



U-MING MARINE TRANSPORT CORP.

Minutes of 2017 Shareholders' Meeting

Time: 9:00 a.m., June 13, 2017

Place: Taipei Hero House's Auditorium (No. 20, Changsha Street, Section 1, Taipei, Taiwan)

Total number of outstanding shares: 845,055,712 shares

Total shares represented by presence of shareholders: 504,933,441 shares (59.75%)

Attendee Directors: HSU Shu-Tong

CHANG Tsai-Hsiung

LEE Kun-Yen

ONG Choo Kiat

CHU Shao-Hua (Independent Director)

LIU Chorng-Jian (Independent Director)

Attendee Supervisors: CHANG Tzu-Pong, HSU Shu-Ping

Chairman: HSU Shu-Tong, Chairman of the Board of Directors

Recorder: Alex Chen

Important Resolutions

I. Matters To Be Reported

1. 2016 Business Report
2. 2016 Financial Statements
3. Supervisor's Review Report on the 2016 Financial Statements

II. Matters To Be Ratified

1. The 2016 Business Report and Financial Statements

Explanation:

- (1) The supervisor's review report is hereby issued after reviewing the 2016 financial statements (including the business report and the independent auditor's report issued by CPA Li-Wen Kuo and CPA Ching-Pin Shih of Deloitte & Touche; please refer to the attachment) without any nonconformity identified.
- (2) Please approve.

Resolved that:

Shareholders who are present represented 504,933,441 votes in total (including electronic votes). 497,002,596 votes (including electronic votes) ratify the motion, accounting to 98.43% of total votes ; 100,203 votes (including electronic votes) against the motion ; 5,592,868 votes (including electronic votes) abstained. The motion is ratified.

2. The proposal for 2016 Deficit Compensation

Explanation:

- (1) Please refer to the 2016 Deficit Compensation proposed in accordance with Article 27 of the Company's Articles of Incorporation as follows:

	NT\$
Unappropriated retained earnings of previous year	8,645,793,038
Less: Investment adjusted retained earnings by using equity method	(1,361,953)
Less: 2016 actuarial gain & losses appropriated retained earnings	(8,484,726)
Less: Retired treasury stock debit to retained earnings	(237,851,824)
Adjusted unappropriated retained earnings	8,398,094,535
Less: 2016 net losses	(878,353,346)
Add: reversal of special reserve by self-appropriated	337,185,643
Unappropriated retained earnings after offsetting deficits	7,856,926,832

- (2) Please approve.

Resolved that:

Shareholders who are present represented 504,933,441 votes in total (including electronic votes). 497,579,125 votes (including electronic votes) ratify the motion, accounting to 98.54% of total votes ; 175,674 votes (including electronic votes) against the motion ; 4,940,868 votes (including electronic votes) abstained. The motion is ratified.

III. Matters to Be Discussed

1. To approve the proposal for distribution by cash from legal reserve

Explanation:

- (1) In accordance with article 241 of the Company Act, "Where a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting as required in the preceding Article, distribute its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash; where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed."

- (2) It is proposed to distribute legal reserve, NT\$633,791,784, by cash, which is NT\$0.75 per share.
- (3) Upon the approval of the annual meeting of shareholders, it is proposed that the Board be authorized to resolve to adjust the amount per share based on the actual shares outstanding number on the dividend date for the legal reserve distribution by cash if there is an amendment of the number of shares outstanding before the date. The distribution of earnings is calculated to the dollar (round up to the dollar). The total amount of the odd shares will be booked as the other income of the Company. It is proposed that the Board authorized the Chairman to fix the record date of ex-cash dividend after the approved by the year 2017 annual shareholders' meeting.
- (4) The legal reserve distribution will be distributed from the reserve during 1998 to 2009, and then from the reserve after 2010 if insufficient.

Resolved that:

Shareholders who are present represented 504,933,441 votes in total (including electronic votes). 497,668,405 votes (including electronic votes) ratify the motion, accounting to 98.56% of total votes ; 124,710 votes (including electronic votes) against the motion ; 4,902,552 votes (including electronic votes) abstained. The motion hereby is accepted as submitted.

2. To approve the amendment to the company bylaws on “Procedures for the Acquisition and Disposal of Assets”

Explanation:

- (1) According to official letter No. 1060001296 from Financial Supervisory Commission R.O.C.(Taiwan), it is proposed to amend the Company's “Procedures for the acquisition and disposal of assets”. (Please refer to P. 28 to P. 35 of the Meeting Handbook for the details.)
- (2) The proposal is hereby presented for referendum.

Resolved that:

Shareholders who are present represented 504,933,441 votes in total (including electronic votes). 497,646,468 votes (including electronic votes) ratify the motion, accounting to 98.56% of total votes ; 127,330 votes (including electronic votes) against the motion ; 4,921,869 votes (including electronic votes) abstained. The motion hereby is accepted as submitted.

IV. Extempore Motion: None

V. Meeting Adjourned

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
U-Ming Marine Transport Corporation

Opinion

We have audited the accompanying consolidated financial statements of U-Ming Marine Transport Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Impairment of transportation equipment

According to IAS 36, the Group should periodically perform impairment assessment on assets. As the nature of the business of the Group pertains to marine transportation, the transportation equipment is material to its financial statements. Also, the estimates and assumptions adopted by the management for the assessment of impairment on the equipment thereof directly impact the recognition of impairment loss in the financial statements. As a result, impairment assessment of the transportation equipment is deemed to be a key audit matter. Refer to Note 5 to the financial statements for disclosure on impairment assessment of transportation equipment.

The main audit procedures we have performed in respect of the key audit matter stated above were as follows:

1. Understood and tested the design and implement of the key controls over the impairment assessment of property, plant and equipment.
2. Obtained and understood the calculation table of impairment assessment of transportation equipment.
3. Assessed and consulted with internal our specialist the reasonableness of accounting estimates used in the impairment assessment, such as the identification of cash-generating units, the confirmation of fair value of transportation equipment by obtaining supporting documents, and the discount rate and future cash flow used in determining the recoverable amount in discount cash flow method.
4. Tested the calculation of impairment loss according to the table provided by the management.

Income Tax

Tax credit for the overseas subsidiary's earnings, which was deemed after-tax, used in the income tax returns was applied by U-Ming Marine Transport Corporation. The grant of tax credit depended on the decision of tax authority in accordance with tax law in different jurisdictions. Due to the uncertainty involved in the final decision of the tax authority of which the result may cause significant impact on the amount of current tax and deferred tax recognized in financial statements, the recognition of the tax credit has been considered as a key audit matter.

The main audit procedures we have performed in respect of the key audit matter stated above were as follows:

1. Obtained and understood the calculation, relevant accounting estimates, and income tax law applied.
2. Assessed the reasonableness of income tax related accounting estimates, including application of income tax law, obtained the application certificates of income tax law issued by tax authorities and tracked the final assessment result of income tax returns of prior years.
3. Obtained the resource documents for calculating income tax, including the final assessments result of income tax returns of prior years, tax certificates, financial reports, and earnings distribution document, and recalculated the amount of income tax.

Other Matter

We have also audited the parent company only financial statements of U-Ming Marine Transport Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 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 Li-Wen Kuo and Ching-Pin Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 6, 2017

Notice to Readers

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

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

U-MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 13,540,718	23	\$ 16,375,872	26
Financial assets at fair value through profit or loss - current	237,569	1	1,014,670	2
Available-for-sale financial assets - current	8,250,475	14	8,692,432	14
Trade receivables from unrelated parties	331,103	1	350,000	-
Trade receivables from related parties	54,545	-	81,852	-
Other receivables	171,096	-	120,869	-
Fuel inventory	261,993	1	350,969	1
Other current assets	184,423	-	249,425	-
Total current assets	<u>23,031,922</u>	<u>40</u>	<u>27,236,089</u>	<u>43</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current	134	-	125	-
Financial assets measured at cost - non-current	892,943	1	892,943	1
Investments accounted for using equity method	2,447,985	4	1,977,723	3
Property, plant and equipment	28,315,931	49	30,968,544	49
Deferred tax assets	36,226	-	107,525	-
Prepayment for equipment	2,390,657	4	1,543,005	3
Refundable deposits	98,973	-	107,154	-
Long-term receivable - related parties	894,230	2	884,448	1
Total non-current assets	<u>35,077,079</u>	<u>60</u>	<u>36,481,467</u>	<u>57</u>
TOTAL	<u>\$ 58,109,001</u>	<u>100</u>	<u>\$ 63,717,556</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 3,100,000	5	\$ 7,130,000	11
Short-term bills payable	2,357,157	4	2,395,020	4
Financial liabilities at fair value through profit or loss - current	119,978	-	161,665	-
Trade payables	199,243	1	94,806	-
Other payables	661,745	1	786,544	1
Current tax liabilities	103,920	-	181,542	1
Current portion of long-term borrowings and bonds payable	5,132,241	9	4,581,707	7
Other current liabilities	153,307	-	286,797	1
Total current liabilities	<u>11,827,591</u>	<u>20</u>	<u>15,618,081</u>	<u>25</u>
NON-CURRENT LIABILITIES				
Bonds payable	-	-	992,420	2
Bank loans	20,839,714	36	18,447,976	29
Deferred tax liabilities	401,639	1	470,727	1
Deferred revenue - non-current	231,413	-	262,107	-
Net defined benefit liabilities - non-current	258,163	1	339,391	-
Total non-current liabilities	<u>21,730,929</u>	<u>38</u>	<u>20,512,621</u>	<u>32</u>
Total liabilities	<u>33,558,520</u>	<u>58</u>	<u>36,130,702</u>	<u>57</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Common share capital	8,450,557	14	8,580,167	13
Capital surplus	115,140	-	225,410	-
Retained earnings				
Legal reserve	7,060,448	12	6,978,008	11
Special reserve	337,186	1	337,186	1
Unappropriated earnings	7,519,741	13	9,573,288	15
Total retained earnings	<u>14,917,375</u>	<u>26</u>	<u>16,888,482</u>	<u>27</u>
Other equity	1,067,409	2	2,370,488	4
Treasury shares	-	-	(477,693)	(1)
Total equity	<u>24,550,481</u>	<u>42</u>	<u>27,586,854</u>	<u>43</u>
TOTAL	<u>\$ 58,109,001</u>	<u>100</u>	<u>\$ 63,717,556</u>	<u>100</u>

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

U-MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE				
Freight revenue	\$ 6,391,062	98	\$ 7,733,341	98
Other operating revenue	<u>126,335</u>	<u>2</u>	<u>190,747</u>	<u>2</u>
Total operating revenue	6,517,397	100	7,924,088	100
OPERATING COSTS				
Freight cost	<u>6,716,524</u>	<u>103</u>	<u>7,544,723</u>	<u>95</u>
GROSS PROFIT (LOSS)	(199,127)	(3)	379,365	5
OPERATING EXPENSES	<u>267,862</u>	<u>4</u>	<u>314,266</u>	<u>4</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(466,989)</u>	<u>(7)</u>	<u>65,099</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Financial costs	(535,133)	(8)	(461,525)	(6)
Interest income	248,866	4	294,851	4
Dividend income	150,878	2	296,684	4
Other income	25,209	-	107,932	1
Gain (loss) on disposal of property, plant and equipment, net	(215,258)	(3)	192,882	3
Gain on sale of investments, net	257,322	4	967,332	12
Net gain (loss) on foreign currency exchange	121,243	2	(453,926)	(6)
Other losses	(7,340)	-	(5,185)	-
Valuation loss on financial instruments, net	(357,916)	(6)	(318,693)	(4)
Impairment loss	(24,673)	-	(62,386)	(1)
Share of the profit or loss of associates and joint ventures	<u>(49,377)</u>	<u>(1)</u>	<u>102,246</u>	<u>1</u>
Total non-operating income and expenses	<u>(386,179)</u>	<u>(6)</u>	<u>660,212</u>	<u>8</u>
PROFIT (LOSS) BEFORE INCOME TAX	(853,168)	(13)	725,311	9
INCOME TAX EXPENSE (BENEFIT)	<u>25,186</u>	<u>1</u>	<u>(99,086)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(878,354)</u>	<u>(14)</u>	<u>824,397</u>	<u>10</u>

(Continued)

U-MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (8,484)	-	\$ 4,672	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(931,291)	(14)	1,873,370	24
Unrealized loss on available-for-sale financial assets	(364,282)	(6)	(975,537)	(12)
Share of the other comprehensive loss of associates using the equity method	<u>(7,506)</u>	<u>-</u>	<u>(61,108)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(1,311,563)</u>	<u>(20)</u>	<u>841,397</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (2,189,917)</u>	<u>(34)</u>	<u>\$ 1,665,794</u>	<u>21</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ (878,354)</u>	<u>(13)</u>	<u>\$ 824,397</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ (2,189,917)</u>	<u>(34)</u>	<u>\$ 1,665,794</u>	<u>21</u>
EARNINGS (LOSSES) PER SHARE				
Basic	<u>\$ (1.04)</u>		<u>\$ 0.96</u>	
Diluted	<u>\$ (1.04)</u>		<u>\$ 0.96</u>	

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

U-MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)**

	Common Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Other Equity			Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			Revaluation Increment	Cash Flow Hedges	Total		
BALANCE AT JANUARY 1, 2015	\$ 8,580,167	\$ 225,368	\$ 6,769,696	\$ 1,195,583	\$ 9,981,770	\$ 31,558	\$ 1,446,353	\$ 55,852	\$ -	\$ 1,533,763	\$ -	\$ 28,286,347
Appropriation of 2014 earnings												
Legal reserve	-	-	208,312	-	(208,312)	-	-	-	-	-	-	-
Special reserve	-	-	-	(858,397)	858,397	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,887,636)	-	-	-	-	-	-	(1,887,636)
Change from investments in associates and joint ventures accounted for using equity method	-	44	-	-	-	-	-	-	-	-	-	44
Net profit for the year ended December 31, 2015	-	-	-	-	824,397	-	-	-	-	-	-	824,397
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	4,672	1,873,493	(981,319)	(55,399)	(50)	836,725	-	841,397
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	829,069	1,873,493	(981,319)	(55,399)	(50)	836,725	-	1,665,794
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(477,693)	(477,693)
Dividends claimed after over five years by stockholders	-	(2)	-	-	-	-	-	-	-	-	-	(2)
BALANCE AT DECEMBER 31, 2015	8,580,167	225,410	6,978,008	337,186	9,573,288	1,905,051	465,034	453	(50)	2,370,488	(477,693)	27,586,854
Appropriation of 2015 earnings												
Legal reserve	-	-	82,440	-	(82,440)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(845,056)	-	-	-	-	-	-	(845,056)
Change from investments in associates and joint ventures accounted for using equity method	-	(29)	-	-	(1,362)	-	-	-	-	-	-	(1,391)
Net loss for the year ended December 31, 2016	-	-	-	-	(878,354)	-	-	-	-	-	-	(878,354)
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(8,484)	(904,708)	(398,105)	(320)	54	(1,303,079)	-	(1,311,563)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	(886,838)	(904,708)	(398,105)	(320)	54	(1,303,079)	-	(2,189,917)
Cancelation of treasury shares	(129,610)	(110,232)	-	-	(237,851)	-	-	-	-	-	477,693	-
Dividends claimed after over five years by stockholders	-	(9)	-	-	-	-	-	-	-	-	-	(9)
BALANCE AT DECEMBER 31, 2016	<u>\$ 8,450,557</u>	<u>\$ 115,140</u>	<u>\$ 7,060,448</u>	<u>\$ 337,186</u>	<u>\$ 7,519,741</u>	<u>\$ 1,000,343</u>	<u>\$ 66,929</u>	<u>\$ 133</u>	<u>\$ 4</u>	<u>\$ 1,067,409</u>	<u>\$ -</u>	<u>\$ 24,550,481</u>

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

U-MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (853,168)	\$ 725,311
Adjustments for:		
Depreciation expenses	2,249,488	2,278,587
Finance costs	535,133	461,525
Dividend income	(301,374)	(498,757)
Unrealized (gain) loss on foreign currency exchange	(276,251)	509,935
Interest income	(248,866)	(294,851)
Loss (gain) on disposal of property, plant and equipment, net	215,258	(192,882)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	100,594	(381,334)
Share of the profit of associates and joint ventures	49,377	(102,246)
Other non-cash items	(26,113)	(122,282)
Impairment loss recognized on available-for-sale financial assets	24,673	46,042
Recognition (reversal) of provision for doubtful accounts	(1,191)	9,383
Impairment loss recognized on transportation equipment	-	16,343
Gain on disposal of investment, net	-	(267,305)
Changes in operating assets and liabilities		
Financial assets held for trading	676,507	695,852
Trade receivables	48,562	157,146
Other receivables	(16,337)	(15,198)
Fuel inventory	53,148	51,468
Other current assets	66,121	(6,035)
Financial liabilities held for trading	(41,687)	137,469
Trade payables	104,437	(41,213)
Other payables	(121,760)	(83,807)
Other current liabilities	(133,490)	154,988
Net defined benefit liabilities	(89,712)	(33,333)
Cash generated from operations	<u>2,013,349</u>	<u>3,204,806</u>
Interest received	214,976	381,218
Dividends received	301,374	498,757
Interest paid	(539,007)	(440,581)
Income tax paid	<u>(100,597)</u>	<u>(279,051)</u>
Net cash generated from operating activities	<u>1,890,095</u>	<u>3,365,149</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in prepayment for equipment	(1,689,932)	(4,719,574)
Proceeds from disposal of property, plant and equipment	726,667	314,708
Acquisition of associates	(480,000)	(760,000)
Purchase of property, plant and equipment	(208,475)	(1,683,251)
Increase in financing provided - related parties	(75,496)	(59,352)
Purchase of available-for-sale financial assets	(18,351)	(2,942,876)

(Continued)

U-MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Decrease in refundable deposits	\$ 8,038	\$ 15,696
Proceeds on sale of available-for-sale financial assets	<u>-</u>	<u>3,074,266</u>
Net cash used in investing activities	<u>(1,737,549)</u>	<u>(6,760,383)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	11,849,158	8,708,213
Repayments of long-term borrowings	(8,126,618)	(4,980,736)
Repayments of short-term borrowings	(4,530,000)	(450,000)
Repayment of bond payables	(1,000,000)	-
Dividends paid to owners of the Company	(845,065)	(1,887,638)
(Repayments) proceeds from short-term bills payable	(37,863)	63,020
Decrease in obligation under capital lease	-	(753,610)
Payments for buy-back ordinary shares	<u>-</u>	<u>(477,693)</u>
Net cash (used in) generated from financing activities	<u>(2,690,388)</u>	<u>221,556</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(297,312)</u>	<u>495,408</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,835,154)	(2,678,270)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,375,872</u>	<u>19,054,142</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 13,540,718</u>	<u>\$ 16,375,872</u>

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

(Concluded)

U-MING MARINE TRANSPORT CORPORATION

INDIVIDUAL BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash	\$ 20,190	-	\$ 12,683	-
Financial assets at fair value through profit or loss - current	177,265	-	601,310	1
Available-for-sale financial assets - current	1,493,193	3	1,577,977	3
Trade receivables from unrelated parties	11,016	-	14,822	-
Trade receivables from related parties	41,500	-	82,158	-
Other receivables	78,207	-	54,246	-
Fuel inventory	15,622	-	30,890	-
Other current assets	85,619	-	85,255	-
Total current assets	<u>1,922,612</u>	<u>3</u>	<u>2,459,341</u>	<u>4</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current	344,296	1	344,296	1
Investments accounted for using equity method	52,499,295	94	57,170,150	93
Property, plant and equipment	978,474	2	1,219,423	2
Deferred tax assets	36,226	-	107,525	-
Prepayment for equipment	2,970	-	-	-
Refundable deposits	33,533	-	24,933	-
Total non-current assets	<u>53,894,794</u>	<u>97</u>	<u>58,866,327</u>	<u>96</u>
TOTAL	<u>\$ 55,817,406</u>	<u>100</u>	<u>\$ 61,325,668</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 3,100,000	6	\$ 7,130,000	12
Short-term bills payable	2,298,194	4	2,248,617	4
Trade payables	45,888	-	36,349	-
Other payables from unrelated parties	330,737	1	370,844	1
Other payables from related parties	12,494,906	22	14,122,893	23
Current tax liabilities	103,518	-	181,406	-
Current portion of long-term borrowings and bonds payable	2,992,704	5	2,574,736	4
Other current liabilities	23,900	-	24,201	-
Total current liabilities	<u>21,389,847</u>	<u>38</u>	<u>26,689,046</u>	<u>44</u>
NON-CURRENT LIABILITIES				
Bonds payable	-	-	992,420	1
Bank loans	9,304,281	17	5,359,587	9
Deferred tax liabilities	401,639	1	470,727	1
Deferred revenue - non-current	-	-	520	-
Net defined benefit liabilities - non-current	171,158	-	226,514	-
Total non-current liabilities	<u>9,877,078</u>	<u>18</u>	<u>7,049,768</u>	<u>11</u>
Total liabilities	<u>31,266,925</u>	<u>56</u>	<u>33,738,814</u>	<u>55</u>
EQUITY				
Common share capital	8,450,557	15	8,580,167	14
Capital surplus	115,140	-	225,410	-
Retained earnings				
Legal reserve	7,060,448	13	6,978,008	11
Special reserve	337,186	1	337,186	1
Unappropriated earnings	7,519,741	13	9,573,288	16
Total retained earnings	<u>14,917,375</u>	<u>27</u>	<u>16,888,482</u>	<u>28</u>
Other equity	1,067,409	2	2,370,488	4
Treasury shares	-	-	(477,693)	(1)
Total equity	<u>24,550,481</u>	<u>44</u>	<u>27,586,854</u>	<u>45</u>
TOTAL	<u>\$ 55,817,406</u>	<u>100</u>	<u>\$ 61,325,668</u>	<u>100</u>

U-MING MARINE TRANSPORT CORPORATION

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
FREIGHT REVENUE	\$ 1,190,126	100	\$ 1,387,973	100
FREIGHT COSTS	<u>1,088,884</u>	<u>92</u>	<u>1,252,806</u>	<u>91</u>
GROSS PROFIT	101,242	8	135,167	9
OPERATING EXPENSES	<u>188,395</u>	<u>16</u>	<u>208,342</u>	<u>15</u>
LOSS FROM OPERATIONS	<u>(87,153)</u>	<u>(8)</u>	<u>(73,175)</u>	<u>(6)</u>
NON-OPERATING INCOME AND EXPENSES				
Financial costs	(351,264)	(29)	(315,932)	(23)
Share of the profit or loss of subsidiaries, associates and joint ventures	(604,153)	(51)	639,243	46
Interest income	292	-	300	-
Dividend income	139,956	12	284,165	21
Other income	34,063	3	29,953	2
Gain on disposal of property, plant and equipment, net	978	-	357	-
Gain on sale of investments, net	299,477	25	750,008	54
Net gain (loss) on foreign currency exchange	123,193	10	(484,590)	(35)
Other losses	(7,486)	-	(2,155)	-
Valuation loss on financial instruments, net	<u>(424,046)</u>	<u>(36)</u>	<u>(127,821)</u>	<u>(9)</u>
Total non-operating income and expenses	<u>(788,990)</u>	<u>(66)</u>	<u>773,528</u>	<u>56</u>
PROFIT (LOSS) BEFORE INCOME TAX	(876,143)	(74)	700,353	50
INCOME TAX EXPENSE (BENEFIT)	<u>2,211</u>	<u>-</u>	<u>(124,044)</u>	<u>(9)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>(878,354)</u>	<u>(74)</u>	<u>824,397</u>	<u>59</u>

(Continued)

U-MING MARINE TRANSPORT CORPORATION

INDIVIDUAL STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (7,219)	(1)	\$ (5,814)	-
Share of the other comprehensive income of subsidiaries, associates and joint ventures using the equity method	(1,265)	-	10,486	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(932,060)	(78)	1,873,370	135
Unrealized loss on available-for-sale financial assets	(84,784)	(7)	(192,775)	(14)
Share of the other comprehensive income of subsidiaries, associates and joint ventures using the equity method	<u>(286,235)</u>	<u>(24)</u>	<u>(843,870)</u>	<u>(61)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(1,311,563)</u>	<u>(110)</u>	<u>841,397</u>	<u>61</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (2,189,917)</u>	<u>(184)</u>	<u>\$ 1,665,794</u>	<u>120</u>
EARNINGS (LOSSES) PER SHARE				
Basic	<u>\$ (1.04)</u>		<u>\$ 0.96</u>	
Diluted	<u>\$ (1.04)</u>		<u>\$ 0.96</u>	

(Concluded)

U-MING MARINE TRANSPORT CORPORATION
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Common Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Other Equity			Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			Revaluation Increment	Cash Flow Hedges	Total		
BALANCE AT JANUARY 1, 2015	\$ 8,580,167	\$ 225,368	\$ 6,769,696	\$ 1,195,583	\$ 9,981,770	\$ 31,558	\$ 1,446,353	\$ 55,852	\$ -	\$ 1,533,763	\$ -	\$ 28,286,347
Appropriation of 2014 earnings												
Legal reserve	-	-	208,312	-	(208,312)	-	-	-	-	-	-	-
Special reserve	-	-	-	(858,397)	858,397	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(1,887,636)	-	-	-	-	-	-	(1,887,636)
Change from investments in associates and joint ventures accounted for using equity method	-	44	-	-	-	-	-	-	-	-	-	44
Net profit for the year ended December 31, 2015	-	-	-	-	824,397	-	-	-	-	-	-	824,397
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	4,672	1,873,493	(981,319)	(55,399)	(50)	836,725	-	841,397
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	829,069	1,873,493	(981,319)	(55,399)	(50)	836,725	-	1,665,794
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(477,693)	(477,693)
Dividends claimed after over five years by stockholders	-	(2)	-	-	-	-	-	-	-	-	-	(2)
BALANCE AT DECEMBER 31, 2015	8,580,167	225,410	6,978,008	337,186	9,573,288	1,905,051	465,034	453	(50)	2,370,488	(477,693)	27,586,854
Appropriation of 2015 earnings												
Legal reserve	-	-	82,440	-	(82,440)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(845,056)	-	-	-	-	-	-	(845,056)
Change from investments in associates and joint ventures accounted for using equity method	-	(29)	-	-	(1,362)	-	-	-	-	-	-	(1,391)
Net loss for the year ended December 31, 2016	-	-	-	-	(878,354)	-	-	-	-	-	-	(878,354)
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	(8,484)	(904,708)	(398,105)	(320)	54	(1,303,079)	-	(1,311,563)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	(886,838)	(904,708)	(398,105)	(320)	54	(1,303,079)	-	(2,189,917)
Cancelation of treasury shares	(129,610)	(110,232)	-	-	(237,851)	-	-	-	-	-	477,693	-
Dividends claimed after over five years by stockholders	-	(9)	-	-	-	-	-	-	-	-	-	(9)
BALANCE AT DECEMBER 31, 2016	\$ 8,450,557	\$ 115,140	\$ 7,060,448	\$ 337,186	\$ 7,519,741	\$ 1,000,343	\$ 66,929	\$ 133	\$ 4	\$ 1,067,409	\$ -	\$ 24,550,481

U-MING MARINE TRANSPORT CORPORATION

INDIVIDUAL STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (876,143)	\$ 700,353
Adjustments for:		
Share of the profit or loss of subsidiaries, associates and joint ventures	604,153	(639,243)
Finance costs	351,264	315,932
Unrealized (gain) loss on foreign currency exchange	(247,219)	540,354
Depreciation expenses	193,256	215,609
Dividend income	(139,956)	(284,165)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	124,569	(622,187)
Loss (gain) on disposal of property, plant and equipment, net	(978)	(357)
Interest income	(292)	(300)
Changes in operating assets and liabilities		
Financial assets held for trading	299,476	750,008
Trade receivables	44,464	18,000
Other receivables	(23,758)	(24,951)
Fuel inventory	8,080	19,925
Other current assets	100	(22,451)
Trade payables	9,539	(1,976)
Other payables	(30,669)	(74,109)
Other current liabilities	(301)	5,512
Net defined benefit liabilities	<u>(62,575)</u>	<u>(28,946)</u>
Cash generated from operations	253,010	867,008
Interest received	89	584
Dividends received	139,956	284,165
Interest paid	(354,869)	(293,533)
Income tax paid	<u>(77,888)</u>	<u>(254,028)</u>
Net cash generated from operating activities	<u>(39,702)</u>	<u>604,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from subsidiaries	3,325,751	2,672,896
Acquisition of associates	(480,000)	(760,000)
Proceeds from disposal of property, plant and equipment	115,233	-
Purchase of property, plant and equipment	(59,894)	(100,945)
Decrease (increase) in refundable deposits	(8,600)	8,751
Increase in prepayment for equipment	<u>(2,970)</u>	<u>-</u>
Net cash used in investing activities	<u>2,889,520</u>	<u>1,820,702</u>

(Continued)

U-MING MARINE TRANSPORT CORPORATION

INDIVIDUAL STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ 10,749,958	\$ 4,880,000
Repayments of long-term borrowings	(5,880,000)	(3,619,965)
Repayments of short-term borrowings	(4,530,000)	(450,000)
Decrease in other payables from related parties	(1,386,750)	(984,750)
Repayment of bond payables	(1,000,000)	-
Dividends paid	(845,065)	(1,887,638)
Proceeds from short-term bills payable	49,577	109,531
Payments for buy-back ordinary shares	<u>-</u>	<u>(477,693)</u>
Net cash (used in) generated from financing activities	<u>(2,842,280)</u>	<u>(2,430,515)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(31)</u>	<u>146</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	7,507	(5,471)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,683</u>	<u>18,154</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 20,190</u>	<u>\$ 12,683</u>

(Concluded)