Yang Ming Marine Transport Corporation

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yang Ming Marine Transport Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit of the Percentage-of-completion

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2019

Notice to Readers

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

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

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YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

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

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YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

1. GENERAL INFORMATION

Yang Ming Marine Transport Corporation (the "Company" or YMTC), established in December 1972, was majority-owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when the MOTC began reducing its holdings in the Company following the Company's listing of its shares on the Taiwan Stock Exchange.

YMTC mainly engages in the shipping, repair, chartering, sale and purchase of ships, containers and chassis and operates as a shipping agency.

YMTC's shares have been listed on the Taiwan Stock Exchange since April 1992. YMTC issued global depositary receipts (GDRs), which have been listed on the London Stock Exchange (ticker symbol: YMTD) since November 1996.

The financial statements of the Company are presented in YMTC's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by YMTC's board of directors on March 25, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 7,433,684	$ 7,433,684
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	1,651,775	1,608,437
Debt securities	Debt investments with no active market - current	Amortized cost	800,000	800,000
Trade receivables, other receivables (included in other current assets) and long-term receivables	Loans and receivables	Amortized cost	30,355,076	30,355,076
Other financial assets - restricted bank balance (included in other non-current assets)	Loans and receivables	Amortized cost	56,699	56,699

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Accumulated Deficits Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTOCI							
Equity instruments	$ -						
Add: Reclassification from available-for-sale (IAS 39)	-	$ 1,651,775	$ (43,338)				a)
		1,651,775	(43,338)	$ 1,608,437	$ 37,812	$ (81,150)	
Amortized cost							
Add: Reclassification from loans and receivables (IAS 39)	-	37,845,459	-	37,845,459	-	-	b), c)
Add: Debt investments with no active market - current (IAS 39)	-	800,000	-	800,000	-	-	d)
	$ -	$ 40,297,234	$ (43,338)	$ 40,253,896	$ 37,812	$ (81,150)	

a) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $1,116,913 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $477,188 thousand and decrease of 43,338 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

   The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in accumulated deficits. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $37,812 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and a decrease of $37,812 thousand in accumulated deficits on January 1, 2018.

b) Time deposits with original maturities of more than 3 months, deposit of stand-by letter of credit and restricted bank balance previously classified as other financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Cash and cash equivalents, trade receivables, other receivables and long-term receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised the loss allowance. The impact on assets and liabilities as of January 1, 2018 from the initial application of IFRS 15 is set out in the Note 3(1) b. IFRS 15 "Revenue from Contracts with Customers" and related amendments.

d) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

	IAS 39 Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Investments accounted for using the equity method	$ 19,128,998	$ (3,721)	$ 19,125,277	$ (269)	$ (3,452)	*

* As a result of the retrospective application of IFRS 9 by subsidiaries, there was a decrease in investments accounted for using the equity method of $3,721 thousand, a decrease in other equity - unrealized gain (loss) on financial assets at FVTOCI of $3,452 thousand, a decrease in retained earnings of $269 thousand on January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in accumulated deficits on January 1, 2018.

The impact on assets and liabilities as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Trade receivables	$ 3,853,855	$ (311,040)	$ 3,542,815
Trade receivables from related parties	2,964,543	(1,967,464)	997,079
Contract assets - current	-	2,278,504	2,278,504
Total effect on assets	$ 6,818,398	$ -	$ 6,818,398

Had the Company applied IAS 18 in the current year, the following adjustments should be made to reflect the line items and balances under IAS 18.

	December 31, 2018 (IFRS 15)	Impact of IFRS 15	December 31, 2018 (IAS 18)
Trade receivables	$ 3,188,356	$ 1,614,647	$ 4,803,003
Trade receivables from related parties	2,171,269	1,469,176	3,640,445
Contract assets - current	3,083,823	(3,083,823)	-
Total effect on assets	$ 8,443,448	$ -	$ 8,443,448
Other advance account	$ 167,116	$ 41,439	$ 208,555
Contract liabilities - current	41,439	(41,439)	-
Total effect on liabilities	$ 208,555	$ -	$ 208,555

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities (adjusted by the amount of any prepaid or accrued lease payments), their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

If the Company determines that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 to be accounted for as a sale of an asset, it will be accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Company will recognize only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Currently, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

The Company will not reassess sale and leaseback transactions entered into before January 1, 2019 to determine whether the transfer of an underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale. Upon initial application of IFRS 16, the aforementioned transitional provision for a lessee will apply to the leaseback portion. In addition, finance lease under IAS 17, the Company will continue to amortize any gains on sales over the lease term. Operating lease under IAS 17, the Company will adjust the leaseback right-of-use assets for any deferred gains or losses recognized on January 1, 2019.

The Company as lessor

Except for sublease transaction, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company subleased its leasehold assets to a third party. Such sublease is classified as an operating lease under IAS 17. The Company will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Finance lease receivables - current	$ -	$ 33,011	$ 33,011
Finance lease receivables - non - current	-	570,481	570,481
Prepayments	409,987	(31,572)	378,415
Long-term prepaid rent	473,417	(473,417)	-
Property, plant and equipment	34,537,154	(12,774)	34,524,380
Investments accounted for using the equity method	17,958,987	(29,136)	17,929,851
Right-of-use assets	-	75,249,609	75,249,609
Total effect on assets	$ 53,379,545	$ 75,306,202	$ 128,685,747
Other advances received	$ 167,116	$ (119,680)	$ 47,436
Other advances received- non-current	765,068	(670,208)	94,860
Lease liabilities - current	-	8,733,284	8,733,284
Lease liabilities - non-current	-	67,391,942	67,391,942
Total effect on liabilities	$ 932,184	$ 75,335,338	$ 76,267,522
Accumulated deficits	$ (7,131,851)	$ (29,136)	$ (7,160,987)
Total effect on equity	$ (7,131,851)	$ (29,136)	$ (7,160,987)

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance and will disclose these other impacts when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments, investment properties and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the separate financial statements of the Company and its subsidiaries, transactions in currencies other than their functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company’s foreign operations (including of the subsidiaries and associates in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Shipping fuel

Shipping fuel is stated at the lower of cost or net realizable value. Any write-down is made item by item. Shipping fuel is recorded at weighted-average cost.

f. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the Company's share of equity of associates and joint venture attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

h. Property, plant and equipment

Property, plant and equipment (including assets held under finance leases) are stated at cost, less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, financial assets at amortized cost and equity instruments at fair value through other comprehensive income.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such a financial asset is mandatorily classified or designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and restricted bank balance, other receivables and long-term receivables are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss, exchange differences are recognized in profit or loss.

Cash equivalents include time deposits and with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at fair value through other comprehensive income. Designation as at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a company of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 34.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets and contract assets

<u>2018</u>

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and other receivables), as well as contract assets.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables, other receivables and contract assets. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with a default on receivables, and other situations.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at fair value through other comprehensive income, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at fair value through other comprehensive income, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 34.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (mandatory convertible bonds and convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component, and amortize by using the effective method in subsequent periods.

5) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate and oil price variation risks including foreign exchange forward contracts, oil swap and oil swap option.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at fair value through profit or loss. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at fair value through profit or loss.

m. Revenue recognition

2018

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the services promised in the contracts are a single performance obligation.

1) Revenue from contracts with customers

Revenue from contracts with customers comes from providing container shipping services. As the Company provides container shipping services, customers simultaneously receive and consume the benefits provided by the Company’s performance. The Company recognizes the cargo revenue and contract asset on the basis of the percentage-of-completion. The contract assets are reclassified to trade receivables when the voyage is complete.

2) Rental revenues

Rental revenues (included shipping, container and warehousing rental revenue) from operating leases are recognized on a straight-line basis over the lease term.

3) Other operating revenues

Other service revenue is recognized on an accrual basis during the service is rendered or upon the completion of service.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Cargo revenue

Cargo revenue is recognized using the percentage-of-completion of voyage method. The percentage is calculated using the percentage of completed days to total estimated voyage days.

2) Rental revenues on ships, container and warehouse

Rental revenues from operating leases are recognized on a straight-line basis over the lease term.

3) Other service revenue

Other service revenue is recognized on an accrual basis during the service is rendered or upon the completion of service.

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

3) Sales and leaseback

If a sale and leaseback results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss should be recognized immediately. If the sale price is below fair value, any profit or loss should be recognized immediately except that, if the loss is compensated by future lease payments at below market price, it should be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company’s defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for a defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

p. Employee share options

Employee share options are measured at the fair value at the grant date.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company’s best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Non-financial assets impairment

The Company's major operating assets are ships and containers, other intangible assets, prepayments for lease and prepayments for equipment. At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss.

When assessing for impairment, the Company relies on subjective judgments, such as the usage of assets and business environment to determine expected cash flows, useful life and future gains and losses generated from these assets. Significant impairment may result from economic changes, fluctuation of the assets' value or changes in the Company's strategy.

b. Investments accounted for using equity method's provisions for onerous contracts

The Company estimates the investments accounted for using equity method's provisions for onerous contracts based on the unavoidable costs of meeting the obligations under the contract in excess of the economic benefits expected to be received from irrevocable contracts of charter-in hire. Expected economic benefits are estimated according to related charter-out hire contract price and expected future market price; unavoidable costs are estimated by irrevocable charter-in contracts.

c. Income taxes

As of December 31, 2018 and 2017, the carrying amount of deferred tax assets in relation to unused tax losses was $4,688,658 thousand and $3,561,187 thousand, respectively. As of December 31, 2018 and 2017, no deferred tax asset has been recognized on tax losses of $4,891,209 thousand and $3,581,620 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Revenue recognition

Revenue from delivery service is recognized under the percentage-of-completion method. The Company evaluates the percentage-of-completion and estimates the revenue and related costs as of the financial reporting date.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 1,441	$ 1,515
Checking accounts and demand deposits	8,922,789	6,125,831
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	3,520,140	1,306,338
	$ 12,444,370	$ 7,433,684

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2018	2017
Time deposits	0.60%-3.30%	0.40%-3.40%

7. FINANCIAL INSTRUMENT AT FVTPL - CURRENT

	December 31	
	2018	2017
Financial assets at FVTPL - current		
Held for trading		
Non-derivative financial assets		
Mutual funds	$ -	$ 71
Mandatorily classified as at fair value through profit or loss		
Non-derivative financial assets		
Mutual funds	70	-
	$ 70	$ 71
Financial liabilities at FVTPL - current		
Mandatorily classified as at fair value through profit or loss		
Derivative financial liabilities (not under hedge accounting)		
Oil swap and oil swap option	$ 20,573	$ -
Put option of bonds payable (Note 20)	16,887	-
	$ 37,460	$ -

The Company's purpose for trading oil swap and oil swap option was to reduce the cost burden from oil price increase. The Company entered into oil swap and oil swap option contracts. The contracts was settled in US$0 thousand and US$222 thousand every month for the years ended December 31, 2018 and 2017, respectively. The terms of the derivatives mentioned above did not qualify as effective hedging instruments, thus hedge accounting was not applied.

Outstanding oil swap and oil swap option contracts at the end of reporting periods were as follows:

		Unsettled Amount	
	Maturity Date	Notional Amount	Fair Value
December 31, 2018	2019.06.30	US$2,586 thousand	$ (20,573)

8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT - 2018

	December 31, 2018
Investments in equity instruments	
Domestic investments	
Listed shares and emerging market shares	
Ordinary shares - Taiwan Navigation Co., Ltd.	$ 1,344,407
Unlisted shares	
Ordinary shares - Taipei Port Container Terminal CO., LTD.	346,302
Ordinary shares - United Stevedoring Corp.	4,596
	$ 1,695,305

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and financial assets measured at cost - non-current under IAS 39. Refer to Note 3, Note 10 and Note 11 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic privately placed unsecured bonds - Kuang Ming Shipping Corp.	$ 500,000
Non-current	
Restricted bank balance (Note 36)	$ 5,469

In November 2014, the Company bought a 5-year corporate bond issued by Kuang Ming Shipping Corp. with a coupon rate of 2.30% and an effective interest rate of 2.30%, at a par value of $1,000,000 thousand. These financial assets at amortized cost were classified as Held-to-maturity financial assets - current and other non-current assets under IAS 39. Refer to Note 3 and Note 12 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - 2017

	December 31, 2017
Domestic investments	
Domestic listed shares	$ 1,174,587

Available-for-sale financial assets pledged as collaterals for secured loans is set out in Note 36.

11. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Domestic unlisted ordinary shares	$ 477,188
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 477,188

Management believed that the above unlisted equity investments held by the Company, whose fair value cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of reporting period.

12. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Domestic privately placed unsecured bonds - Kuang Ming Shipping Corp.	$ 800,000
Current	$ 300,000
Non-current	500,000
	$ 800,000

In November 2014, the Company bought a 5-year corporate bond issued by Kuang Ming Shipping Corp. with a coupon rate of 2.30% and an effective interest rate of 2.30%, at a par value of $1,000,000 thousand.

13. TRADE RECEIVABLES

	December 31	
	2018	2017
Trade receivables		
At amortized cost		
Trade receivable	$ 3,196,473	$ 3,863,949
Trade receivable - related parties	2,171,269	2,964,543
Less: Allowance for impairment loss	(8,117)	(10,094)
	$ 5,359,625	$ 6,818,398

2018

The average credit period of trade receivables from cargo business is 14 to 28 days.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables and contract assets. The expected credit losses on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, and the Company's customers are scattered around the world and not related to each other. The management believes there is no significant concentration of credit risk for trade receivables. The provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base. The Company recognize contract assets by completion ratio of transportation. According to historical experience, the completion of transportation period is within 60 days. The recognition method of The Company to assess contract assets which have expected credit loss is same as the trade receivables, and to assess within 60 days after invoice date.

The Company writes off a trade receivables and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables and contract assets that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Company acquired bank's guaranteed letter from agencies or received security deposit from clients; for the rest of the receivables, the Company did not hold any collateral or other credit enhancements for these balances.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	No Sign of Default by Client		
	Less than 30 Days	**31 to 60 Days**	**Total**
Expected credit loss rate	0.12%-0.16%	0.47%-1.51%	-
Gross carrying amount	$ 5,147,882	$ 219,860	$ 5,367,742
Loss allowance (Lifetime ECL)	(6,242)	(1,875)	(8,117)
Amortized cost	$ 5,141,640	$ 217,985	$ 5,359,625

The movements of the loss allowance of trade receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	$ 10,094
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	10,094
Less: Amounts written off	(998)
Less: Net remeasurement of loss allowance	(979)
Balance at December 31, 2018	$ 8,117

2017

The Company applied the same credit policy in 2018 and 2017.

The aging of receivables was as follows:

	December 31, 2017
Less than and including 90 days	$ 6,828,492
91-180 days	-
181-365 days	-
Over 365 days	-
	$ 6,828,492

The above aging schedule was based on the number of past due days from invoice date.

The aging of receivables that were not past due.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ -	$ 9,808	$ 9,808
Add: Impairment losses recognized on receivables	-	1,446	1,446
Less: Amounts written off as uncollectable	-	(1,160)	(1,160)
Balance at December 31, 2017	$ -	$ 10,094	$ 10,094

14. SHIPPING FUEL

	December 31	
	2018	2017
Shipping fuel	$ 3,408,746	$ 2,357,123

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2018 and 2017, was $20,779,392 thousand and $15,206,197 thousand, respectively.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2018 and 2017 included shipping fuel write-downs of $98,349 thousand and reversals of write-downs of $251,497 thousand, respectively. Previous write-downs were reversed as a result of increased profit from marine operations.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	**2017**
Investments in subsidiaries	$ 11,752,026	$ 12,865,461
Investments in associates	6,206,961	6,263,537
	$ 17,958,987	$ 19,128,998

a. Investments in subsidiaries

	December 31	
	2018	**2017**
Unlisted shares		
Yang Ming Shipping (B.V.I.) Inc.	$ 3,138,527	$ 3,550,194
Yang Ming Line (Singapore) Pte Ltd.	2,272,087	2,049,380
Yang Ming Line Holding Co.	1,997,780	1,795,553
Kuang Ming Shipping Corp.	1,701,808	2,255,782
Ching Ming Investment Corp.	1,057,131	1,088,433
Yang Ming (Liberia) Corp.	642,263	725,736
Yes Logistics Corp.	494,887	460,371
All Oceans Transportation Inc.	202,016	689,256
Jing Ming Transportation Co., Ltd.	126,107	123,891
Honming Terminal & Stevedoring Co., Ltd.	119,420	126,865
	$ 11,752,026	$ 12,865,461

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiaries	**2018**	**2017**
Yang Ming Shipping (B.V.I.) Inc.	100.00%	100.00%
Yang Ming Line (Singapore) Pte Ltd.	100.00%	100.00%
Yang Ming Line Holding Co.	100.00%	100.00%
Kuang Ming Shipping Corp. (Note a)	98.52%	98.52%
Ching Ming Investment Corp.	100.00%	100.00%
Yang Ming (Liberia) Corp. (Note b)	100.00%	100.00%
Yes Logistics Corp.	50.00%	50.00%
All Oceans Transportation Inc.	100.00%	100.00%
Jing Ming Transportation Co., Ltd.	50.98%	50.98%
Honming Terminal & Stevedoring Co., Ltd.	79.17%	79.17%

Note a: The Company's board of directors resolved to apply for a capital reduction to offset a deficit and a capital increase by cash of Kuang Ming in March 2017, and the base date for such actions was May 22, 2017 and June 9, 2017, respectively. The reduction ratio was 85%. The Company injected 1,398,330 thousand for 139,833 thousand shares, respectively, with a par value of $10, and increased its continuing interest from 93.07% to 97.84%. The Company's board of directors resolved in September 2017 to apply for the capital increase by cash of Kuang Ming on November 10, 2017. The Company injected for 998,846 thousand for 99,885 thousand shares, with a par value of $10, and increased its continuing interest from 97.84% to 98.52%.

Note b: The Company's board of directors resolved in November 2018 to liquidate Yang Ming (Liberia) Corp. (Yang Ming-Liberia) in February 2019.

Refer to Note 2 for the amount of investments in subsidiaries which were pledged for the Company's endorsement and guarantee.

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements which have been audited.

b. Investment in associates

	December 31	
	2018	**2017**
Associates that are not individually material		
Kao Ming Container Terminal Corp.	$ 5,987,984	$ 6,100,423
Yunn Wang Investment Co., Ltd.	115,002	102,431
Taiwan Foundation International Pte. Ltd. (Note a)	103,975	-
Transyang Shipping Pte. Ltd. (Note b)	-	60,683
	$ 6,206,961	$ 6,263,537

Note a: The Company's board of directors resolved to establish Taiwan Foundation International Pte. Ltd. in August 2018 and had registered in October 2018.

Note b: The Company's board of directors resolved in August 2017 for a capital reduction for return of cash of Transyang Shipping Pte. Ltd in January 2018 and liquidate in July 2018.

All the associates are accounted for using the equity method.

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	**2017**
The Company's share of:		
Net gain for the year	$ 10,347	$ 54,845
Other comprehensive income	11,600	21,853
Total comprehensive loss for the year	$ 21,947	$ 76,698

Except for Taiwan Foundation International Pte. Ltd., investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited in 2018. Investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been audited in 2017. The management believes that there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements that have not been audited.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Container and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Total
Cost								
Balance at January 1, 2017	$ 343,210	$ 773,258	$ 22,015,480	$ 28,170,429	$ 2,732,756	$ 146,272	$ 2,331,975	$ 56,513,380
Additions	-	-	-	248,982	-	-	23,699	272,681
Disposals	-	-	(333,917)	(134,158)	-	-	(15,025)	(483,100)
Reclassification	-	-	-	28,966	-	-	6,159	35,125
Balance at December 31, 2017	$ 343,210	$ 773,258	$ 21,681,563	$ 28,314,219	$ 2,732,756	$ 146,272	$ 2,346,808	$ 56,338,086
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ 265,251	$ 9,565,105	$ 5,030,302	$ 2,564,300	$ 146,272	$ 1,870,517	$ 19,441,747
Disposals	-	-	(321,223)	(134,158)	-	-	(15,025)	(470,406)
Depreciation expenses	-	16,378	1,334,884	1,197,940	79,037	-	105,947	2,734,186
Balance at December 31, 2017	$ -	$ 281,629	$ 10,578,766	$ 6,094,084	$ 2,643,337	$ 146,272	$ 1,961,439	$ 21,705,527
Carrying amount at December 31, 2017	$ 343,210	$ 491,629	$ 11,102,797	$ 22,220,135	$ 89,419	$ -	$ 385,369	$ 34,632,559
Cost								
Balance at January 1, 2018	$ 343,210	$ 773,258	$ 21,681,563	$ 28,314,219	$ 2,732,756	$ 146,272	$ 2,346,808	$ 56,338,086
Additions	-	-	2,739,802	53,163	-	-	26,472	2,819,437
Disposals	-	-	(1,022,931)	(32,000)	(73)	-	(119,611)	(1,174,615)
Reclassification	-	-	-	3,442	-	-	8,760	12,202
Balance at December 31, 2018	$ 343,210	$ 773,258	$ 23,398,434	$ 28,338,824	$ 2,732,683	$ 146,272	$ 2,262,429	$ 57,995,110
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ 281,629	$ 10,578,766	$ 6,094,084	$ 2,643,337	$ 146,272	$ 1,961,439	$ 21,705,527
Disposals	-	-	(920,454)	(32,000)	(73)	-	(117,976)	(1,070,503)
Depreciation expenses	-	15,040	1,440,869	1,198,846	76,643	-	91,534	2,822,932
Balance at December 31, 2018	$ -	$ 296,669	$ 11,099,181	$ 7,260,930	$ 2,719,907	$ 146,272	$ 1,934,997	$ 23,457,956
Carrying amount at December 31, 2018	$ 343,210	$ 476,589	$ 12,299,253	$ 21,077,894	$ 12,776	$ -	$ 327,432	$ 34,537,154

a. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	53-56 years
Container and chassis	6-10 years
Ships	20-25 years
Dry dock	2.5-5 years
Leased assets	
Container and chassis	3-10 years
Ships	18-25 years
Leasehold improvements	2-10 years
Miscellaneous equipment	3-18 years

The dry dock is a significant component of ships.

b. The Company’s property, plant and equipment pledged as collaterals for the secured loans is set out in Note 36.

17. INVESTMENT PROPERTIES

	Completed Investment Property
Balance at January 1, 2017	$ 6,635,170
Additions	5,476
Donations	1,542
Gain on change in fair value of investment properties	89,491
Balance at December 31, 2017	6,731,679
Additions	5,915
Loss on change in fair value of investment properties	(17,289)
Balance at December 31, 2018	$ 6,720,305

The investment properties are leased out for 0.17 to 5 years. All lease contracts contain market review clauses applicable to contract renewals. The lessee does not have a bargain purchase option to acquire the investment property at the expiry of the lease period.

The commitments on future minimum lease payments under non-cancellable operating lease are as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 83,753	$ 87,663
Later than 1 year and not later than 5 years	101,348	168,496
Later than 5 years	-	-
	$ 185,101	$ 256,159

The investment property had been leased out under operating leases. The rental income generated for the years ended December 31, 2018 and 2017 was $90,234 thousand and $89,948 thousand, respectively.

The fair values of investment properties were measured on a recurring basis, as follows:

	December 31	
	2018	2017
Independent valuation	$ 6,720,305	$ 6,731,679

As of December 31, 2018 and 2017, the fair values were based on the valuations carried out on January 7, 2019 and January 5, 2018, respectively, by independent qualified professional value from Savills Residential Service (Taiwan) Limited, Real Estate Appraisal Firm, a member of certified ROC real estate appraisals.

The fair values of the other investment properties were determined by the Company’s management by reference to rentals of similar properties in the vicinity.

The fair value of investment properties was estimated using unobservable inputs (Level 3). The movements in the fair value were as follows:

	Keelung	Taipei	Kaohsiung	Total
Balance at December 31, 2017	$ 306,475	$ 5,731,313	$ 597,382	$ 6,635,170
Recognized in profit or loss (gain arising from the change in fair value of investment property)	13,131	91,983	(15,623)	89,491
Purchases	5,476	-	-	5,476
Donations	-	-	1,542	1,542
Balance at December 31, 2017	325,082	5,823,296	583,301	6,731,679
Recognized in profit or loss (gain arising from the change in fair value of investment property)	(3,653)	(15,858)	2,222	(17,289)
Purchases	5,153	762	-	5,915
Balance at December 31, 2018	$ 326,582	$ 5,808,200	$ 585,523	$ 6,720,305
Unrealized gain (loss) arising from the change in fair value of investment properties for the year ended December 31				
2018	$ (3,653)	$ (15,858)	$ 2,222	$ (17,289)
2017	$ 13,131	$ 91,983	$ (15,623)	$ 89,491

The fair value of investment properties, except for undeveloped land, was measured using the income approach. The significant assumptions used were stated below. The increase in estimated future net cash inflows or the decrease in discount rates would result in increase in the fair value.

	December 31	
	2018	2017
Expected future cash inflows	$ 5,857,431	$ 6,592,466
Expected future cash outflows	(465,612)	(573,033)
Expected future cash inflows, net	$ 5,391,819	$ 6,019,433
Discount rate	3.845%	3.845%

The market rentals in the area where the investment property is located were between $0.5 thousand and $2.5 thousand per ping (35.59 square feet) in 2018 and 2017. The market rentals for comparable properties were between $0.4 thousand and $3.1 thousand per ping (35.59 square feet) in 2018 and between $0.4 thousand and $2.6 thousand per ping (35.59 square feet) in 2017.

The expected future cash inflows generated by investment property included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Company's current rental rate, taking into account the annual rental growth rate; the income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the average deposit interest rate of the top five banks announced by the Central Bank of the Republic of China for a year; the disposal value was determined using the direct capitalization method under the income approach. The expected future cash outflows incurred by investment property included expenditure such as land value taxes, house taxes, insurance premium, and maintenance costs. The expenditure was extrapolated on the basis of the current level of expenditure, taking into account the future adjustment to the government-announced land value, the tax rate promulgated under the House Tax Act.

The discount rate was determined by reference to the interest rate for two-year time deposits as posted by Chunghwa Post Co., Ltd., plus 0.75%, and any asset-specific risk premiums 2.0%.

The fair value of undeveloped land located in area Keelung, Taipei, and Kaohsiung was measured by land development analysis. The increase in estimated total sale price, the increase in rate of return, or the decrease in overall capital interest rate would result in increase in the fair value. The significant assumptions used were as follows:

	December 31	
	2018	**2017**
Estimated total sale price	$ 5,981,809	$ 5,988,524
Rate of return	14%-20%	14%-20%
Overall capital interest rate	1.54%-4.22%	1.83%-4.34%

The rate of returns was determined by reference to the annual profit rate and construction period of the similar product constructed by competitors. Overall capitalization rate referred to current average benchmark interest rate and deposit interest rate of the top five banks, and to the proportion of equity funds and borrowed funds. The cost of the equity funds and borrowed funds is determined by the deposit and benchmark interest rate, respectively.

The total sale price is estimated on the basis of the most effective use of land or property available for sale after development is completed, taking into account the related regulations, domestic macroeconomic prospects, local land use, and market rates.

All of the Company's investment property was held under freehold interests.

The carrying amount of investment properties pledged by the Company to secure borrowings granted to the Company, were reflected in Note 36.

18. LONG-TERM PREPAYMENTS FOR LEASES

	December 31	
	2018	**2017**
Current asset (included in prepayments)	$ 31,572	$ 31,572
Non-current asset	473,417	504,989
	$ 504,989	$ 536,561

For the purpose of managing the storage, processing, transfer and distribution of goods, YMTC collaborated with the Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. on the construction and operation of the First and Second Logistics Centers of the Kaohsiung Third Container Center. YMTC is entitled to the use of the First and Second Logistics Centers for 30 years and 28 years and 9 months, respectively, based on the initial investment made by YMTC. The Centers are amortized over the period in use. Furthermore, in accordance with the requirements, YMTC should pay land-use fees and administration fees for every month of the lease term (based on the actual volume of cargo stevedored). Administration fees depend on the lowest guaranteed volumes for each respective logistics center, which are 1 million and 0.85 million tons. If YMTC is unable to reach the lowest guaranteed volumes, it should calculate the payment for the administration fees based on the volumes of 1 million and 0.85 million, respectively, and the administration fees will be adjusted under the annual Wholesale Price Index in Taiwan.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Line of credit borrowings	$ 2,000,000	$ 1,500,000
Loans from related parties (Note 35)	1,000,000	1,500,000
	$ 3,000,000	$ 3,000,000

1) The range of weighted average effective interest rate on credit borrowings was 1.40%-1.55% and 1.55% per annum as of December 31, 2018 and 2017, respectively.

2) Loans from related parties of the Company were the amounts repayable to government-related entities. Interest rate was 1.48%-1.56% and 1.35%-1.56% per annum as of December 31, 2018 and 2017.

b. Short-term bills payable

	December 31	
	2018	2017
Commercial paper	$ 9,328,000	$ 7,128,000
Less: Unamortized discount on bills payable	25,177	15,676
	$ 9,302,823	$ 7,112,324

Interest rate of the outstanding short-term bills payable was 1.08%-2.07% and 1.07%-2.07% per annum as of December 31, 2018 and 2017.

c. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 36)		
Secured bank loans	$ 4,313,200	$ 5,971,500
Loans from related parties (Note 35)	11,714,263	13,735,756
Others borrowings	756,686	891,862
	16,784,149	20,599,118
Unsecured borrowings		
Line of credit borrowings	10,333,325	9,746,418
Loans from related parties (Note 35)	6,550,000	5,990,000
	16,883,325	15,736,418
Long-term bills payable		
Commercial paper	11,300,000	4,000,000
Less: Unamortized discount on bills payable	14,302	3,273
	11,285,698	3,996,727
	44,953,172	40,332,263
Less: Current portion	4,623,009	11,198,470
Long-term borrowings	$ 40,330,163	$ 29,133,793

Secured borrowings

1) Secured bank loans

   The secured bank loans of the Company will be repaid in New Taiwan dollars. The loans are repayable in installment at varying amounts before February 23, 2024. Interest rates were 1.44%-1.79% and 1.44%-2.00% on December 31, 2018 and 2017, respectively. The Company's ships, investment properties, stocks and containers are pledged as collaterals for the secured loans.

2) Loans from related parties

   The Company's loans from related parties are borrowings repaid in New Taiwan dollars from government-related entities. Interest rates were 1.32%-1.90% on December 31, 2018 and 2017, respectively. The loans are repayable in installment at varying amounts before April 24, 2026. The Company's ships, investment properties and containers are pledged as collaterals for the secured loans.

3) Other borrowings

   Other borrowings were secured loans from a finance company. Interest rates were 4.00% on December 31, 2018 and 2017. The loans are repayable in installment at varying amounts before March 25, 2022. The Company's containers and cash in bank are pledged as collateral for the secured loans.

Unsecured borrowings

1) Line of credit borrowings

   The Company's unsecured bank loans will be repaid in New Taiwan dollars in one-lump sum payment at maturity and repaid in installments every month. The loans are expected to be fully repaid before August 9, 2021. Interest rates were 1.31%-2.50% and 1.25%-2.50% on December 31, 2018 and 2017, respectively.

2) Loans from related parties

   The Company's loans from related parties are borrowings repaid in New Taiwan dollars from government-related entities, and will be repaid in one-lump sum payment. The loans are expected to be fully repaid before March 31, 2024. Interest rates were 1.37%-1.76% and 1.40%-1.76% on December 31, 2018 and 2017, respectively.

Commercial paper

YMTC signed four-year and three-year underwriting contracts for the issuance of commercial paper with a bill finance institution on January 2016 and 2018, respectively. YMTC can issue the commercial papers in a revolving scheme during the period of the financing contracts. The commercial papers expected to be fully repaid before January 2020 and November 2021. The issuance period of each commercial paper cannot be over 60 or 90 days. During the issuance period, YMTC's short-term and long-term credit ratings (rated by Taiwan ratings or other rating organization recognized by authority) should be maintained at a certain level specified in the contracts. As of December 31, 2018 and 2017, YMTC had met the above requirements.

As of December 31, 2018 and 2017, the interest rates were 1.25%-1.58% and 1.20%-1.61% respectively.

20. BONDS PAYABLE

	December 31	
	2018	2017
Domestic privately placed secured mandatory convertible bonds	$ 170,025	$ 332,280
Domestic privately placed unsecured bonds	3,850,000	3,850,000
Secured domestic bonds	3,974,454	3,972,854
Unsecured domestic bonds	3,900,000	5,000,000
Domestic unsecured convertible bonds	-	148,104
Domestic secured convertible bonds	7,276,968	-
	19,171,447	13,303,238
Less: Current portion	6,007,252	1,410,359
	$ 13,164,195	$ 11,892,879

a. Domestic privately placed secured mandatory convertible bonds

YMTC issued seven-year domestic privately placed secured mandatory convertible bonds with an aggregate face value of $5,800,000 thousand at June 27, 2012; 3% annual interest is repayable annually. Bondholders could request to convert the bonds into YMTC's common shares between September 28, 2012 and June 17, 2019. The bonds shall only be converted into YMTC's common shares at the prevailing conversion price at the last day of the seven-year tenor. The initial conversion price is $12.68 as of the date of issuance. The bonds contained liability component and equity component to recognize capital surplus-equity component of mandatory convertible bonds of $4,413,702 thousand. The effective interest rate of the liability component was 4.79% per annum.

YMTC applied for a capital reduction, on February 20, 2017, to offset deficits, and the conversion price of this domestic, private placement of secured mandatory convertible bonds was adjusted from $12.68 to $27.14. YMTC also applied for a private capital increase by cash and a capital increase by cash through the issuance of ordinary shares on February 21, 2017 and November 27, 2017, respectively. The private capital increase by cash and the capital increase by cash through the issuance of ordinary shares led to the conversion price of the domestic, private placement of secured mandatory convertible bonds being adjusted from $27.14 to $25.42 and then from $25.42 to $22.17, respectively. In addition, YMTC applied for a capital increased by cash on December 8, 2017. According to Rule No. 11 of the bonds payable issued and converted, the conversion price should be adjusted. Therefore, the conversion price will be adjusted from $22.17 to $20.84 after January 17, 2018.

Movements of the convertible bonds' liability and equity component for the years ended December 31, 2018 and 2017 were as follows:

	Liability Component	Equity Component
January 1, 2017	$ 487,120	$ 4,413,702
Interest charged using effective interest rate method	19,160	-
Interest paid	(174,000)	-
December 31, 2017	$ 332,280	$ 4,413,702
January 1, 2018	$ 332,280	$ 4,413,702
Interest charged using effective interest rate method	11,745	-
Interest paid	(174,000)	-
December 31, 2018	$ 170,025	$ 4,413,702

As of December 31, 2018, no bondholder requested to convert the bonds into YMTC's common shares.

The bond was guaranteed by banks (including government-owned banks amounting to $5,350,000 thousand). According to performance guarantee agreements, YMTC has to pay the bank guarantee on the date of issuance and each quarter thereafter. The guarantee payments are recognized as costs attributed to the issue of the bonds and are amortized over the issuance period. As of December 31, 2018 and 2017, unamortized cost of issuance was recognized as other financial liabilities (Note 24).

According to performance guarantee agreements, the required financial ratios calculated on the basis of annual financial statements of YMTC are as follows:

1) Current ratio should not be less than 90%.

2) Debt ratio should not be: Over 350% before the end of 2013; over 300% from 2014 to 2016; over 230% after 2017.

3) Interest coverage ratio should not be less than 5 times.

4) The net tangible assets value should be over $30,000,000 thousand.

As of December 31, 2018 and 2017, YMTC had received waivers to the above 1) to 4).

b. Domestic privately placed unsecured bonds

YMTC issued the first privately placed unsecured bonds with an aggregate face value of $5,544,000 thousand on March 6, 2012 (the March 6, 2012 Bonds), issued the second privately placed unsecured bonds with an aggregate face value of $4,350,000 thousand on March 30, 2012 (the March 30, 2012 Bonds), and issued the third privately placed unsecured bonds with an aggregate face value of $3,850,000 thousand on July 8, 2014 (the July 8, 2014 Bonds).

The bond features and terms are as follows:

Bonds issued on March 6, 2012:	Type A - aggregate face value of $1,759,000 thousand and maturity on March 6, 2016. The principal will be repaid in a lump sum payment at maturity; interest rate is 2.08%
	Type B - aggregate face value of $3,785,000 thousand and maturity on March 6, 2017. The principal will be repaid in a lump sum on March 6, 2017; interest rate is 2.18% annual interest is repayable semiannually.

The Type A to Type B Bonds had been 100% repaid as of March 6, 2017.

Bonds issued on March 30, 2012:	Type A - aggregate face value of $1,550,000 thousand and maturity on March 30, 2016. The principal will be repaid in a lump sum on March 30, 2016; 2.08% annual interest is repayable semiannually.
	Type B - aggregate face value of $2,800,000 thousand and maturity on March 30, 2017. The principal will be repaid in a lump sum on March 30, 2017; 2.18% annual interest is repayable semiannually.

The Type A to Type B had been 100% repaid as of March 30, 2017.

Bonds issued on July 8, 2014:	Aggregate face value of $3,850,000 thousand and maturity on July 8, 2019. The principal will be repaid in a lump sum on July 8, 2019; 2.20% annual interest is repayable semiannually.

c. Secured domestic bonds

YMTC issued five-year domestic secured bonds with an aggregate face value of $4,000,000 thousand on October 12, 2015 (the October 2015 Bonds).

The bond features and terms are as follows:

Bonds issued in October 2015:	Type A - aggregate face value: $2,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.
	Type B - aggregate face value: $1,000,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.
	Type C - aggregate face value: $500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.
	Type D - aggregate face value: $500,000 thousand; repayments: 50% - October 12, 2019 and 50% - October 12, 2020, 1.10% annual interest.

The bond is guaranteed by banks ($3,000,000 thousand is guaranteed by government - owned banks).

d. Domestic unsecured bonds

On various dates, YMTC issued domestic unsecured bonds; the dates and the aggregate face values were as follows: $5,000,000 thousand on November 1, 2013 (the November 2013 Bonds).

The bond features and terms were as follows:

Bonds issued in November 2013:	Type A - aggregate face value: $1,100,000 thousand and maturity on November 1, 2018. The principal will be repaid in a lump sum on November 1, 2018; 2.20% annual interest is repayable annually.
	Type B - aggregate face value: $3,900,000 thousand and maturity on November 1, 2020. The principal will be repaid in a lump sum on November 1, 2020; 2.45% annual interest is repayable annually.

The Type A Bonds had been repaid $1,100,000 thousand as of October 30, 2018.

e. Domestic unsecured convertible bonds

On June 7, 2013, YMTC issued five-year domestic unsecured bonds (the 2013 convertible Bonds) with an aggregate face value of $4,600,000 thousand and the issuance price was 100.2% of face value. Bond settlement is as follows:

1) Lump-sum payment to the holders upon maturity at the face value;

2) Conversion by the holders, from July 8, 2013 to 10 days before the due date, into YMTC's common shares at the prevailing conversion price;

3) Reselling to YMTC by the holders before maturity.

4) Redemption by YMTC, under certain conditions, at face value before bond maturity.

5) Repurchase and write-off by YMTC from securities dealer office.

The initial conversion price was $14.23 as of the date of issuance. The bonds contained liability component and equity component to recognize capital surplus-equity component of convertible bonds of $352,604 thousand. There were 2,642,900 thousand bonds converted into 185,727 thousand common shares of YMTC as of December 31, 2018.

The bondholders could request YMTC to repurchase the convertible bonds at the par value before 40 days of the issuance for 3 years. The repurchase amount was $1,807,900 thousand as of December 31, 2018 and the loss of bond redemption was $58,970 thousand for the year ended December 31, 2016.

YMTC applied for a capital reduction, on February 20, 2017, to offset deficits, and the 2013 convertible bonds were adjusted from $14.23 to $30.45. YMTC also applied for a private capital increase by cash and a capital increase by cash through the issuance of ordinary shares on February 21, 2017 and November 27, 2017, respectively. The private capital increase by cash and the capital increase by cash through the issuance of ordinary shares led to the conversion price of the 2013 convertible bonds being adjusted from $30.54 to $28.39 and then from $28.39 to $24.42, respectively. In addition, YMTC applied for a capital increased by cash on December 8, 2017. According to Rule No. 11 of the bonds payable issued and converted, the conversion price should be adjusted. Therefore, the conversion price will be adjusted from $24.42 to $22.84 on January 17, 2018.

On January 25, 2018, YMTC announced the redemption of the outstanding bonds at par value in accordance with Rule No. 18 of the bonds payable issued and converted. The redemption period was between February 19 and March 16, 2018, and the record date was March 21, 2018.

Movements of the convertible bonds' liability and equity components for the years ended December 31, 2018 and 2017 were as follows:

	Liability Component		Equity Component
	Bond	Financial Liability	Option
January 1, 2017	$ 145,589	$ -	$ 11,437
Interest charged using effective interest rate method	2,515	-	-
December 31, 2017	$ 148,104	$ -	$ 11,437
January 1, 2018	$ 148,104	$ -	$ 11,437
Interest charged using effective interest rate method	630	-	-
Redeemed on convertible bonds	(149,200)	-	(11,437)
Loss on purchase bonds payable	466	-	-
December 31, 2018	$ -	$ -	$ -

f. Domestic secured convertible bonds

On May 29, 2018, YMTC issued five-year domestic secured bonds (the 2018 convertible bonds) with an aggregate face value of $7,600,000 thousand, and the issuance price was 101% of the face value. Bond settlement is as follows:

1) Lump-sum payment to the holders upon maturity at the face value;

2) Conversion by the holders, from August 30, 2018 to May 29, 2023 before the due date, into YMTC's common shares at the prevailing conversion price;

3) Reselling to YMTC by the holders before maturity.

4) Redemption by YMTC, under certain conditions, at face value before bond maturity.

5) Repurchase and write-off by YMTC from securities dealer office.

The initial conversion price was $10.40 as of the date of issuance. The bonds contained liability component and equity component to recognize capital surplus-equity component of convertible bonds of $308,765 thousand.

Movements of the convertible bonds' liability and equity components from May 29, 2018 to December 31, 2018 were as follows:

	Liability Component		Equity Component
	Bond	Financial Liability	Option
May 29, 2018	$ 7,277,894	$ 15,352	$ 308,765
Interest charged using effective interest rate method	28,737	-	-
Interest paid	(29,663)	-	-
Valuation gain	-	1,535	-
December 31, 2018	$ 7,276,968	$ 16,887	$ 308,765

21. TRADE PAYABLES

	December 31	
	2018	2017
Trade payables - operating		
Trade payables - non-related parties	$ 10,018,091	$ 8,966,559
Trade payables - related parties	3,153,913	3,463,476
	$ 13,172,004	$ 12,430,035
Payable for cost of voyage in sailing	$ 9,919,325	$ 9,259,410
Payable for fuel	2,979,487	2,348,176
Payable for space hire	273,192	822,449
	$ 13,172,004	$ 12,430,035

22. FINANCE LEASE PAYABLES

	December 31, 2017
Minimum lease payments	
Not later than 1 year	$ 41,163
Later than 1 year and not later than 5 years	-
Later than 5 years	-
	41,163
Less: Future finance charges	481
Present value of minimum lease payments	$ 40,682
Present value of minimum lease payments	
Not later than 1 year	$ 40,682
Later than 1 year and not later than 5 years	-
Later than 5 years	-
	$ 40,682
Current (included in current portion of long-term liabilities)	$ 40,682
Non-current	-
	$ 40,682

YMTC leases containers under capital lease agreements. The terms of the leases were from nine years to ten years for containers. The annual rent payable on leased containers under the agreements is US$4,337 thousand. YMTC has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US$1 per unit. The lease contract has expired in 2018.

Interest rates was 0.22%-6.20% for the year ended December 31, 2017.

23. OTHER PAYABLES

	December 31	
	2018	2017
Payable for container lease	$ 1,096,328	$ 940,365
Payable for salary and bonus	10,179	60,924
Payable for interest expenses	62,625	68,267
Payable for equipment M&R expenses	89,800	103,312
Payable for annual leave	139,320	137,684
Payable for vessel charter hire	57,324	25,259
Payable for purchases of equipment	-	12,332
Others	457,367	465,941
	$ 1,912,943	$ 1,814,084

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Cost of issuance of bonds (Note 20,a)	$ 13,896	$ 66,462
Current (included in current portion of long-term liabilities)	$ 13,896	$ 52,566
Non-current	-	13,896
	$ 13,896	$ 66,462

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

YMTC pension plans under the Labor Pension Act (the Act) for onshore employees and shipping crews are defined contribution schemes. Starting on July 1, 2005, the Company makes monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries every month.

For domestic crews providing service in foreign ships, pension plan is based on hiring contracts, the Company makes monthly contributions to the employees' account together with salaries.

b. Defined benefit plans

YMTC has adopted three pension plans since it was privatized on February 15, 1996. Before YMTC's privatization, qualified employees received pension payments for service years before the start of the privatization. The service years of the employees who received pre-privatization pension payments and continued to work in YMTC after privatization will be excluded from the calculation of pension payments after privatization. These plans are as follows:

The pension plan under the Labor Standards Law for onshore employees is a defined benefit plan. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributed amounts equal to 3% of salaries every month. The pension fund is administered by the pension fund monitoring committee and deposited in the committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

Pension plan under the Maritime Labor Law for shipping crews is a defined benefit plan. Before the adoption of the ROC Maritime Labor Law, benefits were based on the amounts stated in the crew's hiring contracts. Under the Law, benefits are based on service years and average basic salary of the six months before retirement.

Pension plan for retired employees of China Merchants Steamship Navigation Company (CMSNC) provides benefits based on service years and level of monthly basic salary at the time of retirement.

Because of spin-off, the service years of the employees transferred to Kuang Ming Shipping Corp. are continued from the service years in YMTC. Benefits are based on the proportion of service years between YMTC and Kuang Ming Shipping Corp. and are paid by individual pension accounts.

The Company, All Oceans Transportation Inc., Yang Ming (UK) Ltd., and Yang Ming (Liberia) Corp.'s pension plan under the Maritime Labor Law for shipping crews are defined benefit plans. Before the adoption of the ROC Maritime Labor Law, benefits were based on the amounts stated in the crews hiring contracts. Under the Law, benefits are based on service years and average monthly salary of the six months before retirement.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 3,051,841	$ 2,816,940
Fair value of plan assets	(698,918)	(685,489)
Net defined benefit liability	$ 2,352,923	$ 2,131,451

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2017	$ 2,658,932	$ (713,205)	$ 1,945,727
Current service cost	92,956	-	92,956
Net interest expense (income)	39,377	(10,884)	28,493
Recognized in profit or loss	132,333	(10,884)	121,449
Remeasurement			
Return on plan assets	-	3,937	3,937
Actuarial loss - changes in financial assumptions	74,978	-	74,978
Actuarial loss - experience adjustments	152,737	-	152,737
Recognized in other comprehensive income	227,715	3,937	231,652
Contributions from the employer	-	(18,787)	(18,787)
Benefits paid	(202,040)	53,450	(148,590)
Balance at December 31, 2017	2,816,940	(685,489)	2,131,451
Current service cost	86,077	-	86,077
Net interest expense (income)	34,798	(8,419)	26,379
Recognized in profit or loss	120,875	(8,419)	112,456
Remeasurement			
Return on plan assets	-	(20,252)	(20,252)
Actuarial loss - changes in financial assumptions	-	-	-
Actuarial loss - experience adjustments	230,105	-	230,105
Recognized in other comprehensive income	230,105	(20,252)	209,853
Contributions from the employer	-	(28,163)	(28,163)
Benefits paid	(116,079)	43,405	(72,674)
Balance at December 31, 2018	$ 3,051,841	$ (698,918)	$ 2,352,923

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Current service cost	$ 86,077	$ 92,956
Net interest expense	26,379	26,379
Less: Other receivables - related	(28,289)	(30,806)
	$ 84,167	$ 90,643
An analysis by function		
Operating costs	$ 39,658	$ 43,390
Selling and marketing expenses	36,478	36,385
General and administrative expenses	8,031	10,868
	$ 84,167	$ 90,643

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rates	1.25%	1.25%
Expected rates of salary increase	2.50%	2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rates		
0.50% increase	$ (153,528)	$ (146,763)
0.50% decrease	$ 167,319	$ 160,121

(Continued)

	December 31	
	2018	2017
Expected rates of salary increase		
0.50% increase	$ 164,348	$ 157,265
0.50% decrease	$ (152,435)	$ (145,707)

(Concluded)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 28,868	$ 19,257
The average duration of the defined benefit obligation	11 years	11 years

c. In an effort to encourage employee retirement, hence improve the human resource structure and enhance vitality within organization, the Company calculates favorable retirement benefits according to the retirement policies. The Company recognized pension cost of $5,315 thousand and $13,759 thousand for the years ended December 31, 2018 and 2017, respectively.

26. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2018	2017
Numbers of shares authorized (in thousands)	4,500,000	4,500,000
Shares authorized	$ 45,000,000	$ 45,000,000
Number of shares issued and fully paid (in thousands)	2,323,025	2,323,025
Shares issued	$ 23,230,248	$ 23,230,248

Fully paid ordinary shares, which have a par value at $10, carry one vote per share and carry a right to dividends.

The board of directors and shareholders resolved to pass the capital reduction to offset company losses on November 7 and December 22, 2016, respectively. The reduction amount was $16,004,988 thousand, equivalent to 1,600,499 thousand shares, and the reduction ratio was 53.27%. YMTC’s board of directors and shareholders resolved to apply capital increased with cash in private, a cash injection that results in less than 1,000,000 thousand shares and is installed in a year. The stock price will be set up by 1) the simple average closing price of the common shares of the TWSE listed company for either 1, 3, or 5 business days before the price determination date, after adjustment to any distribution of stock dividends, cash dividends or capital reduction or 2) the simple average closing price of the common shares of the TWSE listed company for the 30 business days before the price determination date, after adjustment to any distribution of stock dividends, cash dividends, or capital reduction. The monetary amount of the private placement refers to above mentioned 1) or 2), whichever is higher, and could not be lower than 80% of the reference price above.

The board of directors, on February 7, 2017, resolved to set the record date of the capital reduction and private capital injection by cash as February 20, 2017 and February 21, 2017, respectively. The ordinary shares will be issued at premium for a total amount of $1,690,738 thousand, which is 161,330 thousand shares at $10.48 per share. The National Development Fund, Executive Yuan, a government-related entity, and Taiwan Navigation Co., Ltd. subscribed for 100,000 thousand shares at a total amount of $1,048,000 thousand and 19,083 thousand shares at a total amount of $199,990 thousand, respectively. Chinachem Company in Taiwan, an investor with significant influence, subscribed for 25,477 thousand shares at a total amount of $266,999 thousand. YMTC received the effective registration from the FSC for the capital reduction plan on January 18, 2017. The capital injection plan has been registered with the Department of Commerce, MOEA.

The board of directors, on November 29, 2017, resolved to set the subscription base date of the second time private capital injection by cash at December 8, 2017. The ordinary shares will be issued at premium for a total amount of $2,623,930 thousand, which is 257,754 thousand shares at $10.18 per share, and all of the 257,754 thousand shares were subscribed for by the National Development Fund, Executive Yuan, a government-related entity. The capital injection plan has been registered with the Department of Commerce, MOEA.

The rights and obligations of privately issuing ordinary shares are the same as those of the issuance of ordinary shares, expect for a restriction on negotiation in accordance with the Securities and Exchange Act and the application for public listing after 3 years from the trade date.

The board of directors, on July 14, 2017, resolved to apply for a capital increase by cash through the issuance of 500,000 thousand ordinary shares with a par value of $10, which would total $5,000,000 thousand, and the issue price would be $12. YMTC retained 10% of the 500,000 thousand shares, which is 50,000 shares, for subscription by employees and allocated another 10% of the 500,000 thousand shares, which is 50,000 shares, for public subscription. The remaining 80% of the 500,000 thousand shares, which is 400,000 shares, are to be subscribed for by the original shareholders on the record date based on the registered share proportion of each shareholder. The National Development Fund, Executive Yuan, Taiwan International Ports Corporation, Ltd. and Taiwan Navigation Co., Ltd., all government-related entities, subscribed for 102,247 thousand shares, 119,515 thousand shares and 13,210 thousand shares, amounting to $1,022,465 thousand, $1,195,147 thousand and $132,099 thousand, respectively. The above transaction was approved by the FSC on September 1, 2017, and the subscription base date was determined as at November 27, 2017.

2) Global depositary receipts

On November 14, 1996, YMTC issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US$11.64 dollar per unit. As of December 31, 2018 and 2017, there were 896 units and 38,852 units outstanding, representing 8,971 shares and 388,531 shares, which is 0.0004% and 0.02% of the total issued shares, respectively.

The holders of the GDR retain shareholder’s rights that are the same as those of YMTC’s common shareholders, but the exercise of shareholder’s rights should be under related laws and regulations in ROC and the terms of the GDR contracts. One of these rights is that GDR holders should be able to exercise the right of voting, sell the shares represented by the GDRs, receive dividends and subscribe for the issued stock through the depository bank.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ -	$ 1,128,344
Donations	-	7
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	5,718	-
May be used to offset a deficit only		
Expiration of employee share options	-	18,000
Treasury share transactions	11,437	-
Changes in percentage of ownership interests in subsidiaries (2)	170	-
May not be used for any purpose		
Employee share options	4,722,467	4,425,139
	$ 4,739,792	$ 5,571,490

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, when Company makes profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the expansion of transportation equipment and improvement of financial structure, and then any remaining profit together with any undistributed retained earnings, distributed at least 25%, shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and of bonus of shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to g. employees' compensation and remuneration of directors in Note 28(g).

YMTC should consider certain factors, including YMTC's profits, the change in the environment of the industry, potential growth of YMTC, costs, expenditures and the working capital for operation in proposing stock dividend appropriation plan. YMTC shall declare at least 20% of the amount declared as dividends in the form of cash as opposed to stock.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The statements of deficit compensated for 2017 approved in the shareholders' meetings on June 22, 2018, were as follows:

	Offsetting of Deficit
Capital surplus -issuance of ordinary shares	$ 1,128,344
Capital surplus - donations	7
Capital surplus - expiration of employee share options	18,000
	$ 1,146,351

The offsetting of deficits for 2018 approved in the shareholders' meetings on March 25, 2019 was as follows:

	Offsetting of Deficit
Capital surplus - the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	$ 5,718
Capital surplus - treasury share transactions	11,437
Capital surplus - changes in percentage of ownership interest in subsidiaries	170
	$ 17,325

The offset of deficits for 2018 will be resolved in the shareholders' meeting to be held on June 25, 2019.

d. Special reserves

Special reserve should be appropriated for the amount equal to the net debit balance reserves. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

On the initial application of fair value model to investment properties, the Company appropriated for a special reserve at the amount that were the same as the net increase arising from fair value measurement and transferred to retained earnings. Additional special reserve should be appropriated for subsequent net increase in fair value. The amount appropriated may be reversed to the extent that the cumulative net increases in fair value decrease or on the disposal of investment properties.

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (85,841)	$ 439,738
Effect of change in tax rate	(1,049)	-
Recognized for the year		
Exchange differences arising on translating the financial statements of foreign operations	174,698	(562,460)
Related income tax	3,282	36,881
Reclassification adjustment		-
Disposal of foreign operations	1,260	-
Other comprehensive income recognized for the year	178,191	(525,579)
Balance at December 31	$ 92,350	$ (85,841)

2) Unrealized loss on available-for-sale financial assets

	Amount
Balance at January 1, 2017	$ (1,443,331)
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	304,422
Share from subsidiaries and associates accounted for using the equity method	21,888
Reclassification adjustment	
Disposal of available-for-sale financial assets	(161)
Other comprehensive income recognized for the year	326,149
Balance at December 31, 2017	$ (1,117,182)
Balance at December 31, 2018 (IAS 39)	$ (1,117,182)
Adjustment on initial application of IFRS 9	1,117,182
Balance at January 1, 2018 (IFRS 39)	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	(1,201,784)
Balance at January 1 per IFRS 9	(1,201,784)
Recognized for the year	
Unrealized gain	
Equity instruments	86,868
Share from associates accounted for using the equity method	12,134
Related income tax	251
Other comprehensive income recognized for the year	99,253
Balance at December 31	$ (1,102,531)

27. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Cargo revenue	$ 109,017,463	$ 102,227,323
Rental income		
Rental revenue on vessel	1,164,351	1,286,342
Slottage revenue	790,819	276,131
Other operating revenue		
Agency revenue	187,459	201,114
Other operating revenue	8,280,173	6,467,859
	$ 119,440,265	$ 110,458,769

a. Contact balances

	December 31, 2018
Trade receivables (Note 13)	$ 5,359,625
Contract assets	
Cargo revenue	$ 3,087,613
Less: Allowance for impairment loss	(3,790)
Contract assets	$ 3,083,823
Contract liabilities - current	
Other advance account	$ 41,439

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

The amount of recognition of expected credit loss on contract assets was 3,790 thousand for the year ended December 31, 2018. For information of recognition of expected credit loss on contract assets, refer to Note 13.

b. Disaggregation of revenue

Revenue from contracts with customers mainly comes from the containership department.

28. NET PROFIT (LOSS)

Net profit (loss) included items below:

a. Other operating income and expenses

	For the Year Ended December 31	
	2018	2017
Gain on disposal and retirement of property, plant and equipment	$ 304,001	$ 193,952
Reimbursement income	66,712	63,496
	$ 370,713	$ 257,448

b. Other income

	For the Year Ended December 31	
	2018	2017
Rental income	$ 93,025	$ 91,374
Interest income		
Long-term receivables - related	381,155	424,178
Bank deposits	48,149	29,909
Short-term bills	570	781
Others	18,493	27,976
Dividends	50,237	614
	$ 591,629	$ 574,832

c. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gain on disposal of available-for-sale financial assets and financial assets measured at cost	$ -	$ 161
Net foreign exchange gains	242,285	450,460
Fair value changes of financial assets and financial liabilities		
Financial assets held for trading	-	18,360
Financial assets mandatorily classified as at FVTPL	15,171	-
Financial liabilities designated as at FVTPL	(22,108)	-
(Loss) gain on change in fair value of investment properties	(17,289)	89,491
Others	(85,590)	85,105
	$ 132,469	$ 643,577

d. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 577,620	$ 645,427
Interest on obligations under finance leases	539	5,889
Interest on bonds	318,632	331,766
Other interest expenses	191,850	172,736
	$ 1,088,641	$ 1,155,818

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 2,822,932	$ 2,734,186
Intangible assets	18,815	26,707
	$ 2,841,747	$ 2,760,893
An analysis of depreciation by function		
Operating costs	$ 2,769,573	$ 2,675,113
Operating expenses	53,359	59,073
	$ 2,822,932	$ 2,734,186
An analysis of amortization by function		
Operating costs	$ -	$ -
Operating expenses	18,815	26,707
	$ 18,815	$ 26,707

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits		
Defined contribution plans	$ 61,658	$ 59,188
Defined benefit plans (Note 25)	84,167	90,643
	145,825	149,831
Termination benefits	3,093	13,759
Other employee benefits	2,052,059	2,086,023
Total employee benefits expense	$ 2,200,977	$ 2,249,613
An analysis of employee benefits by function		
Operating costs	$ 941,454	$ 959,861
Operating expenses	1,259,523	1,289,752
	$ 2,200,977	$ 2,249,613

Nature \ Function	2018 Operating Costs	2018 Operating Expenses	2018 Total	2017 Operating Costs	2017 Operating Expenses	2017 Total
Salaries	$ 765,321	$ 859,704	$ 1,625,025	$ 771,884	$ 779,035	$ 1,550,919
Bonuses	20,764	92,647	113,411	22,560	216,317	238,877
Remuneration of directors	-	2,753	2,753	-	2,786	2,786
Post-employment benefits	68,272	77,553	145,825	72,283	77,548	149,831
Termination benefits	725	2,368	3,093	920	12,839	13,759
Labor and health insurance costs	47,926	95,698	143,624	46,149	93,930	140,079
Others	38,446	128,800	167,246	46,065	107,297	153,362
	$ 941,454	$ 1,259,523	$ 2,200,977	$ 959,861	$ 1,289,752	$ 2,249,613

As of December 31, 2018 and 2017, the number of employees of the company was 1,693 and 1,655, respectively. The number of directors who did not have concurrent employees was 9 and 8, respectively. The calculation basis was the same as the employee benefits expense.

g. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of 1%-5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

YMTC did not accrue employees' compensation and remuneration of directors because of the losses for the years ended December 31, 2018.

YMTC did not accrue employees' compensation and remuneration of directors in 2017 because the income before income tax should be utilized, under the Articles of the Incorporation, to offset the deficits.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. INCOME TAXES

a. Major components of tax expense (benefit) recognized in profit or loss

	For the Year Ended December 31 2018	2017
Current tax		
In respect of the current year	$ 177,124	$ 140,459
Adjustments for prior years	-	(4,540)
	177,124	135,919
Deferred tax		
In respect of the current year	(714,358)	(256,463)
Adjustments for prior years	2,888	14,309
Adjustments to deferred tax attributable to changes in tax rates and laws	(522,626)	-
	(1,234,096)	(242,154)
Income tax benefit recognized in profit or loss	$ (1,056,972)	$ (106,235)

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	For the Year Ended December 31	
	2018	**2017**
Profit (loss) before tax	$ (7,647,927)	$ 214,614
Tax expense (benefit) calculated at the statutory rate (20% and 17% in 2018 and 2017, respectively)	$ (1,529,585)	$ 36,484
Nondeductible expenses in determining taxable income	17,413	8,058
Tax-exempt income	103,482	98,264
Unrecognized loss carryforwards and deductible temporary differences	677,538	397,854
Offshore income tax	177,124	140,460
Reduction of capital on the subsidiaries to offset deficits	-	(799,228)
Effect of tax rate changes	(522,626)	-
Adjustments for prior years' tax	-	(4,540)
Others	19,682	16,413
Income tax benefit recognized in profit or loss	$ (1,056,972)	$ (106,235)

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Change in tax rate	$ (15,918)	$ -
In respect of the current year:		
Translation of foreign operations	(3,282)	(36,881)
Remeasurement on defined benefit plan	(41,971)	(39,381)
	$ (61,171)	$ (76,262)

c. Current tax assets and liabilities

	December 31	
	2018	**2017**
Current tax assets		
Tax refund receivable (included in other current assets)	$ 11,734	$ 30,817
Current tax liabilities		
Income tax payable	$ -	$ -

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Tax losses	$ 3,561,187	$ 1,127,471	$ -	$ 4,688,658
Temporary differences				
Unrealized shipping fuel valuation losses	5,702	20,676	-	26,378
Investment loss on investments accounted for using equity method	5,369	(5,276)	-	93
Defined benefit plan	334,383	45,008	58,938	438,329
Payable for annual leave	23,406	4,458	-	27,864
Unrealized loss on voyage in sailing	8,676	2,796	-	11,472
Others	13,442	6,793	-	20,235
	$ 3,952,165	$ 1,201,926	$ 58,938	$ 5,213,029

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Investment gain on investments accounted for using equity method	$ 818,612	$ 6,746	$ -	$ 825,358
Reserve for land value increment tax	665,337	(8,379)	-	656,958
Investment properties	15,006	3,032	-	18,038
Property, plant and equipment	65,066	(37,642)	-	27,424
Exchange differences on translating foreign operations	5,945	-	(2,233)	3,712
Others	60,848	4,073	-	64,921
	$ 1,630,814	$ (32,170)	$ (2,233)	$ 1,596,411

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Tax losses	$ 3,198,319	$ 362,868	$ -	$ 3,561,187
Temporary differences				
Unrealized shipping fuel valuation losses	48,457	(42,755)	-	5,702
Investment loss on investments accounted for using equity method	3,754	1,615	-	5,369
Defined benefit plan	292,478	2,524	39,381	334,383
Payable for annual leave	17,797	5,609	-	23,406
Unrealized loss on voyage in sailing	34,979	(26,303)	-	8,676
Others	13,489	(47)	-	13,442
	$ 3,609,273	$ 303,511	$ 39,381	$ 3,952,165

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Temporary differences				
Investment gain on investments accounted for using equity method	$ 742,320	$ 76,292	$ -	$ 818,612
Reserve for land value increment tax	701,948	(36,611)	-	665,337
Investment properties	11,051	3,955	-	15,006
Property, plant and equipment	50,995	14,071	-	65,066
Exchange differences on translating foreign operations	42,826	-	(36,881)	5,945
Others	57,198	3,650	-	60,848
	$ 1,606,338	$ 61,357	$ (36,881)	$ 1,630,814

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2018	2017
Loss carryforwards		
Expire in 2019	$ 263,188	$ 771,391
Expire in 2021	6,079,861	9,187,088
Expire in 2022	147,692	2,470,428
Expire in 2023	4,216,570	7,692,031
Expire in 2025	-	947,415
Expire in 2026	10,145,673	-
Expire in 2027	1,062,982	-
Expire in 2028	2,540,079	-
	$ 24,456,045	$ 21,068,353

f. Information about unused loss carry-forward

As of December 31, 2018, unused loss carryforwards comprised of:

Unused Amount	Expiry Year
$ 771,391	2019
9,187,088	2021
2,470,428	2022
7,692,031	2023
4,393,098	2025
12,831,315	2026
4,538,443	2027
6,015,540	2028
$ 47,899,334	

g. Income tax assessments

The income tax returns through 2016, have been assessed by the tax authorities.

30. EARNINGS (LOSS) PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings (loss) per share	$ (2.53)	$ 0.17
Diluted earnings (loss) per share	$ (2.53)	$ 0.17

The earnings (loss) and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2018	**2017**
Earnings (loss) used in the computation of basic earnings (loss) per share	$ (6,590,955)	$ 320,849
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	-
Earnings (loss) used in the computation of diluted earnings (loss) per share	$ (6,590,955)	$ 320,849

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares):

	For the Year Ended December 31	
	2018	**2017**
Outstanding shares	2,323,025	1,607,623
Not exercised number of convertible shares of mandatory convertible bonds	278,311	261,615
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	2,601,336	1,869,238
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	2,601,336	1,869,238

The Company did not consider the potential shares of convertible bonds in the calculation of diluted EPS for the years ended December 31, 2018 and 2017 due to their anti-dilutive effect.

31. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

a. On May 2018, the Company subscribed for additional new shares of Yang-Carrier Company Ltd. at 9 % from its existing ownership percentage, increasing its continuing interest from 91% to 100%.

	Total
Cash consideration paid	$ (11,914)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	17,632
Differences recognized from equity transactions	$ 5,718
Line items adjusted for equity transaction	
Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries’ net assets during actual disposal or acquisition	$ 5,718

b. On June and November 2017, the Company subscribed for additional new shares of Kuang Ming Shipping Corp. at a percentage different from its existing ownership percentage, increasing its continuing interest from 93.07% to 97.84% and from 97.84% to 98.52%, respectively.

	June 2017	November 2017	Total
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	$ (17,487)	$ (3,911)	$ (21,398)
Line items adjusted for equity transaction			
Accumulated deficits	$ (17,487)	$ (3,911)	$ (21,398)

32. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

The Company entered into operating lease agreements to lease office, vessels, containers, terminal and container yard that will expire on various dates until September 2036. The total rental for the years ended December 31, 2018 and 2017 was $24,615,077 thousand and $21,823,986 thousand, respectively. The rentals are paid monthly or quarterly, and the Company has deposited $311,056 thousand as guarantee fund as of December 31, 2018 and 2017.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 20,571,251	$ 23,124,529
Later than 1 year and not later than 5 years	64,559,235	55,869,626
Later than 5 years	42,427,108	27,436,830
	$ 127,557,594	$ 106,430,985

b. The Company as lessor

1) Vessels

The Company signed vessel lease contracts under operating lease. As of December 31, 2018 and 2017, the future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2018	2017
Not later than 1 year	$ 94,844	$ 125,316
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	$ 94,844	$ 125,316

2) Investment properties

The Company signed land and building lease contracts under operating lease, please refer to Note 17.

33. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns to maintain the capital structure through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, capital surplus, retained earnings, other equity and non-controlling interests).

The gearing ratio at end of the reporting period was as follows:

	December 31	
	2018	2017
Debt (a)	$ 96,928,188	$ 83,415,302
Cash and cash equivalents	(12,444,370)	(7,433,684)
Net debt	$ 84,483,818	$ 75,981,618
Equity (b)	$ 19,828,008	$ 26,033,565
Net debt to equity ration	426.08%	291.86%

a. Debt is defined as long-term and short-term borrowing (excluding derivative instruments and financial guarantee contracts).

b. Equity includes all capital, capital surplus, retained earnings and other equity, of the Company that are managed as capital.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

December 31, 2018

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial liabilities					
Financial liabilities measured at amortized cost					
Domestic privately placed secured mandatory convertible bonds*	$ 183,921	$ -	$ -	$ 185,577	$ 185,577
Domestic privately placed unsecured bonds	3,850,000	-	3,915,432	-	3,915,432
Secured domestic bonds	3,974,454	-	3,989,798	-	3,989,798
Unsecured domestic bonds	3,900,000	-	3,973,281	-	3,973,281
Domestic unsecured convertible bonds	7,276,968	-	7,399,948	-	7,399,948
	$ 19,185,343	$ -	$ 19,278,459	$ 185,577	$ 19,464,036

December 31, 2017

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial liabilities					
Financial liabilities measured at amortized cost					
Domestic privately placed secured mandatory convertible bonds*	$ 398,742	$ -	$ -	$ 404,602	$ 404,602
Domestic privately placed unsecured bonds	3,850,000	-	3,954,137	-	3,954,137
Secured domestic bonds	3,972,854	-	4,000,177	-	4,000,177
Unsecured domestic bonds	5,000,000	-	5,115,355	-	5,115,355
Domestic unsecured convertible bonds	148,104	-	146,964	-	146,964
Finance lease payables	40,682	-	40,682	-	40,682
	$ 13,410,382	$ -	$ 13,257,315	$ 404,602	$ 13,661,917

* Included other financial liabilities - cost of issuance of bonds.

The fair values of the financial assets and financial liabilities included in the Levels 2 and 3 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis. In the Level 3 category, the most significant unobservable inputs reflect the fluctuation in the stock price.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 70	$ -	$ -	$ 70
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Listed shares and emerging market shares	$ 1,344,407	$ -	$ -	$ 1,344,407
Unlisted shares	-	-	350,898	350,898
	$ 1,344,407	$ -	$ 350,898	$ 1,695,305
Financial liabilities at FVTPL				
Derivatives				
Put option of bond	$ -	$ -	$ 16,887	$ 16,887
Oil swap and oil swap option	-	-	20,573	20,573
	$ -	$ -	$ 37,460	$ 37,460

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 71	$ -	$ -	$ 71
Available-for-sale financial assets				
Domestic quoted shares	$ 1,174,587	$ -	$ -	$ 1,174,587

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

Financial assets at FVTOCI	Equity Instruments
Balance at January 1, 2018 under IAS 39	$ -
Adjustment on initial application of IFRS 9	433,850
Balance at January 1, 2018 under IFRS 9	433,850
Unrealized gain/(loss) on financial assets at FVTOCI	(82,952)
Balance at December 31, 2018	$ 350,898
Recognized in other gains and losses - unrealized	$ (99,253)

Financial liabilities

	Derivatives: Oil Swap and Oil Swap Options	Derivatives: Repurchase on Bonds Payable	Total
Balance at January 1, 2018	$ -	$ -	$ -
Recognized in profit or loss (included in other gains and losses)	20,573	1,535	22,108
Additions	-	15,352	15,352
Transfers out of Level 3	-	-	-
Balance at December 31, 2018	$ 20,573	$ 16,887	$ 37,460
Recognized in other gains and losses - unrealized	$ 20,573	$ 1,535	$ 22,108

For the year ended December 31, 2017

Financial assets at FVTPL

	Derivatives: Oil Swap and Oil Swap Options
Balance at January 1, 2017	$ 2,905
Total gains or losses	
Recognized in profit or loss (included in other gains and losses)	
Realized	4,558
Reclassification	-
Purchases	-
Disposals/settlements	(7,463)
Transfers out of Level 3	-
Balance at December 31, 2017	$ -

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

a) The fair values of oil swap and oil swap options are determined using Black-Scholes models where the significant unobservable inputs are implied volatility. An increase in the implied volatility used in isolation would result in a decrease in the fair value.

b) The fair values of put option of bonds are determined using convertible bonds of Binary tree pricing models where the significant unobservable inputs are volatility. An increase in the volatility used in isolation would result in a decrease in the fair value.

c) The fair values of domestic unlisted ordinary shares are determined using the comparable company analysis approach and the asset-based approach. The comparable company analysis approach is a way to determine the value of a target company by reference to companies engaged in the similar industry, stock price in the active market and value multiplier implied by such prices, based on liquidity reduction. The asset-based approach is way to determine the value of a target company by assessing the total value of individual assets and liabilities, based on liquidity reduction.

c. Categories of financial instruments

	December 31			
	2018		2017	
Financial assets				
FVTPL				
Held for trading	$	-	$	71
Mandatorily classified as at FVTPL		70		-
Loans and receivables (1)		-		38,645,459
Available-for-sale financial assets (2)		-		1,651,775
Financial assets at amortized cost (3)		41,157,264		-
Financial assets at FVTOCI				
Equity instruments		1,695,305		-
Financial liabilities				
FVTPL				
Mandatorily classified as at FVTPL		37,460		-
Amortized cost (4)		91,634,630		78,178,255

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade receivables (including related parties), other receivables (including related parties), debt investments with no active market, restricted bank balance (included in other non-current assets) and long-term receivables - related parties.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, restricted bank balance, trade receivables (including related parties) and other receivables (including related parties).

4) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term notes payable, trade payables (including related parties), other payables, bonds payable and other financial liabilities.

d. Financial risk management objectives and policies

The Company’s major financial instruments include equity and debt investments, structured investment instrument, trade receivable, other financial assets, trade payables, other payables, bonds payable, borrowings and other financial liabilities. The Company’s Corporate Treasury function provides all kinds of financial service to each division by using different financial instruments. Also, the treasury function controls and analyzes the financial risks related to operations; these risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by managing stocks and flow and using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company’s policies “Regulations Governing the Acquisition and Disposal of Assets” approved by the board of directors. Compliance with policies was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company uses assets, liabilities and a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company's operations involve foreign currency transactions so the Company is exposed to foreign currency risk. The Company's transaction involve contain various currencies due to its industrial feature, operating revenue and operating costs are mainly denominated in U.S. dollars. Exchange rate exposures were managed within approved policy parameters utilizing net cash flows offset of the influence on net assets and liabilities, forward foreign exchange contracts and instruments of swap and options.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 39.

Sensitivity analysis

Monetary assets and liabilities were mainly exposed to the U.S. dollars, GBP, RMB, JPY, CAD and HKD.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the U.S. dollars, GBP, RMB, JPY, CAD and HKD. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in profit and other equity associated with New Taiwan dollars strengthen 1% against U.S. dollars, RMB, GBP, EUR and HKD. For a 1% weakening of New Taiwan dollars against the U.S. dollars, GBP, RMB, JPY CAD and HKD, there would be an equal and opposite impact on profit or loss.

	For the Year Ended December 31	
Profit (Loss) of 1% Variation*	**2018**	**2017**
U.S. dollars	$ (54,893)	$ (64,824)
GBP	3,123	459
RMB	(7,144)	5,314
JPY	1,770	187
CAD	(2,233)	(363)
HKD	2,287	1,857

* This was mainly attributable to the exposure of outstanding foreign currency deposits, receivables, payables, and bank loans at the end of the reporting period.

The Company's sensitivity to foreign currency exchange rate during the current period was mainly due to the increase in GBP, JPY and HKD dollars' monetary assets; RMB's monetary assets decrease and the monetary liabilities were greater than the relevant currency liabilities, and the CAD's monetary liabilities were greater than the relevant currency liabilities.

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 2,624,739	$ 1,306,338
Financial liabilities	32,244,852	24,984,569
Cash flow interest rate risk		
Financial assets	9,484,207	5,773,277
Financial liabilities	44,196,486	38,893,983

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the year ended December 31, 2018 would decrease/increase by $34,712 thousand, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings, other financial liabilities and variable-rate financial assets.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the year ended December 31, 2017 would decrease/increase by $33,121 thousand, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings, other financial liabilities and variable-rate financial assets.

The Company's sensitivity to interest rate has not changed significantly from the prior year.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and was exposed to oil price risk through its holding oil swap and oil swap option contracts. The Company periodically evaluates price risk and investment performance according to procedures of acquisition and disposal of assets and expects no significant price risk occurred.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2018 would increase/decrease by $84,765 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

If equity prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2017 would increase/decrease by $58,729 thousand, as a result of the changes in fair value of available-for-sale shares.

If mutual funds had been 5% higher/lower, pre-tax profit for the years ended December 31, 2018 would have increased/decreased by $4 thousand, as a result of the changes in fair value of financial assets at FVTPL.

If mutual funds had been 5% higher/lower, pre-tax profit for the years ended December 31, 2017 would have increased/decreased by $4 thousand, as a result of the changes in fair value of held-for-trading investments.

The sensitivity analyses below were determined based on the exposure to oil price risks at the end of the reporting period.

If oil prices had been increase/decrease by US$1 dollar, fair value increase/decrease by $184 thousand (US$6 thousand) for holding oil swap and oil swap option contracts (oil swap and oil swap option for hedging purpose but not determined to be an effective hedge) for the years ended December 31, 2018.

The Company's sensitivity to other price increased during the current year mainly due to the increase in financial assets at FVTPL and financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

There is no significant concentration of credit risk for the Company. Credit risk is from cash and cash equivalents deposit in banks, derivative financial instruments transactions with banks and financial institutions and trade receivables from customers.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient letter of bank guarantee and security deposit, where appropriate, as a means of mitigating the risk of financial loss from defaults. To reduce credit risk, the Company has established an internal monitoring procedures to monitor credit risk exposure and credit condition of counterparties.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized bank loans facilities $4,012,268 thousand and $5,077,323 thousand, respectively.

a) Liquidity and interest risk rate tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	Less than 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 15,342,791	$ 50,867	$ -
Variable interest rate liabilities	5,133,706	40,325,838	253,852
Fixed interest rate liabilities	24,590,132	14,276,404	-
Financial guarantee liabilities	23,071,194	-	-
	$ 68,137,823	$ 54,653,109	$ 253,852

December 31, 2017

	Less than 1 Year	1-5 Years	5+ Years
Non-interest bearing	$ 14,562,576	$ 50,171	$ -
Finance lease liabilities	41,163	-	-
Variable interest rate liabilities	11,611,209	23,043,377	5,629,539
Fixed interest rate liabilities	12,196,631	19,667,990	-
Financial guarantee liabilities	22,994,466	-	-
	$ 61,406,045	$ 42,761,538	$ 5,629,539

The amounts included above for financial guarantee contracts were within the limitation the Company can offer to related parties; i.e. the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement.

b) Derivative instruments

Derivative instruments the Company held are all settled within one year as of December 31, 2018.

35. TRANSACTIONS WITH RELATED PARTIES

The Ministry of Transportation and Communications R.O.C. held 39.93% of the ordinary shares of YMCT as of December 31, 2018 and 2017, respectively. Over 50% of the members of YMTC's board of directors were appointed by the MOTC before the shareholders' meeting, and over 50% of the members of YMTC's board of directors were appointed by the MOTC and National Development Fund after the shareholders' meeting held on June 22, 2018. Therefore, the Company is a government-related entity, which is controlled by the central government. Transactions with other government-related entities were mainly bank deposits, borrowings and guarantees with government-owned banks (see Notes 19 and 20), concession rights of the Port of Kaohsiung, Taiwan International Ports Corporation Kaohsiung harbor intercontinental container and logistics center (see Note 18) government-related entities who subscribed for the ordinary shares of the Group which were issued for the purpose of a cash injection (see Note 26) and shipbuilding contracts signed with CSBC Corporation (see Note 37).

Besides as disclosed in other notes and Table A and B, the following is a summary of the significant related party transaction carried out in the normal course of the Company's business:

a. Related party name and relationship

Related Party Name	Relationship with the Company
All Oceans Transportation, Inc.	Subsidiaries
Yang Ming (Liberia) Corp.	Subsidiaries
Honming Terminal & Stevedoring Co., Ltd.	Subsidiaries
Jing Ming Transportation Co.	Subsidiaries
Ching Ming Investment Corp.	Subsidiaries
Yang Ming Line (Singapore) Pte. Ltd.	Subsidiaries
Yang Ming Shipping (B.V.I.) Inc.	Subsidiaries
Yang Ming Line (Hong Kong) Ltd.	Subsidiaries
Yang Ming Line (India) Pvt. Ltd.	Subsidiaries
Yang Ming (Korea) Co., Ltd.	Subsidiaries
Young-Carrier Company Ltd.	Subsidiaries
Yang Ming (Japan) Co., Ltd.	Subsidiaries
Manwa & Co., Ltd.	Subsidiaries
Yang Ming (Singapore) Pte. Ltd.	Subsidiaries
Yang Ming Line (M) Sdn. Bhd.	Subsidiaries
Sunbright Insurance Pte. Ltd.	Subsidiaries
Yang Ming Anatolia Shipping Agency S.A.	Subsidiaries
Yang Ming Line Holding Co.	Subsidiaries
Yang Ming (America) Corp.	Subsidiaries
Olympic Container Terminal LLC	Subsidiaries
Triumph Logistics, Inc.	Subsidiaries
Topline Transportation, Inc.	Subsidiaries
Coastal Tarheel Express, Inc.	Subsidiaries
Transcont Intermodal Logistics, Inc.	Subsidiaries
Yang Ming Shipping (Canada) Ltd.	Subsidiaries
Yang Ming Line (B.V.I) Holding Co., Ltd.	Subsidiaries

(Continued)

Related Party Name	Relationship with the Company
Yang Ming Line (Belgium) N.V.	Subsidiaries
Yang Ming (Netherlands) B.V	Subsidiaries
Yang Ming Shipping Europe GmbH	Subsidiaries
Yang Ming (Italy) S.p.A	Subsidiaries
Yang Ming (UK) Ltd.	Subsidiaries
Kuang Ming Shipping Corp.	Subsidiaries
Kuang Ming Shipping (Liberia) Corp.	Subsidiaries
YES Logistics Corp.	Subsidiaries
YES Logistics Corp. (USA)	Subsidiaries
Golden Logistics USA Corporation	Subsidiaries
Yang Ming Line (Thailand) Co., Ltd.	Subsidiaries
Yang Ming Shipping (Vietnam) Co., Ltd.	Subsidiaries
Yang Ming (Russia) LLC	Subsidiaries
Yang Ming Shipping Philippines, Inc.	Subsidiaries
Yang Ming (Latin America) Corp.	Subsidiaries
Yang Ming (Spain), S.L.	Subsidiaries
Yang Ming (Vietnam) Corp.	Associates
Formosa International Development Corporation	Associates
Yang Ming (U.A.E.) LLC	Associates
Yang Ming (Australia) Pty. Ltd.	Associates
PT. Formosa Sejati Logistics	Associates
West Basin Container Terminal LLC	Associates
Corstor Ltd.	Associates
Yang Ming Shipping (Egypt) S.A.E.	Associates
Sino Trans PFS Cold Chain Logistics Co., Ltd.	Associates
Kao Ming Container Terminal Corp.	Associates
Yunn Wang Investment Co., Ltd.	Associates
LogiTrans Technology Private Limited	Joint ventures
YES LIBERAL Logistics Corp.	Joint ventures
Chang Ming Logistics Company Limited	Joint ventures
Taiwan Navigation Co., Ltd.	Government - related parties
Chunghwa Telecom Co., Ltd.	Government - related parties
Taiwan International Ports Corporation, Ltd.	Government - related parties
Chunghwa Post Co., Ltd.	Government - related parties
Agricultural Bank of Taiwan	Government - related parties
First Commercial Bank	Government - related parties
Mega International Commercial Bank Co., Ltd.	Government - related parties
Chung Kuo Insurance Company, Limited	Government - related parties
Bank of Taiwan	Government - related parties
Land Bank of Taiwan	Government - related parties
The Export-Import Bank of the Republic of China	Government - related parties
Taiwan Cooperative Bank Co., Ltd.	Government - related parties
Taiwan Business Bank Co., Ltd.	Government - related parties
Chang Hwa Bank Ltd.	Government - related parties
Taiwan Power Company	Government - related parties
Taiwan Water Corporation	Government - related parties
China Steel Corporation	Government - related parties
CPC Corporation, Taiwan	Government - related parties
CSBC Corporation, Taiwan	Government - related parties
Hua Nan Commercial Bank, Ltd.	Government - related parties

(Continued)

Related Party Name	Relationship with the Company
South China Insurance Co., Ltd.	Government - related parties
Mega International Investment Trust Co., Ltd.	Government - related parties
Central Reinsurance Corporation	Government - related parties
First Financial Holding Co., Ltd.	Government - related parties
Leader Container Transportation Co., Ltd.	Investors that have significant influence over the subsidiaries
Marine Container Services India Pvt. Ltd.	Investors that have significant influence over the subsidiaries
UNICORN ENTERPRISES	Investors that have significant influence over the subsidiaries
Bay Container Terminal P. Ltd.	Investors that have significant influence over the subsidiaries
Marine Container Services (South) Pvt. Ltd.	Investors that have significant influence over the subsidiaries
Yang Ming Cultural Foundation	Other related parties
Chinachem Company in Taiwan *	Investors that have significant influence

(Concluded)

* Due to the resignation the entity's director, the entity was not a related party as of August 11, 2017.

b. Profit (loss) from operation

Line Item	Related Party Name	For the Year Ended December 31 2018	2017
Operating revenue	Subsidiaries	$ 1,739,205	$ 1,474,560
	Government - related parties	180,771	103,127
	Associates	295	347
		$ 1,920,271	$ 1,578,034
Operating cost	Subsidiaries	$ 10,289,078	$ 9,983,287
	Associates	2,618,286	3,466,955
	Government - related parties	336,004	268,576
		$ 13,243,368	$ 13,718,818
Operating expenses	Government - related parties	$ 31,033	$ 41,424
	Other related parties	26,881	29,961
	Subsidiaries	1,117	795
	Joint ventures	47,553	50,641
		$ 106,584	$ 122,821

The Company's transactions with related parties were conducted under contract terms.

c. Bank deposits

Bank deposits on reporting period balance were as follows:

Related Party Category/Name	December 31 2018	December 31 2017
Government - related parties	$ 5,812,678	$ 2,356,454

d. Contract assets

Line Item	Related Party Name	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Contract assets	Subsidiaries		
	Young-Carrier Company Limited	$ 747,124	$ -
	Others	619,211	-
		1,366,335	-
	Associates	102,841	-
		$ 1,469,176	$ -

e. Receivables and payables from related parties

Line Item	Related Party Name	December 31 2018	December 31 2017
Trade receivables	Subsidiaries		
	Young-Carrier Company Limited	$ 1,058,285	$ 1,475,652
	Others	965,077	1,259,137
		2,023,362	2,734,789
	Associates	147,907	223,651
	Government - related parties	-	6,103
		$ 2,171,269	$ 2,964,543
Other receivables (included in other current assets)	Subsidiaries		
	Honming Terminal & Stevedoring Co., Ltd.	$ 77,716	$ 95,378
	Others	11,815	13,460
		89,531	108,838
	Associates	-	5,468
	Government - related parties	1,450	394
		$ 90,981	$ 114,700
Long-term receivables	Subsidiaries		
	All Oceans Transportation, Inc.	$ 22,731,797	$ 23,043,414
	Others	-	370,844
		$ 22,731,797	$ 23,414,258

(Continued)

Line Item	Related Party Name	December 31 2018	December 31 2017
Trade payables	Subsidiaries	$ 2,676,038	$ 3,021,810
	Associates	468,726	427,560
	Government - related parties	91,149	14,106
		$ 3,153,913	$ 3,463,476
Other payables	Subsidiaries	$ 217,406	$ 184,635
	Associates	-	87,734
	Government - related parties	40,438	46,088
		$ 257,844	$ 318,457

(Concluded)

f. Financial assets at amortized cost

Related Party Name	December 31 2018	December 31 2017
Subsidiaries		
Kuang Ming Shipping Corp.	$ 500,000	$ -

g. Debt investments with no active market

Related Party Name	December 31 2018	December 31 2017
Subsidiaries		
Kuang Ming Shipping Corp.	$ -	$ 800,000

h. Prepayments

Line Item	Related Party Category/Name	December 31 2018	December 31 2017
Prepayments to shipping agents	Associates		
	Yang Ming Shipping (Egypt) S.A.E	$ -	$ 59,496
	Subsidiaries		
	Yang Ming Line (India) Pvt. Ltd.	61,983	57,521
	Others	25	26,403
		62,008	83,924
		$ 62,008	$ 143,420
Prepayments	Subsidiaries		
	All Oceans Transportation, Inc.	$ 58,105	$ 57,326
	Others	7,095	1,829
		65,200	59,155
	Government - related parties	31,572	31,572
		$ 96,772	$ 90,727

(Continued)

Line Item	Related Party Category/Name	December 31 2018	2017
Long-term prepayments for lease	Government - related parties Taiwan International Ports Corporation, Ltd.	$ 473,417	$ 504,989

(Concluded)

i. Bonds payable

Related Party Category/Name	December 31 2018	2017
Government - related parties		
Taiwan International Ports Corporation, Ltd.	$ 4,000,000	$ 4,000,000
Others	3,390,000	2,150,000
	7,930,000	6,150,000
Investors that have significant influence	450,000	450,000
	$ 8,380,000	$ 6,600,000

Note: Original investment amount of privately placed bonds.

j. Loans from related parties

Line Item	Related Party Category/Name	December 31 2018	2017
Short-term borrowings	Government - related parties		
	Chang Hwa Bank Ltd.	$ 500,000	$ 500,000
	First Financial Holding Co., Ltd.	-	500,000
	Land Bank of Taiwan	500,000	500,000
		$ 1,000,000	$ 2,151,400
Long-term borrowings			
Secured borrowings	Government - related parties	$ 11,714,263	$ 13,735,756
Unsecured borrowings	Government - related parties	$ 6,550,000	$ 5,990,000

k. Others

Line Item	Related Party Name	For the Year Ended December 31 2018	2017
Rental income	Subsidiaries	$ 13,160	$ 12,650
	Other related parties	3,200	3,852
	Government - related parties	-	23
		$ 16,360	$ 16,525

(Continued)

Line Item	Related Party Name	For the Year Ended December 31 2018	2017
Interest income	Subsidiaries		
	All Oceans Transportation, Inc.	$ 378,309	$ 409,693
	Others	20,497	41,255
		398,806	450,948
	Government - related parties	9,589	5,471
		$ 408,395	$ 456,419
Finance cost	Government - related parties		
	Mega International Commercial Bank Co., Ltd.	$ 155,989	$ -
	Bank of Taiwan	87,998	110,110
	Others	245,209	299,728
		489,196	409,838
	Investors that have significant influence	-	1,533
	Associates	-	65
	Subsidiaries	2	1
		$ 489,198	$ 411,437

(Concluded)

The Company's transactions with related parties were conducted under contract terms.

l. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 47,925	$ 36,070
Post-employment benefits	4,323	10,048
	$ 52,248	$ 46,118

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for syndicated bank loans, long-term bank loans, bonds and credit lines:

	December 31	
	2018	**2017**
Restricted bank balance (included in Financial assets at amortized cost)	$ 5,469	$ -
Restricted bank balance (included in other financial assets)	-	56,669
Available-for-sale financial assets	-	1,132,054
Property, plant and equipment, net	27,015,065	28,794,467
Investment properties, net	4,764,430	4,759,370
	$ 31,784,964	$ 34,742,560

37. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Table B, Notes 20 and 32, commitments and contingent liability on reporting periods were as follows:

a. The Company signed ship lease contracts with other companies in 2013, 2015 and 2018, contracts that are effective beginning either in 2015, 2018 or 2020 with lease periods ranging from 10 to 12 years. As of December 31, 2018 and 2017, rentals for contracts that were yet in effect were respectively estimated from US$1,706,000 thousand to US$2,053,000 thousand and from US$737,000 thousand to US$883,000 thousand.

b. The Company's shipping and port business were secured by the letter of guarantee issued by a bank for $490,425 thousand and $231,509 thousand as of December 31, 2018 and 2017, respectively.

c. The Company signed shipbuilding contract with government - related parties. As of December 31, 2018, prepayments for equipment for these contracts amounted to $1,132,622 thousand, and unpaid amounts for these contracts were $5,113,560 thousand and US$165,960 thousand, respectively.

38. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

The Company's board of directors resolved to apply for a capital increase by cash of Kuang Ming in January 25, 2019. The Company injected for 886,674 thousand to 1,000,000 thousand for 88,667 thousand shares to 100,000 thousand shares, with a par value of $10 in March 8, 2019.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 160,107	30.7200	(USD:NTD)	$ 4,918,493
GBP	11,021	38.8654	(GBP:USD)	428,328
EUR	23,612	35.1882	(EUR:NTD)	830,874
RMB	47,267	4.4751	(RMB:NTD)	211,525
JPY	2,498,377	0.2781	(JPY:NTD)	694,760
HKD	82,379	3.9228	(HKD:NTD)	323,155
CAD	662	22.5725	(CAD:NTD)	14,935
Non-monetary items				
Investments accounted for using equity method				
USD	244,543	30.7200	(USD:NTD)	7,512,369
Financial assets at FVTPL				
GBP	2	38.8654	(GBP:NTD)	70
Financial liabilities				
Monetary items				
USD	338,797	30.7200	(USD:NTD)	10,407,832
GBP	2,986	38.8654	(GBP:USD)	116,033
EUR	25,604	35.188	(EUR:NTD)	900,942
RMB	206,906	4.4751	(RMB:NTD)	925,933
JPY	1,861,805	0.2781	(JPY:NTD)	517,739
HKD	24,069	3.9228	(HKD:NTD)	94,418
CAD	10,552	22.5725	(CAD:NTD)	238,192

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 79,926	29.7600	(USD:NTD)	$ 2,378,600
GBP	3,001	40.1313	(GBP:USD)	120,438
EUR	19,597	35.5989	(EUR:NTD)	697,623
RMB	241,164	4.5698	(RMB:NTD)	1,102,083
JPY	1,110,933	0.2643	(JPY:NTD)	293,579
HKD	69,174	3.8082	(HKD:NTD)	263,428
CAD	2,257	23.7302	(CAD:NTD)	53,569
Non-monetary items				
Investments accounted for using equity method				
USD	250,194	29.7600	(USD:NTD)	7,455,810
Financial assets at FVTPL				
GBP	2	40.1313	(GBP:NTD)	71
Financial liabilities				
Monetary items				
USD	297,747	29.7600	(USD:NTD)	8,860,958
GBP	1,858	40.1313	(GBP:USD)	74,570
EUR	18,661	35.5989	(EUR:NTD)	664,310
RMB	124,872	4.5698	(RMB:NTD)	570,646
JPY	1,040,192	0.2643	(JPY:NTD)	274,884
HKD	20,422	3.8082	(HKD:NTD)	77,771
CAD	3,785	23.7302	(CAD:NTD)	89,829

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were $242,285 thousand and $450,460 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Company entities.

40. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

1) Financing provided to others: See Table A attached;

2) Endorsement/guarantee provided: See Table B attached;

3) Marketable securities held: See Table C attached;

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table D attached;

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None;

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None;

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None;

8) Receivable from related parties amounting to at least NT$100 million or 20% of the paid-in capital: see Table E attached;

9) Trading in derivative instruments: (Note 7).

10) Information on investees: See Table F attached;

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: See Table H attached;

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None;

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

TABLE A

YANG MING MARINE TRANSPORT CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Relate Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amounts	Interest Rate	Nature of Financing (Note A)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Yang Ming Marine Transport Corporation	Yang Ming (Liberia) Corp.	Other receivables	Y	$ 1,000,000	$ 1,000,000	$ -	-	1	$ 1,374,335	Repayment of loans/ obtain working capital	$ -	-	$ -	$ 7,931,203	$ 9,914,003	B, C and D
		All Oceans Transportation, Inc.	Other receivables	Y	6,000,000	6,000,000	2,417,928	1.6275%	1	3,325,937	Obtain working capital	-	-	-	7,931,203	9,914,003	
		Kung Ming (Liberia) Corp.	Other receivables	Y	614,400 (US$ 20,000 thousand)	-	-	-	2	-	Obtain working capital	-	-	-	991,400	1,982,800	

Notes:

A. Nature of financing:

1. Yang Ming Marine Transport Corporation (the Corporation) has transactions with the borrower.
2. The borrower needs short-term financing.

B. The maximum financing amount is 60% of the net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 50% of the net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of the net assets of the Corporation.

C. For borrowers with transactions with the Corporation, maximum financing is the lower of 15% of the net assets of the Corporation or the total amount of transactions between the Corporation and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 5% of the net assets of the Corporation.

D. United States dollars, Euros dollars and Ren Min Bi translated into New Taiwan dollars at the exchange rate of US$1=NT$30.72 as of December 31, 2018.

(Concluded)

TABLE B

YANG MING MARINE TRANSPORT CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorser/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes A and B)	Maximum Amount Endorsed/ Guaranteed During the Period (Notes C and D)	Outstanding Endorsement/ Guarantee at the End of the Period (Notes C and D)	Actual Borrowing Amount (Notes C and D)	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes A and B)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	Subsidiary	$ 31,724,812 (Note B)	$ 13,086,655 (US$ 425,998 thousand)	$ 13,086,655 (US$ 425,998 thousand)	$ 5,458,664 (US$ 177,691 thousand)	$ -	66.00	$ 59,484,023 (Note A)	Y	N	N
		Kuang Ming Shipping Corp.	Subsidiary	31,724,812 (Note B)	5,029,147 (US$ 78,260 thousand and NT$ 2,625,000 thousand)	5,029,147 (US$ 78,260 thousand and NT$ 2,625,000 thousand)	4,380,810 (US$ 78,260 thousand and NT$ 1,976,663 thousand)	-	25.36	59,484,023 (Note A)	Y	N	N
		Kuang Ming (Liberia) Corp.	Subsidiary	31,724,812 (Note B)	4,982,315 (US$ 162,185 Thousand)	4,709,632 (US$ 139,856 Thousand)	3,283,976 (US$ 106,900 thousand	-	23.75	59,484,023 (Note A)	Y	N	N
		Yang Ming (Liberia) Corp.	Subsidiary	31,724,812 (Note B)	2,150,400 (US$ 70,000 thousand)	-	-	-	-	59,484,023 (Note A)	Y	N	N
		Yang Ming (America) Corp.	Subsidiary	31,724,812 (Note B)	245,760 (US$ 8,000 thousand)	245,760 (US$ 8,000 thousand)	8,422 (US$ 274 thousand)	-	1.24	59,484,023 (Note A)	Y	N	N
		West Basin Container Terminal LLC	Investments in associates	31,724,812 (Note B)	491,520 (US$ 16,000 thousand)	-	-	-	-	59,484,023 (Note A)	N	N	N

A. Represents 300% of the latest net assets audited or reviewed by CPA of Yang Ming Marine Transport Corporation (the “Corporation”).

B. Represents 160% of the amount mentioned in Note A.

C. Represents 400% of the latest net assets audited or reviewed by CPA of the Corporation, and subsidiaries.

D. Represents 180% of the amount mentioned in Note C.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Yang Ming Marine Transport Corporation	Domestic unquoted shares							
	Taipei Port Container Terminal Co., Ltd.	-	Financial assets at FVTOCI - non-current	51,000,000	$ 346,302	9.81	$ 346,302	
	United Stevedoring Corp.	-	Financial assets at FVTOCI - non-current	500,000	4,596	10.00	4,596	
	Domestic quoted shares							
	Taiwan Navigation Co., Ltd.	Governed by the MOTC	Financial assets at FVTOCI - non-current	70,758,243	1,344,407	16.96	1,344,407	
	Mutual funds							
	BlackRock ICS GBP Liquidity Funds	-	Financial assets at FVTPL- current	1,771	70	-	70	
	Corporates bonds							
	Domestic Privately Placed Unsecured Bonds - Kuang Ming Shipping Corp.	Subsidiary	Financial assets at amortized cost - current	-	500,000	-	500,000	

TABLE D

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Change of Investment Accounted for Using the Equity Method	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Shares	Amount
Yang Ming Marine Transport Corp.	Mutual funds														
	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	$ -	20,333,882	$ 300,000	20,333,882	$ 300,104	$ 300,000	$ 104	$ -	-	$ -
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,885,723	300,000	19,885,723	300,097	300,000	97	-	-	-
	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	33,398,315	450,000	33,398,315	450,042	450,000	42	-	-	-
	UPAMC JAMES BOND MONEY MARKET Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	18,025,704	300,000	18,025,704	300,099	300,000	99	-	-	-
	Nomura Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	18,461,538	300,000	18,461,538	300,102	300,000	102	-	-	-
	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	18,670,882	300,000	18,670,882	300,101	300,000	101	-	-	-

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	Subsidiary	$ 22,731,797 (Note A)	-	$ -	-	$ -	$ -
	Young-Carrier Company Limited	Subsidiary	1,058,285	-	-	-	1,058,285	-
	Yang Ming (Italy) S.P.A.	Subsidiary	153,818	-	-	-	153,818	-
	Yangming (UK) Ltd.	Subsidiary	156,590	-	-	-	156,590	-

Notes:

A. Interest receivable, financing provided and proceeds from sale of ships.

B. Collections between related parties made according to “Agency Accounting Procedure” by the Corporation and local business conventions.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note A)		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount			
Yang Ming Marine Transport Corporation	Kao Ming Container Terminal Corp.	Taiwan	Terminal operation and stevedoring	$ 3,181,313	$ 3,181,313	323,000,000	47.50	$ 5,987,984	$ 15,800 (Note B)	$ 7,505 (Note B)	Investments in associates
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	3,272,005	3,272,005	10,351	100.00	3,138,527	(474,622)	(474,622)	Subsidiary
	Kuang Ming Shipping Corp.	Taiwan	Shipping service, shipping agency and forwarding agency	7,928,163 (Note C)	7,928,163 (Note C)	295,557,949	98.52	1,701,808	(612,313)	(604,820)	Subsidiary
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency	1,113,356	1,113,356	60,130,000	100.00	2,272,087	519,611	519,611	Subsidiary
	Yang Ming Line Holding Co.	U.S.A.	Investment, shipping agency, forwarding agency and shipping managers	143,860	143,860	13,500	100.00	1,997,780	143,600	143,600	Subsidiary
	Ching Ming Investment Corp.	Taiwan	Investment	1,098,388	1,098,388	120,487,500	100.00	1,057,131	(28,868)	(28,868)	Subsidiary
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,399	3,399	1	100.00	642,263	(83,473)	(83,473)	Subsidiary
	All Oceans Transportation, Inc.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	202,016	(487,240)	(487,240)	Subsidiary
	Yes Logistics Corp.	Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	494,887	64,111	29,955	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Taiwan	Terminal operation and stevedoring	79,273	79,273	7,916,908	79.17	119,420	26,994	21,371	Subsidiary
	Jing Ming Transportation Co., Ltd.	Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	126,107	11,797	6,014	Subsidiary
	Yunn Wang Investment Co., Ltd.	Taiwan	Investment	179,810	179,810	5,211,474	49.75	115,002	7,364	3,663	Investments in associates
	Taiwan Foundation International Pte. Ltd.	Singapore	Investment and subsidiaries management	103,802	-	3,400,000	34.00	103,975	(1,367)	(464)	Investments in associates
	Transyang Shipping Pte. Ltd.	Singapore	Shipping services, chartering, sale and purchase of ships; forwarding agency and shipping agency	-	57,802	-	-	-	(728)	(357)	Investments in associates

Notes:

A. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.

B. This is an adjustment to the remainder investment of investment income or loss recognized at fair value on the date of losing control.

C. The Original investment amount did not deduct the amount of offsetting the deficits of $4,701,339 thousand in May 2017.

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note F)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note F)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Amount as of December 31, 2018 (Note E)	Accumulated Repatriation of Investment Income as of December 31, 2018
						Outflow	Inflow						
Yes Logistics Corp.	Yes Logistics (Shanghai) Corp. (Note A)	International shipping agency	US$ 4,300 thousand	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	$ 245,760 (US$ 8,000 thousand)	$ -	$ -	$ 245,760 (US$ 8,000 thousand)	$ 17,543	96.36	$ 16,904	$ 132,250	$ -
	Chang Ming Logistics Company Limited (Note B)	Terminal operation and stevedoring, storage, and shipping agency	RMB 144,800 thousand	Investee's direct investment in Mainland China.	285,727 (US$ 9,301 thousand)	-	-	285,727 (US$ 9,301 thousand)	2,378	47.22	1,123	295,793	-
	Sino Trans PFS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and correlation service	US$ 46,242 thousand	Investee's direct investment in Mainland China	189,358 (US$ 6,164 thousand)	-	-	189,358 (US$ 6,164 thousand)	(37,837)	12.85	(4,862)	79,285	-
	Shanghai United Cold Chain Logistics Co., Ltd. (Note G)	Stevedoring equipment, management and correlation service	RMB 50,000 thousand	Investee's direct investment in Mainland China	44,751 (RMB 10,000 thousand)	-	-	44,751 (RMB 10,000 thousand)	(4,001)	19.27	(771)	51,967	-
Ching Ming Investment Corp.	Sino Trans PFS Cold Chain Logistic Co., Ltd.	Stevedoring equipment, management and correlation service	US$ 46,242 thousand	Investee's direct investment in Mainland China	94,740 (US$ 3,084 thousand)	-	-	94,740 (US$ 3,084 thousand)	(37,837)	6.67	(2,524)	39,538	-

Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note G)	Investment Amounts Authorized by Investment Commission, MOEA (Note G)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Yang Ming Marine Transportation Corporation	$ -	$ 200,510 (US$ 6,527 thousand)	$ 12,176,846
Yes Logistics Corp. (Note C)	755,242 (US$ 17,301 thousand) (RMB 50,000 thousand)	755,242 (US$ 17,301 thousand) (RMB 50,000 thousand)	- (Note F)
Ching Ming Investment Corp. (Note D)	89,502 (RMB 20,000 thousand)	89,502 (RMB 20,000 thousand)	634,279

Notes:

A. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on June 3, 2004, July 4, 2006, December 26, 2006 and August 31, 2016.

B. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on April 11, 2005, August 22, 2006, November 29, 2006 and December 2, 2008.

C. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on December 16, 2013.

D. Ching Ming Investment Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on December 17, 2013

E. Calculated by the % ownership of direct or indirect investment.

F. Yes Logistics Corp. applied for and obtained the Business Operations Headquarters letter on August 22, 2016, and the term for the letter is to August 21, 2019. Therefore, the restrictions on the amount of investment in China are not applicable to Yes Logistics Corp.

G. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on May 12, 2017.

H. United States dollars and Ren min bi Yuan translated into New Taiwan dollars at the exchange rate of US$1=NT$30.72 and RMB1=NT$4.4751 as of December 31, 2018.