consolidated expenditure (combination of operating costs and expenses) was NT\$134.37 billion, other operating income and expenses was NT\$0.35 billion, total amount of non-operating income and expenses was NT\$1.48 billion, income tax expense was NT\$0.15 billion and our net loss came to NT\$7.72 billion.

## REVENUE AND EXPENDITURE

### 1. Operating Revenue

Owing to weakened spot rates, our consolidated revenue in 2015 was NT\$127.56 billion which shrank by 5.36% and decreased by NT\$7.22 billion in comparison to NT\$134.78 billion in 2014.

### 2. Operating Expenditure

Due to the offset between fallen oil prices and expanded operational scale, our consolidated expenditure was NT\$134.37 billion, decreasing by 0.42% compared to the previous year.

## **ANALYSIS OF PROFITABILITY**

Confronting with economic downturn, tipping balance between supply and demand and continued fall of spot rates, Yang Ming suffered a net loss of NT\$7.72 billion in 2015 despite our effort to execute the policy of cost saving and revenue expansion.

## **RESEARCH AND DEVELOPMENT**

In response to the trust and support from our valued stakeholders and the public, we are determined to provide the best service to our customers, boost operation efficiency and profitability, along with enhancing competitiveness while attending to medium and long-term liner deployment and development by following strategies:

### **1. Augment vessel efficiency**

Proceeding with vessel upgrade and old vessel demolition with a view to creating economies of scale and cutting down on unit cost.

### **2. Intensify regional layout**

In Europe and the US, we persistently develop regional feeder service network (Southeast / Baltic Sea / Eastern Mediterranean / Northern Europe) in order to boost our medium and long-term profit margin. In consideration of tremendous potential in Southeast Asia and India after setting up AEC, we proactively seek the opportunity to establish partnership with regional carriers so as to reinforce our feeder intensity. Taking southeast feeder for example, we harmonized 5 loops in 2015 (SE4/SE5/SE6/SBS/RSZ) and persisted on service layout in 2016 (e.g., launched SE7 in Feb) for creating business niche.

### **3. Tighten cooperation among alliance members**

Consolidate and reinforce collaboration in CKYHE and adjust our strategy whenever necessary in order to cope with competitive environment.

### **4. Exploit and update systems**

Strive vigorously to effectively regulate the flow and integration of sources via accelerated the circulation of IT key system and by elevating our income and cost management system. Ramp up the efficiency of management through the employment of cloudification, big data, business intelligence and related measures.

### **5. Diversify risks**

To bear fruit in overall synergy, we are committed to decentralization of liner service and strengthening of coverage across global markets. Moreover, with the aim of reaching comprehensive profitability, we are dedicated to logistic, bulk and terminal business aside from container business.

### **6. Horizontal strategy alliance**

Devoted to carving out an innovative business mode, we have established a trio

strategic alliance among Yang Ming, China Airlines, Chunghwa Post to seize the initiative on “freight-to-post” for e-commerce and unveil a new cooperation mechanism through logistic operations on sea-air freight, parcel post, warehousing and delivery services.

#### 7. Corporate Social Responsibility (CSR)

For the purpose of minimizing the pollution by sea transportation activities, we broadly increase the performance in energy-efficiency and environment-friendliness, and implement flexible operational policy on the basis of meeting international rules and standards, corporate social responsibility and profitability.



**Report No.2**

Audit Committee's Review Report on the 2015 Financial Statements

**Explanation:**

The 2015 Audit Committee's Review Report is attached as page 9.

## Audit Committee's Review Report

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2015 Business Report, individual and consolidated Financial Statements, and Deficit Compensation Proposal of the year ending on December 31, 2015. 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 the Securities and Exchange Act and Article 219 of the Company Law, the undersigned hereby certifies the Business Report, Financial Statements, and Deficit Compensation Proposal of the year ending on December 31, 2015 have been examined and approved by the undersigned.

To: 2016 Shareholders Meeting  
YANG MING MARINE TRANSPORT CORP.

Independent director: Chen, Kuen-Mu

Independent director: Yen, Jin-Ru

Independent director: Chou, Heng-Chih

March 21, 2016

**Report No.3**

Report on the 2015 Issue of Domestic Secured Bonds

**Explanation:**

The 2015 Issue of Domestic Secured Bonds Report is attached as page 11.

### Issue of Domestic Secured Bonds Report

In order to refinance the debt of domestic corporate bond, the BOD of the Company approved seventeenth Domestic Secured Bonds dated August 12, 2015. The funding was completed on October 12, 2015.

Item	Yang Ming Marine Transport Corporation's 17 <sup>th</sup> Domestic Secured Bonds Date of issuance: October 12, 2015
Total Amount of Issue	NTD 4,000 million. Coupon A: NTD 2,000 million, Coupon B: NTD 1,000 million, Coupon C: NTD 500 million, Coupon D: NTD 500 million.
Par Value	NTD 10 million
Terms of Reimbursement	5 years
Issuance Price	100% of par value
Interest Rate	1.10%
Distribution of Interest	Since the issuing date, based on the coupon rate distributing interest has been distributed once a year with simple interest-bearing based on the coupon rate.
Way of Reimbursement	50% respectively for the 4 <sup>th</sup> and 5 <sup>th</sup> year
The form of bonds	Issued as non physical bonds
Guarantor	A: Bank of Taiwan B: Mega International Commercial Bank C: Chinatrust Commercial Bank D: Yuanta Commercial Bank

## Report No.4

### Report on the Change of Accounting Policy

#### Explanation:

1. The Company changes its accounting policy regarding subsequent measurement of investment properties from cost model to fair value model according to "Regulations Governing the Preparation of Financial Reports by Securities Issuers".
2. The management of the Company considers that the fair value model can provide reliable and more relevant information. Therefore, on November 11, 2015, the Company's board of directors resolved to change the Group's accounting policy for investment properties effective January 1, 2015.
3. The line items affected and the actual effect for the immediately preceding financial year:
  - (1) 2014/01/01 consolidated balance sheet (NT\$): Investment property increased 4,033.92 million, Deferred tax liabilities increased 164.38 million, Retained earnings increased 3,869.13 million, and non-controlling interests increased 0.41 million.
  - (2) 2014/12/31 consolidated balance sheet (NT\$): Investment property increased 4,010.89 million, Deferred tax liabilities increased 222.30 million, Retained earnings increased 3,779.16 million, and non-controlling interests increased 0.86 million.
  - (3) Consolidated statements of comprehensive income for year 2014 (NT\$): Loss on Investment Property increased 58.20 million, Depreciation Expense of Investment Property decreased 26.59 million, and Income tax expense increased 57.92 million.
4. On January 1, 2015, a special reserve 3,719.46 million was appropriated in accordance with Rule No. 1030006415 issued by the Financial Supervisory Commission (FSC).
5. The CPA has reviewed and issued an opinion that the change of accounting policy is fair and reasonable.

## **Matters for Recognition**

**Proposal No.1**

**Proposed by the Board**

Adoption of the 2015 Business Report and Financial Statements

**Explanation:**

Yang Ming Marine Transport Corporation's 2015 Financial Statements and consolidated Financial Statements have been duly audited by the Certified Public Accountants, Cheng Chin Tsung and Chen Chin Hsiang of Deloitte & Touche. Also, the Business Report and the aforementioned Financial Statements have been examined by the audit committees. (Please refer to pp. 5-7 and pp.14-32 of the Handbook)

**Resolution:**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation (the "Company") as of December 31, 2015, December 31, 2014 and January 1, 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of some subsidiaries, associates and joint ventures of Yang Ming Line (Singapore) Pte. Ltd., Yang Ming Line Holding Co., and some subsidiaries, associates and joint ventures of Yes Logistics Corp., as of and for the year ended December 31, 2015 and 2014; The Company has investments in these investees accounted for using equity method. The carrying values of these investments were NT\$3,233,303 thousand, NT\$3,178,877 thousand and NT\$4,080,074 thousand as of December 31, 2015, December 31, 2014 and January 1, 2014, respectively. The comprehensive income recognized by investments accounted for using equity method were NT\$259,027 thousand and NT\$708,513 thousand for the years ended December 31, 2015 and 2014, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these investees included in the accompanying financial statements, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2015, December 31, 2014 and January 1, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

As disclosed in Note 3 of the financial statements, the Company apply the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China starting January 1, 2015 and adjust the impact on the prior reporting periods resulting from the retrospective application of the above standards and interpretations.

As disclosed in Note 3 of the financial statements, the Company changed its accounting policy for investment properties effective January 1, 2015 and subsequently measured investment properties using the fair value model. As a result of this retrospective application of the accounting policy, the consolidated financial statements as of and for the year ended December 31, 2014 have been restated.

The accompanying schedules of major accounting items of Yang Ming Marine Transport Corporation as of and for the year ended December 31, 2015 are presented for the purpose of additional analysis. Such schedules have been subjected to the auditing procedures described in the second paragraph. In our opinion, such schedules are consistent, in all material respects, with the financial statements required to in the first paragraph.

March 21, 2016

Notice to Readers

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

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



# YANG MING MARINE TRANSPORT CORPORATION

## BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015		December 31, 2014 (Audited after Restated)		January 1, 2014 (Audited after Restated)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 16,439,781	13	\$ 15,349,985	12	\$ 8,864,766	8
Financial assets at fair value through profit or loss - current	170,442	-	1,038,703	1	1,009,141	1
Trade receivable, net	3,043,385	3	3,971,140	3	2,447,600	2
Trade receivable from related parties	2,211,666	2	2,650,373	2	2,367,051	2
Other receivable from related parties	224,715	-	110,507	-	2,202	-
Shipping fuel	1,432,976	1	2,453,195	2	2,901,520	2
Prepayments	514,745	-	518,172	-	266,720	-
Prepayments to shipping agents	918,134	1	694,125	1	768,675	1
Other financial assets - current	12,000	-	985,696	1	374,759	-
Other current assets	175,843	-	395,198	-	185,448	-
Total current assets	<u>25,143,687</u>	<u>20</u>	<u>28,167,094</u>	<u>22</u>	<u>19,187,882</u>	<u>16</u>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current	976,464	1	1,538,992	1	2,002,458	2
Financial assets carried at cost - non-current	477,188	-	477,188	-	477,188	1
Debt investment with no active market - non-current	1,000,000	1	1,000,000	1	-	-
Investments accounted for using equity method	21,873,700	17	22,271,161	18	22,320,214	19
Property, plant and equipment	39,648,516	32	38,346,259	30	34,300,241	29
Investment properties	8,363,761	7	8,298,976	7	8,385,361	7
Other intangible assets	32,943	-	17,045	-	27,012	-
Deferred tax assets	2,743,448	2	2,402,294	2	2,569,020	2
Prepayments for equipment	-	-	-	-	486,763	1
Refundable deposits	1,450,368	1	542,080	-	322,323	-
Long-term prepayments for lease	568,133	-	599,705	1	631,278	1
Long-term receivables from related parties	23,657,081	19	22,584,846	18	25,922,615	22
Other non-current assets	61,994	-	47,071	-	49	-
Total non-current assets	<u>100,853,596</u>	<u>80</u>	<u>98,125,617</u>	<u>78</u>	<u>97,444,522</u>	<u>84</u>
<b>TOTAL</b>	<u>\$ 125,997,283</u>	<u>100</u>	<u>\$ 126,292,711</u>	<u>100</u>	<u>\$ 116,632,404</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings	\$ 2,410,000	2	\$ -	-	\$ -	-
Financial liabilities at fair value through profit or loss - current	89,105	-	78,658	-	19,820	-
Trade payable	10,520,380	8	11,214,067	9	9,808,631	8
Trade payable to related parties	5,195,555	4	3,362,539	3	2,358,669	2
Payables on equipment	615,616	1	2,084	-	538,350	1
Other payables	1,688,850	1	1,556,005	1	1,425,814	1
Other payables to related parties	200,205	-	94,658	-	144,406	-
Current tax liabilities	14,182	-	22,334	-	16,524	-
Current portion of long-term liabilities	11,386,948	9	10,086,522	8	6,524,680	6
Advance from customers	1,196,616	1	1,267,706	1	15,125	-
Other current liabilities	172,168	-	210,527	-	548,322	1
Total current liabilities	<u>33,489,625</u>	<u>26</u>	<u>27,895,100</u>	<u>22</u>	<u>21,400,341</u>	<u>19</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable	19,891,948	16	26,431,834	21	28,864,549	25
Long-term borrowings	37,027,266	29	30,050,141	24	25,111,695	21
Deferred tax liabilities	1,887,173	2	1,969,436	2	2,188,317	2
Finance lease payables - non-current	173,298	-	285,218	-	374,411	-
Other financial liabilities - non-current	117,481	-	166,984	-	215,185	-
Net defined benefit liabilities - non-current	2,257,398	2	1,837,119	1	1,796,809	2
Other non-current liabilities	114,384	-	207,966	-	105,530	-
Total non-current liabilities	<u>61,468,948</u>	<u>49</u>	<u>60,948,698</u>	<u>48</u>	<u>58,656,496</u>	<u>50</u>
Total liabilities	<u>94,958,573</u>	<u>75</u>	<u>88,843,798</u>	<u>70</u>	<u>80,056,837</u>	<u>69</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital - ordinary shares	30,044,401	24	28,563,800	23	28,187,131	24
Capital surplus	5,500,037	4	4,899,288	4	8,562,852	7
Retained earnings (accumulated deficits)						
Legal reserve	41,137	-	-	-	5,143	-
Special reserve	4,098,535	3	-	-	46,291	-
Unappropriated earnings (accumulated deficits)	(8,005,152)	(6)	4,223,073	3	53,957	-
Total retained earnings (accumulated deficits)	<u>(3,865,480)</u>	<u>(3)</u>	<u>4,223,073</u>	<u>3</u>	<u>105,391</u>	<u>-</u>
Other equity	(640,248)	-	(237,248)	-	(279,807)	-
Total equity	<u>31,038,710</u>	<u>25</u>	<u>37,448,913</u>	<u>30</u>	<u>36,575,567</u>	<u>31</u>
<b>TOTAL</b>	<u>\$ 125,997,283</u>	<u>100</u>	<u>\$ 126,292,711</u>	<u>100</u>	<u>\$ 116,632,404</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated March 21, 2016)

**YANG MING MARINE TRANSPORT CORPORATION**

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	<b>For the Years Ended December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>(Audited after Restated)</b> <b>Amount</b>	<b>%</b>
OPERATING REVENUE	\$ 106,245,724	100	\$ 114,322,265	100
OPERATING COSTS	<u>110,564,175</u>	<u>104</u>	<u>112,450,041</u>	<u>98</u>
GROSS PROFIT( LOSS)	<u>(4,318,451)</u>	<u>(4)</u>	<u>1,872,224</u>	<u>2</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,513,306	2	1,462,567	1
General and administrative expenses	<u>366,601</u>	<u>-</u>	<u>373,115</u>	<u>1</u>
Total operating expenses	<u>1,879,907</u>	<u>2</u>	<u>1,835,682</u>	<u>2</u>
OTHER OPERATING INCOME AND EXPENSES	<u>340,618</u>	<u>1</u>	<u>990,211</u>	<u>1</u>
PROFIT(LOSS) FROM OPERATIONS	<u>(5,857,740)</u>	<u>(5)</u>	<u>1,026,753</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses	191,543	-	(5,620)	-
Share of profits or loss of subsidiaries and associates	(1,859,294)	(2)	(112,833)	-
Other income	706,933	1	691,395	-
Finance costs	<u>(1,203,868)</u>	<u>(1)</u>	<u>(1,199,784)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(2,164,686)</u>	<u>(2)</u>	<u>(626,842)</u>	<u>(1)</u>
PROFIT(LOSS) BEFORE INCOME TAX	(8,022,426)	(7)	399,911	-
INCOME TAX EXPENSE (BENEFIT)	<u>(300,670)</u>	<u>-</u>	<u>79,565</u>	<u>-</u>
NET PROFIT(LOSS) FOR THE YEAR	<u>(7,721,756)</u>	<u>(7)</u>	<u>320,346</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(413,336)	-	(13,861)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(25,717)	-	17,287	-

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Years Ended December 31			
	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss	\$ 72,256	-	\$ (382)	-
	<u>(366,797)</u>	-	<u>3,044</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	264,526	-	548,796	-
Unrealized gain (loss) on available-for-sale financial assets	(562,528)	(1)	(463,466)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(40,147)	-	(42,771)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(64,851)</u>	-	<u>-</u>	-
	<u>(403,000)</u>	<u>(1)</u>	<u>42,559</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>(769,797)</u>	<u>(1)</u>	<u>45,603</u>	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (8,491,553)</u>	<u>(8)</u>	<u>\$ 365,949</u>	-
EARNINGS(LOSS) PER SHARE				
From continuing operation				
Basic	<u>\$ (2.24)</u>		<u>\$ 0.10</u>	
Diluted	<u>\$ (2.24)</u>		<u>\$ 0.10</u>	

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

(With Deloitte & Touche audit report dated March 21, 2016)

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION**

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

	Equity Attributable to Owners of the Company						Other Equity		Total Equity
	Share Capital Stock		Capital Surplus	Retained Earnings (Accumulated Deficits) (Note 26)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for Foreign Assets	
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)			
BALANCE AT JANUARY 1, 2014	2,818,713	\$ 28,187,131	\$ 8,562,852	\$ 5,143	\$ 46,291	\$ (3,845,726)	\$ (58,417)	\$ (221,390)	\$ 32,675,884
Effect of retrospective application and retrospective restatement	-	-	-	-	-	3,899,683	-	-	3,899,683
BALANCE AT JANUARY 1, 2014 AS RESTATED	2,818,713	28,187,131	8,562,852	5,143	46,291	53,957	(58,417)	(221,390)	36,575,567
Compensation of 2013 deficit									
Legal reserve for compensating deficit	-	-	-	(5,143)	-	5,143	-	-	-
Special reserve for compensating deficit	-	-	-	-	(46,291)	46,291	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(3,794,292)	-	-	3,794,292	-	-	-
Convertible bonds converted to ordinary shares	37,667	376,669	130,728	-	-	-	-	-	507,397
Net profit for the year ended December 31, 2014	-	-	-	-	-	320,346	-	-	320,346
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	3,044	548,796	(506,237)	45,603
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	323,390	548,796	(506,237)	365,949
BALANCE AT DECEMBER 31, 2014	2,856,380	28,563,800	4,899,288	-	-	4,223,073	490,379	(727,627)	37,448,913
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	3,719,463	(3,719,463)	-	-	-
Appropriation of 2014 earnings									
Legal reserve	-	-	-	41,137	-	(41,137)	-	-	-
Special reserve	-	-	-	-	379,072	(379,072)	-	-	-
Convertible bonds converted to ordinary shares	148,060	1,480,601	515,288	-	-	-	-	-	1,995,889
Change in percentage of ownership interest in subsidiaries	-	-	35,153	-	-	-	-	-	35,153
Arising from donations	-	-	50,308	-	-	-	-	-	50,308
Net loss for the year ended December 31, 2015	-	-	-	-	-	(7,721,756)	-	-	(7,721,756)
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(366,797)	199,675	(602,675)	(769,797)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	(8,088,553)	199,675	(602,675)	(8,491,553)
BALANCE AT DECEMBER 31, 2015	<u>3,004,440</u>	<u>\$ 30,044,401</u>	<u>\$ 5,500,037</u>	<u>\$ 41,137</u>	<u>\$ 4,098,535</u>	<u>\$ (8,005,152)</u>	<u>\$ 690,054</u>	<u>\$ (1,330,302)</u>	<u>\$ 31,038,710</u>

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

(With Deloitte & Touche auditors' report dated March 21, 2016)

# YANG MING MARINE TRANSPORT CORPORATION

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

	For the Years Ended December 31	
	2015	2014 (Audited after Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ (8,022,426)	\$ 399,911
Adjustments for:		
Depreciation expenses	2,858,235	2,843,328
Amortization expenses	19,608	16,767
Impairment loss recognized on trade receivables	1,258	3,253
Net loss arising on financial assets/liabilities at fair value through profit and loss	166,653	223,988
Finance costs	1,203,868	1,199,784
Interest income	(540,971)	(517,144)
Dividend income	(46,732)	(57,338)
Share of loss of subsidiaries and associates	1,859,294	112,833
Gain on disposal of property, plant and equipment	(277,773)	(812,817)
Gain on disposal of available-for-sale financial assets	(9,327)	(11,235)
Write-down (reversal) of shipping fuel	(25,714)	32,957
(Gain) loss on change in fair value of investment properties	(64,785)	86,385
Amortization of long-term prepayments for lease	31,572	31,573
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(158,815)	(188,476)
(Increase) decrease in trade receivable	926,497	(1,526,793)
(Increase) decrease in trade receivable from related parties	438,707	(283,322)
Increase in other receivable from related parties	(114,208)	(108,305)
Decrease in shipping fuel	1,045,933	415,368
(Increase) decrease in prepayments	3,427	(251,452)
(Increase) decrease in prepayments to shipping agents	(224,009)	74,550
(Increase) decrease in other current assets	223,333	(195,045)
Increase (decrease) in trade payable	(693,687)	1,405,436
Increase in trade payable to related parties	1,833,016	1,003,870
Increase in other payable	135,212	85,730
Increase (decrease) in other payable to related parties	105,547	(49,748)
Increase (decrease) in advances from customers	(71,090)	1,252,581
Decrease in other current liabilities	(2,309)	(97,015)
Increase in net defined benefit liabilities	<u>6,943</u>	<u>26,449</u>
Cash generated from operations	607,257	5,116,073
Dividend received	762,205	516,870
Interest received	193,615	171,351
Interest paid	(1,127,037)	(1,028,788)
Income tax paid	<u>(137,478)</u>	<u>(126,292)</u>
Net cash generated from operating activities	<u>298,562</u>	<u>4,649,214</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2015	2014 (Audited after Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit or loss	\$(2,407,456)	\$ (6,617,126)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,278,715	6,610,890
Acquisition of available-for-sale financial assets	(19,200,000)	(21,161,000)
Proceeds from disposal of available-for-sale financial assets	19,209,327	21,172,235
Purchase of debt investments with no active market	-	(1,000,000)
Acquisition of property, plant and equipment	(3,628,839)	(8,578,482)
Proceeds from disposal of property, plant and equipment	373,910	1,204,487
Increase in refundable deposits	(1,136,657)	(230,090)
Decrease in refundable deposits	228,369	10,333
(Increase) decrease in long-term receivables from related parties	(714,873)	4,676,040
Acquisition of intangible assets	(35,506)	(6,800)
(Increase) decrease in other financial assets	973,696	(610,937)
Increase in other non-current assets	<u>(14,923)</u>	<u>(47,022)</u>
Net cash used in investing activities	<u>(3,074,237)</u>	<u>(4,577,472)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	2,410,000	-
Proceeds from issuance of bonds	4,000,000	3,850,000
Repayment of principal of bonds	(5,924,000)	(2,674,000)
Proceeds from long-term debts	24,465,153	24,004,000
Repayment of long-term debts	(18,899,148)	(18,745,153)
Payment for obligations under finance leases	(101,260)	(77,166)
Decrease in other financial liabilities	(48,201)	(46,640)
Increase (decrease) in other non-current liabilities	(93,582)	102,436
Acquisition of subsidiaries	<u>(1,943,491)</u>	<u>-</u>
Net cash generated from financing activities	<u>3,865,471</u>	<u>6,413,477</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

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

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	For the Years Ended December 31	
	2015	2014 (Audited after Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,089,796	\$ 6,485,219
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>15,349,985</u>	<u>8,864,766</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 16,439,781</u>	<u>\$ 15,349,985</u>

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

(With Deloitte & Touche audit report dated March 21, 2016)

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation (the "Company") and its subsidiaries as of December 31, 2015, December 31, 2014 and January 1, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Yes Logistics Company Ltd., Yang Ming Line Holding Co. and some subsidiaries of Yang Ming Line (Singapore) Pte. Ltd. as of and for the years ended December 31, 2015 and 2014; these subsidiaries had been audited by other auditors. The combined total assets of these subsidiaries were 2.87% (NT\$4,449,056 thousand), 3.03% (NT\$4,627,220 thousand) and 4.26% (NT\$6,232,362 thousand) of the total consolidated assets as of December 31, 2015, December 31, 2014 and January 1, 2014, respectively. The combined total operating revenues of these subsidiaries were 0.81% (NT\$1,031,866 thousand) and 0.73% (NT\$987,835 thousand) of the total consolidated operating revenues for the years ended December 31, 2015 and 2014, respectively. Also, we did not audit the financial statements of the following equity-method associates and joint ventures: Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E, West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited, ANSHIP-YES Logistics Corporation Limited, Sino-YES Tianjin Cold Chain Logistics Company Limited, YES LIBERAL Logistics Corp. and LogiTrans Technology Private Limited for the years ended December 31, 2015 and 2014; these associates and joint ventures had been audited by other auditors. The carrying values of these associates and joint ventures were NT\$1,761,049 thousand, NT\$1,664,788 thousand and NT\$1,604,797 thousand as of December 31, 2015, December 31, 2014 and January 1, 2014, respectively. The amounts of profit or loss recognized on investments accounted for using equity method were NT\$117,764 thousand and NT\$77,980 thousand for the years ended December 31, 2015 and 2014, respectively. 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 consolidated financial statements, is based solely on the reports of other auditors.

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



In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2015, December 31, 2014 and January 1, 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, the Company and its subsidiaries applied the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China starting January 1, 2015 had retrospectively adjusted the prior reporting periods for the impact of retrospective application of the above standards and interpretations.

As disclosed in Note 3 to the consolidated financial statements, the Company and its subsidiaries changed their accounting policy for investment properties effective January 1, 2015 and subsequently measured investment properties using the fair value model. As a result of this retrospective application of the accounting policy, the consolidated financial statements as of and for the year ended December 31, 2014 have been restated.

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, 2015 and 2014 on which we have issued an unqualified opinion modified report.

March 21, 2016

Notice to Readers

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

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

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

ASSETS	December 31, 2015		December 31, 2014 (Audited after Restated)		January 1, 2014 (Audited after Restated)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 23,749,249	15	\$ 21,683,555	14	\$ 13,631,975	9
Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7)	847,046	1	1,868,239	1	1,886,873	1
Available-for-sale financial assets - current (Notes 4 and 8)	2,365	-	2,648	-	51,433	-
Notes receivable, net (Notes 4, 5 and 10)	218,416	-	364,608	-	332,878	-
Trade receivable, net (Notes 4, 5 and 10)	5,967,345	4	7,479,618	5	5,465,270	4
Trade receivable from related parties (Notes 4, 5, 10 and 36)	319,935	-	373,677	-	445,394	-
Shipping fuel (Notes 4, 5 and 11)	1,730,036	1	3,199,263	2	3,543,069	3
Prepayments (Note 16)	754,290	-	756,119	1	599,066	1
Prepayments to shipping agents (Note 36)	780,717	1	599,718	-	354,000	-
Other financial assets - current (Notes 4, 17 and 36)	82,700	-	1,055,463	1	696,719	1
Other current assets (Notes 29 and 36)	<u>1,119,364</u>	<u>1</u>	<u>1,034,966</u>	<u>1</u>	<u>501,050</u>	<u>-</u>
Total current assets	<u>35,571,463</u>	<u>23</u>	<u>38,417,874</u>	<u>25</u>	<u>27,507,727</u>	<u>19</u>
<b>NON-CURRENT ASSETS</b>						
Available-for-sale financial assets - non-current (Notes 4 and 8)	976,464	1	1,538,992	1	2,002,458	1
Financial assets carried at cost - non-current (Notes 4 and 9)	494,597	-	494,597	-	499,500	-
Investments accounted for using equity method (Notes 4 and 13)	8,630,101	6	8,671,138	6	8,367,436	6
Property, plant and equipment (Notes 4, 5, 14, 36 and 37)	90,573,485	58	86,085,989	57	89,727,302	61
Investment properties (Notes 4, 5, 15 and 37)	7,942,862	5	7,903,220	5	7,961,419	6
Other intangible assets (Note 4)	50,623	-	40,387	-	47,022	-
Deferred tax assets (Notes 4, 5 and 29)	2,813,823	2	2,655,515	2	2,787,737	2
Prepayments for equipment (Notes 32 and 36)	1,065,059	1	507,033	-	1,062,717	1
Refundable deposits (Notes 33 and 37)	1,556,487	1	636,196	1	409,081	-
Other financial assets - non-current (Notes 4, 17, 24, 36 and 37)	4,719,728	3	5,011,864	3	5,219,619	4
Long-term prepayments for lease (Note 16)	568,133	-	599,705	-	631,278	-
Other non-current assets	<u>13,276</u>	<u>-</u>	<u>25,771</u>	<u>-</u>	<u>57,962</u>	<u>-</u>
Total non-current assets	<u>119,404,638</u>	<u>77</u>	<u>114,170,407</u>	<u>75</u>	<u>118,773,531</u>	<u>81</u>
<b>TOTAL</b>	<u>\$ 154,976,101</u>	<u>100</u>	<u>\$ 152,588,281</u>	<u>100</u>	<u>\$ 146,281,258</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 4 and 18)	\$ 4,949,787	3	\$ 947,025	1	\$ 937,835	1
Short-term bills payable (Notes 4 and 18)	99,872	-	-	-	79,831	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5 and 7)	89,105	-	78,658	-	19,820	-
Notes payable (Note 4)	53,624	-	50,151	-	50,654	-
Trade payable (Notes 4 and 20)	13,561,068	9	14,084,195	9	12,185,629	8
Trade payable to related parties (Notes 4 and 36)	1,165,804	1	1,084,507	1	954,063	1
Payables on equipment (Note 32)	624,378	-	2,733	-	538,033	-
Other payables (Notes 4, 22 and 36)	3,063,322	2	2,896,352	2	2,369,662	2
Current tax liabilities (Notes 4, 5 and 29)	149,392	-	126,170	-	72,092	-
Provisions-current (Notes 4, 5 and 23)	741,512	1	620,012	-	562,680	-
Current portion of long-term liabilities (Notes 4, 18, 19, 21, 24, 36 and 37)	15,176,994	10	13,124,982	9	11,317,717	8
Advance from customers	1,274,957	1	1,469,997	1	413,015	-
Other current liabilities (Note 32)	<u>553,471</u>	<u>-</u>	<u>442,722</u>	<u>-</u>	<u>645,100</u>	<u>-</u>
Total current liabilities	<u>41,503,286</u>	<u>27</u>	<u>34,927,504</u>	<u>23</u>	<u>30,146,131</u>	<u>20</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Notes 4, 19 and 36)	19,891,948	13	26,431,834	17	28,864,549	20
Long-term borrowings (Notes 4, 18, 36 and 37)	47,389,835	31	37,942,145	25	34,579,517	24
Provisions - non-current (Notes 4, 5 and 23)	158,425	-	102,300	-	115,708	-
Deferred tax liabilities (Notes 4, 5 and 29)	2,039,154	1	2,327,541	2	2,495,153	2
Finance lease payables - non-current (Notes 4 and 21)	5,183,473	3	5,380,340	4	5,407,688	4
Other financial liabilities - non-current (Notes 4, 19 and 24)	4,399,379	3	4,715,322	3	5,027,132	3
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	2,522,877	2	2,079,333	1	2,040,661	1
Other non-current liabilities	<u>156,392</u>	<u>-</u>	<u>235,556</u>	<u>-</u>	<u>130,190</u>	<u>-</u>
Total non-current liabilities	<u>81,741,483</u>	<u>53</u>	<u>79,214,371</u>	<u>52</u>	<u>78,660,598</u>	<u>54</u>
Total liabilities	<u>123,244,769</u>	<u>80</u>	<u>114,141,875</u>	<u>75</u>	<u>108,806,729</u>	<u>74</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital - ordinary shares	<u>30,044,401</u>	<u>19</u>	<u>28,563,800</u>	<u>18</u>	<u>28,187,131</u>	<u>19</u>
Capital surplus	<u>5,500,037</u>	<u>4</u>	<u>4,899,288</u>	<u>3</u>	<u>8,562,852</u>	<u>6</u>
Retained earnings (accumulated deficits)						
Legal reserve	41,137	-	-	-	5,143	-
Special reserve	4,098,535	2	-	-	46,291	-
Unappropriated earnings (accumulated deficits)	<u>(8,005,152)</u>	<u>(5)</u>	<u>4,223,073</u>	<u>3</u>	<u>53,957</u>	<u>-</u>
Total retained earnings (accumulated deficits)	<u>(3,865,480)</u>	<u>(3)</u>	<u>4,223,073</u>	<u>3</u>	<u>105,391</u>	<u>-</u>
Other equity	<u>(640,248)</u>	<u>-</u>	<u>(237,248)</u>	<u>-</u>	<u>(279,807)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>31,038,710</u>	<u>20</u>	<u>37,448,913</u>	<u>24</u>	<u>36,575,567</u>	<u>25</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>692,622</u>	<u>-</u>	<u>997,493</u>	<u>1</u>	<u>898,962</u>	<u>1</u>
Total equity	<u>31,731,332</u>	<u>20</u>	<u>38,446,406</u>	<u>25</u>	<u>37,474,529</u>	<u>26</u>
<b>TOTAL</b>	<u>\$ 154,976,101</u>	<u>100</u>	<u>\$ 152,588,281</u>	<u>100</u>	<u>\$ 146,281,258</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 21, 2016)

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Years Ended December 31			
	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 36)	\$127,559,424	100	\$134,777,858	100
OPERATING COSTS (Notes 4, 5, 11, 28 and 36)	<u>128,350,817</u>	<u>100</u>	<u>129,033,415</u>	<u>96</u>
GROSS PROFIT (LOSS)	<u>(791,393)</u>	<u>-</u>	<u>5,744,443</u>	<u>4</u>
OPERATING EXPENSES (Notes 28 and 36)				
Selling and marketing expenses	5,164,866	4	5,052,324	4
General and administrative expenses	<u>856,882</u>	<u>1</u>	<u>852,056</u>	<u>-</u>
Total operating expenses	<u>6,021,748</u>	<u>5</u>	<u>5,904,380</u>	<u>4</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 14 and 28)	<u>352,347</u>	<u>-</u>	<u>2,946,562</u>	<u>2</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(6,460,794)</u>	<u>(5)</u>	<u>2,786,625</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES (Notes 28 and 36)				
Other gains and losses	(186,336)	-	(498,222)	-
Share of profit or loss of associates and joint ventures	134,045	-	138,069	-
Other income	383,434	-	337,195	-
Finance costs	<u>(1,812,876)</u>	<u>(1)</u>	<u>(1,774,345)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(1,481,733)</u>	<u>(1)</u>	<u>(1,797,303)</u>	<u>(1)</u>
PROFIT (LOSS) BEFORE INCOME TAX	(7,942,527)	(6)	989,322	1
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 29)	<u>(154,036)</u>	<u>-</u>	<u>552,389</u>	<u>1</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(7,788,491)</u>	<u>(6)</u>	<u>436,933</u>	<u>-</u>

(Continued)

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 26 and 29)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (442,817)	-	\$ 1,684	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(450)	-	221	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>75,279</u>	<u>-</u>	<u>(287)</u>	<u>-</u>
	<u>(367,988)</u>	<u>-</u>	<u>1,618</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	245,015	-	564,141	-
Unrealized gain (loss) on available-for-sale financial assets	(562,811)	(1)	(473,393)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(39,864)	-	(32,844)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(64,851)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(422,511)</u>	<u>(1)</u>	<u>57,904</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(790,499)</u>	<u>(1)</u>	<u>59,522</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (8,578,990)</u>	<u>(7)</u>	<u>\$ 496,455</u>	<u>-</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (7,721,756)	(6)	\$ 320,346	-
Non-controlling interests	<u>(66,735)</u>	<u>-</u>	<u>116,587</u>	<u>-</u>
	<u>\$ (7,788,491)</u>	<u>(6)</u>	<u>\$ 436,933</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (8,491,553)	(7)	\$ 365,949	-
Non-controlling interests	<u>(87,437)</u>	<u>-</u>	<u>130,506</u>	<u>-</u>
	<u>\$ (8,578,990)</u>	<u>(7)</u>	<u>\$ 496,455</u>	<u>-</u>

(Continued)

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

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	For the Years Ended December 31			
	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
EARNINGS (LOSS) PER SHARE (Note 30)				
From continuing operations				
Basic	<u>\$ (2.24)</u>		<u>\$ 0.10</u>	
Diluted	<u>\$ (2.24)</u>		<u>\$ 0.10</u>	

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

(With Deloitte & Touche auditors' report dated March 21, 2016)

(Concluded)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests (Note 26)	Total Equity
	Share Capital Stock (Notes 4 and 26)		Capital Surplus (Notes 4 and 26)	Retained Earnings (Accumulated Deficits) (Note 26)			Exchange Differences on Translating Foreign Operations (Notes 4 and 26)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4 and 26)			
	Shares (In Thousand)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)					
BALANCE AT JANUARY 1, 2014	2,818,713	\$ 28,187,131	\$ 8,562,852	\$ 5,143	\$ 46,291	\$ (3,845,726)	\$ (58,417)	\$ (221,390)	\$ 32,675,884	\$ 897,056	\$ 33,572,940
Effect of retrospective application and retrospective restatement	-	-	-	-	-	3,899,683	-	-	3,899,683	1,906	3,901,589
BALANCE AT JANUARY 1, 2014 AS RESTATED	2,818,713	28,187,131	8,562,852	5,143	46,291	53,957	(58,417)	(221,390)	36,575,567	898,962	37,474,529
Compensation of 2013 deficit											
Legal reserve for compensating deficit	-	-	-	(5,143)	-	5,143	-	-	-	-	-
Special reserve for compensating deficit	-	-	-	-	(46,291)	46,291	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	-	(3,794,292)	-	-	3,794,292	-	-	-	-	-
Convertible bonds converted to ordinary shares	37,667	376,669	130,728	-	-	-	-	-	507,397	-	507,397
Net profit for the year ended December 31, 2014	-	-	-	-	-	320,346	-	-	320,346	116,587	436,933
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	-	3,044	548,796	(506,237)	45,603	13,919	59,522
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	-	323,390	548,796	(506,237)	365,949	130,506	496,455
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	(31,975)	(31,975)
BALANCE AT DECEMBER 31, 2014	2,856,380	28,563,800	4,899,288	-	-	4,223,073	490,379	(727,627)	37,448,913	997,493	38,446,406
Special reserve under Rule No. 1030006415 issued by the FSC	-	-	-	-	3,719,463	(3,719,463)	-	-	-	-	-
Appropriation of 2014 earnings											
Legal reserve	-	-	-	41,137	-	(41,137)	-	-	-	-	-
Special reserve	-	-	-	-	379,072	(379,072)	-	-	-	-	-
Convertible bonds converted to ordinary shares	148,060	1,480,601	515,288	-	-	-	-	-	1,995,889	-	1,995,889
Arising from donations	-	-	50,308	-	-	-	-	-	50,308	-	50,308
Net loss for the year ended December 31, 2015	-	-	-	-	-	(7,721,756)	-	-	(7,721,756)	(66,735)	(7,788,491)
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(366,797)	199,675	(602,675)	(769,797)	(20,702)	(790,499)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	(8,088,553)	199,675	(602,675)	(8,491,553)	(87,437)	(8,578,990)
Changes in percentage of ownership interest in subsidiaries (Note 31)	-	-	35,153	-	-	-	-	-	35,153	(35,153)	-
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	(182,281)	(182,281)
BALANCE AT DECEMBER 31, 2015	3,004,440	\$ 30,044,401	\$ 5,500,037	\$ 41,137	\$ 4,098,535	\$ (8,005,152)	\$ 690,054	\$ (1,330,302)	\$ 31,038,710	\$ 692,622	\$ 31,731,332

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

(With Deloitte & Touche auditors' report dated March 21, 2016)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2015	2014 (Audited after Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ (7,942,527)	\$ 989,322
Adjustments for:		
Depreciation expenses	6,330,124	6,530,901
Amortization expenses	29,414	32,076
Impairment loss recognized on trade receivables	7,030	6,919
Net loss arising on financial assets/liabilities at fair value through profit and loss	165,423	209,933
Finance costs	1,812,876	1,774,345
Interest income	(218,342)	(155,037)
Dividend income	(50,915)	(66,194)
Share of profit of associates and joint ventures	(134,045)	(138,069)
Gain on disposal of property, plant and equipment	(290,484)	(2,786,915)
Gain on disposal of available-for-sale financial assets	(9,327)	(21,612)
Write-down of shipping fuel	24,675	37,295
Net loss on foreign currency exchange	462,318	556,933
(Gain) loss on change in fair value of investment properties	(46,040)	58,199
Amortization of long-term prepayments for lease	31,572	31,573
Provision for liabilities	854,579	1,103,318
Impairment loss recognized on financial assets carried at cost	-	4,903
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(303)	(123,339)
Decrease (increase) in notes receivable	146,214	(32,662)
Decrease (increase) in trade receivable	1,512,322	(2,019,521)
Decrease in trade receivable from related parties	47,521	71,717
Decrease in shipping fuel	1,444,552	306,511
Decrease (increase) in prepayments	73,223	(143,108)
Increase in advances to shipping agents	(180,999)	(245,718)
Increase in other current assets	(34,021)	(382,393)
Increase (decrease) in notes payable	3,473	(503)
Decrease (increase) in trade payable	(523,127)	1,898,566
Increase in trade payable to related parties	81,297	130,444
Increase in other payables	184,383	443,316
Decrease in provisions	(700,699)	(1,087,409)
Increase (decrease) in advances from customers	(195,040)	1,056,982
Increase in other current liabilities	146,799	38,402
Increase in net defined benefit liabilities	727	40,356
Cash generated from operations	<u>3,032,653</u>	<u>8,119,531</u>
Dividend received	245,912	202,879
Interest received	224,834	143,367

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2015	2014 (Audited after Restated)
Interest paid	\$ (1,782,876)	\$ (1,560,936)
Income tax paid	<u>(351,269)</u>	<u>(567,250)</u>
Net cash generated from operating activities	<u>1,369,254</u>	<u>6,337,591</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit or loss	(2,407,456)	(6,617,126)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,278,715	6,610,890
Acquisition of available-for-sale financial assets	(20,079,606)	(21,184,278)
Proceeds from disposal of available-for-sale financial assets	20,088,933	21,244,915
Acquisition of associates and joint ventures accounted for using equity method	(25,000)	(352,181)
Capital reduction from investment accounted for using equity method	-	3,029
Acquisition of property, plant and equipment	(9,844,229)	(9,378,392)
Proceeds from disposal of property, plant and equipment	393,106	10,820,819
Increase in refundable assets	(1,136,657)	(230,090)
Decrease in refundable deposits	216,366	2,975
Acquisition of intangible assets	(40,982)	(19,869)
Decrease (increase) in other financial assets	1,028,336	(150,989)
Decrease in other non-current assets	10,455	25,829
Increase in prepayments for equipment	<u>(558,008)</u>	<u>(1,021,577)</u>
Net cash used in investing activities	<u>(9,076,027)</u>	<u>(246,045)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in short-term debt	4,002,762	9,190
Increase in short-term bills payable	99,872	260,680
Decrease in short-term bills payable	-	(340,511)
Proceeds from issuance of bonds	4,000,000	3,850,000
Repayment of principal of bonds	(5,924,000)	(2,674,000)
Proceeds from long-term debts	30,109,509	24,635,975
Repayment of long-term debts	(21,798,660)	(23,425,995)
Payment for obligations under finance leases	(347,692)	(286,275)
Decrease in other financial liabilities	(153,460)	(286,284)
Increase (decrease) in other non-current liabilities	(79,164)	105,366
Net change in non-controlling interests	<u>(182,281)</u>	<u>(31,975)</u>
Net cash generated from financing activities	<u>9,726,886</u>	<u>1,816,171</u>

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2015	2014 (Audited after Restated)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>\$ 45,581</u>	<u>\$ 143,863</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,065,694	8,051,580
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>21,683,555</u>	<u>13,631,975</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 23,749,249</u>	<u>\$ 21,683,555</u>

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

(With Deloitte & Touche auditors' report dated March 21, 2016)

(Concluded)

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

Adoption of the Proposal for 2015 Deficit Compensation

**Explanation:**

1. The net loss after tax for 2015 is NT\$7,721,756,353. The Board has adopted a Proposal for 2015 Deficit Compensation in accordance with the Company Act and Articles of Incorporation. The 2015 statement of Deficit Compensation is attached as page 34.
2. It is proposed not to distribute dividend for 2015.

**Resolution:**

**YANG MING MARINE TRANSPORT CORP.**  
**Statement of Deficit Compensation**  
**2015**

		Unit : NT\$
Item		Amount
Beginning balance un-appropriated retained earnings		0
Effect of retrospective application and retrospective restatement	3,802,863,725	
On the initial application of fair value model to investment properties, a special reserve under Rule No. 1030006415 issued by the FSC	(3,719,463,190)	
Beginning balance un-appropriated retained earnings after adjusted		83,400,535
Actuarial gain (loss) arising from defined benefit plans		(366,797,022)
Net Loss after tax for 2015		(7,721,756,353)
Deficit to be compensated		(8,005,152,840)
Compensation Item :		
Legal Reserve	41,136,662	
Special Reserve	4,098,535,471	
Capital surplus - share premium	901,165,041	
Capital surplus - changes in percentage of ownership interest in subsidiaries	35,152,428	
Total		5,075,989,602
Ending Balance of Un-appropriated Retained Earnings		(2,929,163,238)

## **Matters for Discussion**

### **Proposal No.1**

### **Proposed by the Board**

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

### **Explanation:**

1. In order to conform to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and Company Act, the company here by proposed to amend the Articles of Incorporation.
2. The amended articles has been approved by the 309<sup>th</sup> meeting of the board of directors, please refer to pp. 36-38 for details.

### **Resolution:**

## The Amendment to the Articles of Incorporation of Yang Ming Marine Transport Corporation

New (29th amendment)	Now (28th amendment)
<p>Article 15</p> <p><u>From the 17th term of board or 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.</u></p> <p><u>This Company shall establish a Remuneration Committee, composed of all independent directors, propose the following matters and then submit its recommendation to the board of directors for deliberation.</u></p> <p>A. <u>Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managers.</u></p> <p>B. <u>Periodically evaluate and prescribe the remuneration of directors and managers.</u></p> <p>C. <u>Others in connection with remuneration assigned by the board of directors.</u></p>	<p>Article 15</p> <p><u>In compliance with Articles 14-4 and 181-2 of the Securities and Exchange Act of the Republic of China, this company shall establish an Audit Committee, which shall be composed by independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, Securities and Exchange Act and other relevant laws and regulations of the Republic of China.</u></p>
<p>Article 18</p> <p><u>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.</u></p> <p><u>The employees' bonus shall be distributed in</u></p>	<p>Article 18</p> <p><u>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</u></p>

New (29th amendment)	Now (28th amendment)
<p><u>stocks or cash.</u></p> <p><u>The distribution of bonus for employees and directors shall be determined by the board of directors and reported at the shareholders' meeting.</u></p>	<p><u>improving financial structure, the company may set aside a special reserve. If there are more surpluses, plus the undistributed cumulative earnings from the previous year, the board of directors shall appropriate at least 25% and work out an allocation proposal for approval by the shareholders' meeting.</u></p> <p>The proportions of the distribution of the earnings are as follows:</p> <ol style="list-style-type: none"> <li>a. 1% - 5% for staff as bonus</li> <li>b. Not more than 2% for directors as remuneration</li> <li>c. The remaining amounts after deducting the disbursements of the proceeding two subparagraphs shall be distributed to shareholders as dividends.</li> </ol> <p><u>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.</u></p>
<p>Article 18-1</p> <p>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 <u>or rotate</u> a special reserve. If there are more surpluses, plus the undistributed</p>	<p>Article 18</p> <p>If there is current net profit at the year-end, it shall first be used for making up the losses carried over from previous year, for disbursing the income taxes and for paying the various reserves required by the laws and regulations of the Republic of China. If there are needs for increasing the equipment of transportation and improving financial structure, the company may set aside a special reserve. If there are more surpluses, plus the undistributed cumulative earnings from the previous year, the board of directors shall appropriate at least 25% and work</p>

New (29th amendment)	Now (28th amendment)
<p>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.</p> <p>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.</p>	<p>out an allocation proposal for <u>approval</u> by the shareholders' meeting.</p> <p><u>The proportions of the distribution of the earnings are as follows:</u></p> <p><u>a. 1% - 5% for staff as bonus</u></p> <p><u>b. Not more than 2% for directors as remuneration</u></p> <p><u>c. The remaining amounts after deducting the disbursements of the proceeding two subparagraphs shall be distributed to shareholders as dividends.</u></p> <p>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.</p>
<p>Article 21</p> <p>This Charter was established on Dec. 28, 1972. ...The 28th amendment was approved on June 18, 2014. <u>The 29th amendment was approved on June 22, 2016.</u></p>	<p>Article 21</p> <p>This Charter was established on Dec. 28, 1972. ...The 28th amendment was approved on June 18, 2014.</p>

## Election

### **Proposal No.1**

### **Proposed by the Board**

The Election of Directors, please proceed to elect.

#### **Explanation:**

1. The 17<sup>th</sup> Board ended on June 13, 2016. Accordingly, the company proposes to duly elect new Board members at this year's Annual Meeting of Shareholders.
2. According to the Articles of Incorporation, the shareholders' meeting shall elect 11 directors (including 3 independent directors). Their three-year term will start from June 22, 2016 and end on June 21, 2018.
3. There are no shareholders who hold more than 1% shares of the Company nominating the directors or independent directors' nominees during the nomination period from April 18, 2016 to April 27, 2016.
4. The Board election proposal has been approved by the 310<sup>th</sup> meeting of the board of directors, and the nomination list has been reviewed by the 311<sup>th</sup> meeting of the board of directors. Please refer to page 40 for the nomination list.

#### **Voting Results:**



### The nomination list of directors

Name	Holding shares
Representative of MOTC : Ding-Huan Huang	Directors herein as representatives of the MOTC, and holding a total of 1,000,842,140 shares.
Representative of MOTC : Ying-Rong Chen	
Representative of MOTC : Tyh-Ming Lin	
Representative of MOTC : Youn-Ger Wu	
Representative of MOTC : Feng-Hai Lu	
Representative of MOTC : Ping-Jen Tseng	
Representative of Chinachem Group : Wing-Kong Leung	Chinachem Group : 65,707,426
Representative of Leader Container Transportation Co., Ltd: Michael F. Hassing	Leader Container Transportation Co., Ltd : 500,000

### The nomination list of independent directors

Name	Holding shares
Kuen-Mu Chen	0
Jin-Ru Yen	0
Heng-Chih Chou	0

## Other Matters

### **Proposal No.1**

### **Proposed by the Board**

Proposal for Releasing the Prohibition on Directors from Participation in Competitive Business, please proceed to discuss.

### **Explanation:**

1. According to Article 209 of Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Under the circumstance that there is no harm to the company, the Board proposes for releasing the prohibition on directors from participation in competitive business if the director does anything for himself or on behalf of another person as the provision.
3. Please refer to page 42 for the list of release the prohibition on Directors.

### **Resolution:**

List of release the prohibition on Directors.

Name	Company	Job Title
Feng-Hai Lu	Kao Ming Container Terminal Corp.	CEO
	Yang Ming Line (Hong Kong) Ltd.	Director
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Director
	Yang Ming Line (Singapore) Pte. Ltd.	Director
	Yangming (Japan) Co., Ltd.	Director
	Yang Ming Line Holding Co.	Director and President
Michael F. Hassing	American Intermodal Solutions, Inc.	Director and President
	Dockside Software, Inc.	Director and President
	Embarcadero Systems Corporation	Director, President and CEO
	First Marine Contractors, Inc.	Director and President
	HHH Oakland, Inc.	Director and President
	Marine Terminals Corporation	Director, President and CEO
	Marine Terminals Corporation – East	Director, President and CEO
	MTC Holdings	Director, President and CEO
	Port Newark Container Terminal LLC	Manager
	Ports America Baltimore, Inc.	Director, President and CEO
	Ports America Chesapeake, LLC	Manager
	Ports America Cruise, Inc.	Director
	Ports America Florida, Inc.	Director, President and CEO
	Ports America Group, Inc.	Director, President and CEO
	Ports America Gulfport, Inc.	Director and President
	Ports America Holdings, Inc.	Director, President and CEO
	Ports America Services, Inc.	Director, President and CEO
	Ports America Shared Services, Inc.	Director, President and CEO
	Ports America Tampa, LLC	Director and President
	Ports America Terminal Holdings. Inc.	Director, President and CEO
	Ports America Terminals, Inc	Director
	Ports America Texas, Inc.	Director, President and CEO
	Ports America, Inc.	Director and President
	Ports Maintenance, Inc.	Director and President
	Smart-Tecs LLC	Director, President and CEO
	Tricor Services LLC	Director, President and CEO
West Coast Marine Services, LLC	Director, President and CEO	
West Coast Terminal and Stevedores, Inc.	Director	

## Extempore Motions

## Adjournment

## Appendix

- A. Articles of Incorporation
- B. Rules of Procedure for Shareholder Meetings
- C. Rules for Elections of Directors
- D. Current Shareholding of Directors

Appendix A.

**Article of Incorporation of  
Yang Ming Marine Transport Corporation  
(The 28th 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 unable to attend the meeting.

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

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

Article 15 In compliance with Articles 14-4 and 181-2 of the Securities and Exchange Act of the Republic of China, this company shall establish an Audit Committee, which shall be composed by independent directors. The Audit Committee or the members of Audit Committee shall be responsible for those responsibilities of Supervisors specified under the Company Act, Securities and Exchange Act and other relevant laws and regulations of the Republic of China.

Article 16 This company shall have a president.

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 submit report 30 days before the opening of the regular meeting of shareholders for submission to the regular meeting of shareholders for approval:

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

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

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

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

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

## Chapter 6 Addendum

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

Article 20 Matters not stipulated in this Charter shall be handled according to the Company Act and other related laws and regulations of the Republic of China.

Article 21 This Charter was established on Dec. 28, 1972. The 1st amendment was made on Dec. 23,

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

Appendix B.

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

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 C.

## Rules for Election of Directors of Yang Ming Marine Transport Corporation

Approved by the shareholders meeting on June 21, 2002

Amendment was made on June 18, 2009

Amendment was made on June 14, 2013

- Article 1 Except as otherwise provided by law and regulation or by the articles of incorporation of this company, the elections of directors shall be conducted in accordance with these Rules.
- Article 2 The cumulative voting method shall be used for election of the directors at this company. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The directors of this company shall be elected by adopting candidates nomination system, the election of independent and non-independent directors shall be held together; however, the number of independent and non-independent directors elected shall be calculated separately.
- Article 3 The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article 4 The number of directors will be as specified in this company's articles of incorporation, with voting rights separately calculated for non-independent and independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.
- Article 5 Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the company and publicly checked by the vote monitoring personnel before voting commences.
- Article 6 If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person



shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.

- Article 7 A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by the board of directors.
  2. A blank ballot is placed in the ballot box.
  3. The writing is unclear and indecipherable or has been altered.
  4. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
  5. Other words or marks are entered in addition to the candidate's account name or shareholder account number (or identity card number) and the number of voting rights allotted.
  6. The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number or identity card number is provided in the ballot to identify such individual.
  7. The requested information is not completely entered in Article 6.
  8. The number of the candidates entered in the ballot exceeding the number of the seats to be elected.
  9. The total votes cast by the voter exceeding the total voting rights of such voter.
- Article 8 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors, shall be announced by the chair on the site.
- Article 9 The board of directors of this company shall issue notifications to the persons elected as directors.
- Article 10 These Rules, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

Appendix D.

## Current Shareholding of Directors

The minimum required combined shareholding of all directors by law on the book closure date, April 24, 2016 : 72,106,563 shares (2.4%).

Position	Name	shareholding on the book closure date
Chairman / Board of Directors	Representatives of MOTC : Feng-Hai Lu	Directors herein as, and holding a total of 1,000,842,140 shares
Director	Representatives of MOTC : Ding-Huan Huang	
Director	Representatives of MOTC : Ying-Rong Chen	
Director	Representatives of MOTC : Tyh-Ming Lin	
Director	Representatives of MOTC : Youn-Ger Wu	
Director	Representatives of MOTC : Mao-Shong Shu	
Director	Representative of Chinachem Group : Wing-Kong Leung	65,707,426 shares
Director	Mon-Chang Hsieh	319,000 shares
Independent Director	Kuen-Mu Chen	0
Independent Director	Jin-Ru, Yen	0
Independent Director	Heng-Chih, Chou	0

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