

**Yang Ming Marine Transport Corporation  
and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2006 and 2005 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation (the "Corporation") and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2006 and 2005 of subsidiaries, Yang Ming Line Holding Co. and Yang Ming Line (Singapore) Pte. Ltd., included in the accompanying consolidated financial statements. The combined total assets of these subsidiaries were 3.5% (NT\$3,375,880 thousand) and 5.0% (NT\$4,461,927 thousand) of the total consolidated assets as of December 31, 2006 and 2005, respectively. The combined total operating revenues of these subsidiaries were 0.2% (NT\$244,619 thousand) and 0.1% (NT\$85,046 thousand) of the consolidated revenue in 2006 and 2005, respectively. Also, we did not audit the financial statements of Nexus International Express, Inc., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming Italy S.p.A., Yang Ming (Netherlands) B.V., Yang Ming (Vietnam) Corp., Corstor Ltd. and Chongqing Changming Terminal Stevedoring Co., Ltd. as of and for the year ended December 31, 2006, and those of Nexus International Express, Inc., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming Italy S.p.A., Yang Ming (Netherlands) B.V., Yang Ming (Vietnam) Corp. and Corstor Ltd. as of and for the year ended December 31, 2005, in which the Corporation and consolidated subsidiaries have equity-method investments. As shown in the accompanying balance sheets, the carrying values of these investments were 0.7% (NT\$700,580 thousand) and 0.4% (NT\$403,262 thousand) of the total consolidated assets as of December 31, 2006 and 2005, respectively. The equity in these investees' net income was 5.0% (NT\$84,075 thousand) and 1.4% (NT\$138,834 thousand) of the consolidated income before income tax in 2006 and 2005, respectively. The financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to these subsidiaries' or investees' amounts included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2006 and 2005, , and the results of their operations and cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3, starting from January 1, 2006, the Corporation and its subsidiaries adopted the newly released ROC Statement of Financial Accounting Standards (SFAS) No. 34 “Accounting for Financial Instruments” and No. 36 “Disclosure and Presentation of Financial Instruments” and related revisions of previously issued SFASs.

March 1, 2007

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.*

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

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2006 AND 2005**

**(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2006		2005		LIABILITIES AND STOCKHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 6,154,504	6	\$ 12,486,376	14	Short-term debts	\$ 79,992	-	\$ 3,431	-
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 23)	1,721,773	2	2,018,921	2	Notes payable	21,127	-	18,078	-
Held-to-maturity financial assets - current (Notes 2, 3, 6 and 23)	7,506,153	8	7,571,609	8	Payables to related parties (Note 24)	262,145	-	288,896	-
Financial assets held-to-maturity - current (Notes 2, 3, 7 and 23)	-	-	32,850	-	Income tax payable (Notes 2 and 19)	312,273	-	88,602	-
Notes receivable, net (Note 2)	10,939	-	33,092	-	Accrued expenses	5,386,662	6	4,927,472	6
Accounts receivable, net of allowance for doubtful accounts of \$30,732 thousand and \$51,141 thousand at December 31, 2006 and 2005 (Note 2)	3,117,913	3	2,731,159	3	Payables for equipment	1,547,846	2	678,792	1
Accounts receivable from related parties (Note 24)	467,727	1	359,531	-	Advances from customers	1,605,502	2	1,525,015	2
Other receivable from related parties (Note 24)	-	-	3,268	-	Current portion of long-term interest-bearing debts (Notes 2, 11, 14 and 23)	5,252,503	5	1,825,312	2
Shipping fuel, net (Note 2)	2,383,563	2	2,200,462	3	Payables to shipping agents	1,860,793	2	3,594,960	4
Prepaid expenses	683,679	1	799,188	1	Other current liabilities (Note 2)	249,930	-	322,519	-
Advances to shipping agents	153,917	-	182,912	-					
Other current assets (Notes 2, 19 and 25)	485,248	1	607,475	1	Total current liabilities	16,578,773	17	13,273,077	15
Total current assets	22,685,416	24	29,026,843	32	<b>LONG-TERM DEBTS, NET OF CURRENT PORTION</b>				
<b>LONG-TERM INVESTMENTS (Notes 2, 3, 5, 7, 8, 9, 10 and 23)</b>					Hedging derivative financial liability - noncurrent (Notes 2, 3 and 23)	47,871	-	-	-
Financial assets at fair value through profit or loss - noncurrent	-	-	118,550	-	Bonds (Notes 2, 14 and 23)	19,740,000	21	17,588,000	20
Financial assets measured at cost - noncurrent	1,566,636	2	1,539,979	2	Long-term debts (Notes 14, 23 and 24)	5,051,575	5	702,631	1
Held-to-maturity financial assets - noncurrent	9,617	-	11,169	-	Capital lease obligations (Notes 2, 11 and 14)	7,485,376	8	6,767,247	7
Investments accounted for using equity method	1,564,285	1	1,230,328	1	Total long-term debts	32,324,822	34	25,057,878	28
Cash surrender value of life insurance	6,802	-	2,476	-	<b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)</b>	479,639	-	479,639	-
Prepayments for long-term investments in stock	187,754	-	45,990	-	<b>OTHER LIABILITIES</b>				
Total long-term investments	3,335,094	3	2,948,492	3	Accrued pension liabilities (Notes 2 and 22)	1,139,436	1	976,779	1
<b>PROPERTIES (Notes 2, 11, 20, 25 and 26)</b>					Deferred income tax liabilities - noncurrent (Notes 2 and 19)	2,273,429	3	2,289,538	3
Cost					Others (Notes 2 and 16)	194,074	-	176,941	-
Land	299,188	-	135,559	-	Total other liabilities	3,606,939	4	3,443,258	4
Buildings	1,064,971	1	1,018,487	1	Total liabilities	52,990,173	55	42,253,852	47
Containers and chassis	22,002,717	23	18,336,402	20	<b>YANG MING'S EQUITY</b>				
Ships	46,019,623	48	33,833,374	38	Capital stock - \$10 par value				
Leased assets	7,985,684	8	8,031,029	9	Authorized - 2,400,000 thousand shares				
Leasehold improvements	232,809	-	222,170	-	Issued - 2,289,835 thousand and 2,289,817 thousand shares at December 31, 2006 and 2005	22,898,344	24	22,898,167	26
Miscellaneous equipment	3,191,495	4	3,102,868	4	Capital surplus				
Total cost	80,796,487	84	64,679,889	72	Paid-in capital in excess of par value	7,286,090	8	7,285,865	8
Accumulated depreciation	27,910,917	29	24,245,791	27	Treasury stock transactions	1,480,009	1	1,199,572	1
	52,885,570	55	40,434,098	45	From long-term equity-method investment	8,876	-	11,036	-
Construction in progress	5,444,416	6	6,258,574	7	Total capital surplus	8,774,975	9	8,496,473	9
Net properties	58,329,986	61	46,692,672	52	Retained earnings				
<b>OTHER ASSETS</b>					Legal reserve	3,098,505	4	2,172,931	3
Assets leased to others, net (Notes 2 and 12)	2,856,071	3	2,898,864	3	Special reserve	2,074,929	2	1,149,355	1
Nonoperating assets, net (Notes 2, 13 and 25)	260,386	-	307,829	-	Unappropriated earnings	5,954,764	6	12,493,769	14
Refundable deposits (Notes 11 and 25)	7,844,391	8	6,968,705	8	Total retained earnings	11,128,198	12	15,816,055	18
Deferred charges, net (Note 2)	319,420	1	298,072	-	Other items of stockholders' equity				
Advances on long-term rent agreements	297,718	-	309,547	1	Cumulative translation adjustments	168,626	-	191,616	-
Miscellaneous (Note 25)	271,712	-	326,466	1	Net loss not recognized as pension cost	(96,743)	-	(39,630)	-
Total other assets	11,849,698	12	11,109,483	13	Unrealized loss on financial instruments	(35,588)	-	-	-
					Total other items of stockholders' equity	36,295	-	151,986	-
<b>TOTAL</b>	<b>\$96,200,194</b>	<b>100</b>	<b>\$89,777,490</b>	<b>100</b>	Treasury stocks - 22,248 thousand shares at December 31, 2005	-	-	(164,701)	-
					Total controlling interest	42,837,812	45	47,197,980	53
					<b>MINORITY INTEREST</b>	372,209	-	325,658	-
					Total stockholders' equity	43,210,021	45	47,523,638	53
					<b>TOTAL</b>	<b>\$96,200,194</b>	<b>100</b>	<b>\$89,777,490</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 1, 2007)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 24)	\$ 107,298,983	100	\$ 97,870,451	100
OPERATING COSTS (Notes 2, 20 and 24)	<u>101,197,275</u>	<u>94</u>	<u>82,247,326</u>	<u>84</u>
GROSS INCOME	<u>6,101,708</u>	<u>6</u>	<u>15,623,125</u>	<u>16</u>
OPERATING EXPENSES (Notes 20 and 24)				
Selling	3,912,632	4	4,282,143	4
General and administrative	<u>754,716</u>	<u>1</u>	<u>766,045</u>	<u>1</u>
Total operating expenses	<u>4,667,348</u>	<u>5</u>	<u>5,048,188</u>	<u>5</u>
OPERATING INCOME	<u>1,434,360</u>	<u>1</u>	<u>10,574,937</u>	<u>11</u>
NONOPERATING INCOME AND GAINS				
Interest	576,047	1	639,336	1
Foreign exchange gain, net	247,102	1	-	-
Investment gain	213,174	-	-	-
Rental	115,468	-	109,758	-
Equity in investees' net income (Notes 2 and 9)	107,056	-	167,614	-
Gain on disposal of properties, net	75,173	-	46,635	-
Valuation gain on financial instruments, net (Note 3)	51,134	-	889,563	1
Others	<u>157,323</u>	<u>-</u>	<u>249,181</u>	<u>-</u>
Total nonoperating income and gains	<u>1,542,477</u>	<u>2</u>	<u>2,102,087</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest (Note 11)	1,063,232	1	1,125,067	1
Investment loss	-	-	658,363	1
Foreign exchange loss, net	-	-	426,517	1
Impairment loss on financial assets (Note 3)	10,400	-	124,137	-
Others	<u>223,069</u>	<u>-</u>	<u>176,891</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,296,701</u>	<u>1</u>	<u>2,510,975</u>	<u>3</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 1,680,136	2	\$ 10,166,049	10
INCOME TAX EXPENSE (Notes 2 and 19)	<u>531,653</u>	<u>1</u>	<u>889,879</u>	<u>1</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,148,483	1	9,276,170	9
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAX EXPENSE OF \$2,465 THOUSAND (Note 3)	<u>19,519</u>	<u>-</u>	<u>-</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 1,168,002</u>	<u>1</u>	<u>\$ 9,276,170</u>	<u>9</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 1,143,155	1	\$ 9,262,954	9
Minority interest	<u>24,847</u>	<u>-</u>	<u>13,216</u>	<u>-</u>
	<u>\$ 1,168,002</u>	<u>1</u>	<u>\$ 9,276,170</u>	<u>9</u>
	2006		2005	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
CONSOLIDATED EARNINGS PER SHARE (Note 21)				
Basic	<u>\$ 0.72</u>	<u>\$ 0.50</u>	<u>\$ 4.45</u>	<u>\$ 4.11</u>
Diluted	<u>\$ 0.71</u>	<u>\$ 0.50</u>	<u>\$ 4.39</u>	<u>\$ 4.06</u>

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

(With Deloitte & Touche audit report dated March 1, 2007)

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)**

	Capital Stock (\$10 Par Value)		Capital Surplus (Notes 2 and 17)			Retained Earnings (Notes 2 and 17)			Other Items of Stockholders' Equity (Notes 2, 3 and 17)			Treasury Stocks (Notes 2 and 18)	Minority Interest	Total Stockholders' Equity
	(Notes 2 and 17)		Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	From Long-term Equity-method Investment	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain or Loss on Financial Instruments			
	Shares (Thousands)	Amount												
BALANCE, JANUARY 1, 2005	2,268,755	\$ 22,687,545	\$ 6,986,846	\$ 915,830	\$ 5,816	\$ 1,193,205	\$ 1,141,939	\$ 11,155,161	\$ 28,301	\$ (35,717)	\$ (1)	\$(241,357)	\$ -	\$ 43,837,568
Effect of changes in consolidated entities since 2005	-	-	-	-	-	-	-	-	-	-	-	-	322,733	322,733
Acquisition of capital stock from minority interest in 2005	-	-	-	-	-	-	-	-	-	-	-	-	(1,574)	(1,574)
Appropriation of 2004 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	979,726	-	(979,726)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	7,416	(7,416)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(101,680)	-	-	-	-	-	(101,680)
Cash dividends - \$2.98203 per share	-	-	-	-	-	-	-	(6,828,310)	-	-	-	-	-	(6,828,310)
Cash dividends received by subsidiaries	-	-	-	139,909	-	-	-	-	-	-	-	-	-	139,909
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	143,833	-	-	-	-	-	-	-	76,656	-	220,489
Consolidated net income in 2005	-	-	-	-	-	-	-	9,262,954	-	-	-	-	13,216	9,276,170
Reversal of unrealized loss on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	1	-	-	1
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	163,315	-	-	-	-	163,315
Increase in the equity in the net assets of equity-method investees resulting from not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	5,220	-	-	(7,214)	-	-	-	-	-	(1,994)
Equity-method investees' loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	4,551	-	-	-	4,551
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	(8,464)	-	-	-	(8,464)
Domestic convertible bonds converted into certificates of capital stock and capital surplus	21,062	210,622	299,019	-	-	-	-	-	-	-	-	-	-	509,641
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(8,717)	(8,717)
<b>BALANCE, DECEMBER 31, 2005</b>	<b>2,289,817</b>	<b>22,898,167</b>	<b>7,285,865</b>	<b>1,199,572</b>	<b>11,036</b>	<b>2,172,931</b>	<b>1,149,355</b>	<b>12,493,769</b>	<b>191,616</b>	<b>(39,630)</b>	<b>-</b>	<b>(164,701)</b>	<b>325,658</b>	<b>47,523,638</b>
Adjustment of adopting newly announced and revised statements of financial accounting standards	-	-	-	-	-	-	-	-	1,073	-	(32,559)	-	-	(31,486)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	20,204	20,204
Appropriation of 2005 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	925,574	-	(925,574)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	925,574	(925,574)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(106,426)	-	-	-	-	-	(106,426)
Cash dividends - \$2.5 per share	-	-	-	-	-	-	-	(5,724,586)	-	-	-	-	-	(5,724,586)
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	280,437	-	-	-	-	-	-	-	164,701	-	445,138
Consolidated net income in 2006	-	-	-	-	-	-	-	1,143,155	-	-	-	-	24,847	1,168,002
Increase in the equity in the net assets of equity-method investees resulting from not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	27,787	-	-	-	-	-	-	-	-	27,787
Changes in stockholders' equity accounted for using equity method	-	-	-	-	(29,947)	-	-	-	-	716	4	-	-	(29,227)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(24,063)	-	-	-	6,341	(17,722)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	311	-	-	311
Changes in unrealized loss on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	(3,344)	-	-	(3,344)
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	(57,829)	-	-	-	(57,829)
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(4,841)	(4,841)
Domestic convertible bonds converted into capital stocks and capital surplus	18	177	225	-	-	-	-	-	-	-	-	-	-	402
<b>BALANCE, DECEMBER 31, 2006</b>	<b>2,289,835</b>	<b>22,898,344</b>	<b>7,286,090</b>	<b>1,480,009</b>	<b>8,876</b>	<b>3,098,505</b>	<b>2,074,929</b>	<b>5,954,764</b>	<b>168,626</b>	<b>(96,743)</b>	<b>(35,588)</b>	<b>-</b>	<b>372,209</b>	<b>43,210,021</b>

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

(With Deloitte & Touche audit report dated March 1, 2007)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 1,168,002	\$ 9,276,170
Cumulative effect of changes in accounting principles	<u>(19,519)</u>	<u>-</u>
Income before cumulative effect of changes in accounting principles	1,148,483	9,276,170
Depreciation	4,564,050	4,204,026
Amortization	209,190	168,246
Provision for pension cost	113,352	137,468
Investment (gain) loss	(156,578)	695,238
Gain on disposal of properties, net	(75,173)	(46,635)
Equity in net income of equity method investees, net	(107,056)	(167,614)
Cash dividends received on equity-method investments	18,648	52,070
Deferred income taxes	43,099	428,149
Valuation (gain) loss on financial instruments	(51,134)	(889,563)
Impairment loss on financial assets	10,400	124,137
Others	(10,314)	25,446
Net changes in operating assets and liabilities		
Financial assets held for trading	716,976	30,285
Notes receivable	22,153	(33,092)
Accounts receivable	(393,625)	(3,411,509)
Accounts receivable from related parties	(108,196)	1,279,524
Other receivables from related parties	3,268	362,163
Shipping fuel	(173,576)	(1,021,141)
Prepaid expenses	115,509	(312,015)
Advances to shipping agents	28,995	43,431
Other current assets	34,608	211,608
Notes payable	3,049	18,078
Payables to related parties	(26,751)	(1,002,942)
Income tax payable	223,671	(1,038,056)
Accrued expenses	459,190	3,236,389
Advances from customers	80,487	337,529
Payables to shipping agents	(1,734,167)	496,302
Other current liabilities	(72,606)	(693,269)
Advances on long-term rent agreements	<u>11,829</u>	<u>11,829</u>
Net cash provided by operating activities	<u>4,897,781</u>	<u>12,522,252</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	(32,600)	(378,500)
Proceeds from disposal of financial assets at fair value through profit or loss	465,547	166,310
Acquisition of available-for-sale financial assets	(36,892,141)	(29,701,795)
Proceeds from disposal of available-for-sale financial assets	37,061,228	37,882,848
Proceeds from disposal of held-to-maturity financial assets	33,981	-
Acquisition of investments accounted for using equity method	(198,756)	(556,651)
Acquisition of financial assets measured at cost	(51,278)	-

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

	2006	2005
Proceeds from disposal of financial assets measured at cost	\$ 11,700	\$ 67,661
Increase in prepayment for long-term investment in stock	(187,306)	(45,990)
Acquisition of properties and assets leased to others	(15,290,980)	(8,491,282)
Proceeds from disposal of properties and nonoperating assets	77,019	74,359
Increase in cash surrender value of life insurance	(4,326)	-
Increase in deferred charges	(231,183)	(260,668)
Decrease in refundable deposits	5,591	-
Decrease (increase) in restricted assets	(59,046)	14,184
Decrease (increase) in other assets	<u>(16,789)</u>	<u>107,857</u>
Net cash used in investing activities	<u>(15,309,339)</u>	<u>(1,121,667)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term debts	76,561	3,431
Proceeds from issuance of bonds	6,000,000	-
Repayment of principal of bonds	(678,681)	(396,000)
Proceeds from long-term borrowing	5,730,904	-
Repayments of principal of long-term borrowing	(1,007,255)	(2,731,587)
Payment of capital lease obligations	(216,332)	(940,340)
Increase (decrease) in other liabilities	19,552	(109,064)
Increase (decrease) in minority interest	17,515	(1,574)
Increase in guarantee deposits	6,511	-
Cash dividend and employees' bonus paid by YMTC	(5,830,995)	(6,930,978)
Cash dividend paid to minority interest	<u>(4,841)</u>	<u>(8,717)</u>
Net cash provided by (used in) financing activities	<u>4,112,939</u>	<u>(11,114,829)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(33,253)</u>	<u>178,784</u>
EFFECT OF FIRST TIME CONSOLIDATION OF CERTAIN SUBSIDIARIES	<u>-</u>	<u>1,215,169</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,331,872)	1,679,709
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,486,376</u>	<u>10,806,667</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,154,504</u>	<u>\$ 12,486,376</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 1,379,993</u>	<u>\$ 940,685</u>
Income tax paid	<u>\$ 365,439</u>	<u>\$ 1,604,096</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Reclassification of nonoperating assets into assets leased to others	<u>\$ 47,443</u>	<u>\$ -</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

	2006	2005
Reclassification of assets leased to others into properties	\$ 71,065	\$ -
Reclassification of properties into assets leased to others	\$ -	\$ 89,123
Current portion of interest-bearing long-term debts	\$ 5,252,503	\$ 1,825,312
Domestic unsecured convertible bonds converted into capital stock and capital surplus	\$ 402	\$ 509,641
<b>CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS</b>		
Increase in properties and assets leased to others	\$ 16,160,034	\$ 8,547,016
Increase in payables for equipment	(869,054)	(55,734)
	<u>\$ 15,290,980</u>	<u>\$ 8,491,282</u>
<b>PROCEEDS FROM SALE OF PROPERTIES</b>		
Total contracted selling prices	\$ 77,019	\$ 79,262
Decrease in other receivables	-	27,531
Decrease in refundable deposit	-	(32,434)
	<u>\$ 77,019</u>	<u>\$ 74,359</u>

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

(With Deloitte & Touche audit report dated March 1, 2007)

(Concluded)

# YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

Yang Ming Marine Transport Corporation (the "Corporation" or YMTC) was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the Corporation's listing of its shares of stock on the ROC Taiwan Stock Exchange. To comply with the administration rule of the central government, MOTC transferred its holdings in the Corporation to the Ministry of Finance (MOF) of the Republic of China on March 8, 2005. Of the Corporation's outstanding capital stock, the MOTC owned 35.84% at December 31, 2006 and the MOF owned 35.84% at December 31, 2005.

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

YMTC and All Oceans Transportation Inc. (AOT), Yang Ming (Liberia) Corp. (Yang Ming-Liberia), Yangming (UK) Ltd. (Yangming-UK), Yang Ming Shipping Europe GmbH (Yangming-ERO), Kuang Ming Shipping Corp. (Kuang Ming), Kuang Ming Shipping Corp. (Panama) (KMS-Panama), Young-Carrier Company Limited (Young-Carrier), Yang Ming Shipping (BVI) Inc. (YMS-BVI), Yangming (Japan) Co., Ltd. (Yangming-Japan), Yang Ming Line (Hong Kong) Ltd. (YML-HK), Yangming Shipping (Singapore) Pte. Ltd. (YMS-Singapore), Yang Ming Line (M) Sdn. Bhd. (YML-M), Yangming (Cayman) Ltd. (Yangming-Cayman), Yang Ming Line (India) Pvt. Ltd. (YML-India), Yang Ming (Korea) Co., Ltd. (Yang Ming-Korea), Manwa & Co., Ltd. (Japan) (Manwa), Yang Ming (America) Co. (Yang Ming-America), Yes Logistics Corp. (Yes Logistics), Yes Logistics Corp., USA (Yes-USA), Golden Logistics Corporation (Golden), Yes Logistic UK Limited (Yes-UK), Yes Logistics Europe GmbH (Yes-ERO), Yes Logistics Company Ltd. (Yes-HK), Yes Logistics (Netherlands) B.V. (Yes-Netherlands B.V.), Ming Giant (Shanghai) International Logistics Co., Ltd. (Ming Giant-Shanghai), and Great Logistics (QDO) Corp. (Great-QDO) provide marine cargo transportation services; maintain, lease and sell old vessels, containers and chassis; and act as a shipping agent and manage ships owned by others.

Yang Ming Line (B.V.I.) Holding Co., Ltd. (YML-BVI), Yang Ming Line N.V. (YML-NV) and Yang Ming Line B.V. (YML-BV), Ching Ming Investment Corp. (Ching Ming), Yang Ming Line (Singapore) Pte. Ltd. (YML-Singapore), Yang Ming Line Holding Co. (YML Holding), and Yes Yangming Logistics (Singapore) Pte. Ltd. (Yes-Singapore) are primarily investment holding companies.

Honming Terminal & Stevedoring Co., Ltd. (Honming), Jing Ming Transportation Co., Ltd. (Jing Ming), Triumph Logistics, Inc., Olympic Container Terminal LLC, Topline Transportation Inc. and Coastal Tarheel Express, Inc. provide stevedoring service.

Karlman Properties Limited (Karlman Properties) is real estate management company.

Sino International United Petroleum Group Co., Ltd. (Sino) trades in the petroleum and liquefied petroleum gas.

YMTC and the consolidated subsidiaries are hereinafter referred to as the "Group."

The intercompany relationships and percentages of ownership as of December 31, 2006 are summarized in the accompanying Schedule A.

As of December 31, 2006 and 2005, the Group had 3,291 and 3,111 employees, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these laws, guidelines and principles, the Group is required to make certain estimates and assumptions that could affect the amounts of the allowance for doubtful accounts, provision for losses on shipping fuel, evaluation of financial assets and liabilities, depreciation of properties, income tax, pension cost, unsettled litigation cost, and payables to shipping agents. Actual results could differ from these estimates.

For the convenience of readers, 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 financial statements shall prevail.

The Group's significant accounting policies are summarized as follows:

### Consolidation

As required by the revised ROC Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements," starting from January 2005, consolidated financial statements should include the accounts of YMTC and its direct and indirect subsidiaries or other investees in which YMTC has controlling interests.

In the preparation of the consolidated financial statements, the financial statements of the foreign subsidiaries are translated from their respective functional currencies into New Taiwan dollars as follows:

- a. All assets and liabilities - at the exchange rate prevailing on the balance sheet dates;
- b. Share capital, retained earnings and/or accumulated deficit - at their historical rates of exchange; and
- c. All items in the statement of income - at the average rate of exchange for the year.

The resulting translation gains and losses are accounted for as cumulative translation adjustments.

All significant intercompany accounts and transactions have been eliminated from the consolidation.

The 2005 consolidated financial statements included the accounts of YMTC, AOT, YML-BVI, YML-NV, YML-BV, Yangming-UK and Yangming-ERO, Yes-ERO, Ching Ming, Yang Ming-Liberia, Kuang Ming, KMS-Panama, Yes Logistics, Yes-USA, Yes-Singapore, Yes-HK, Yes-UK, Yes-Netherlands B.V., Golden, Honming, Jing Ming, YML-Singapore, YML-India, YML-HK, YMS-BVI, Karlman Properties, Yangming-Cayman, Young-Carrier, YML-M, Yangming-Japan, Manwa, YMS-Singapore, YML Holding, Yang Ming-America, Triumph Logistics, Inc., Olympic Container Terminal LLC.

In addition to the above entities, the 2006 consolidated financial statements included Ming Giant-Shanghai, Yang Ming-Korea, Sino, Topline Transportation Inc., Coastal Tarheel Express, Inc., and Great-QDO.

The financial statements of some immaterial consolidated entities as of and for the years ended December 31, 2006 and 2005 (2006: Yes-ERO, Yes-Netherlands B.V., Topline Transportation Inc., and Coastal Tarheel Express, Inc. and 2005: Yes-ERO, Yes-USA, Yes-Netherlands B.V., and Triumph Logistics, Inc.) were unaudited. YMTC's management believed that unaudited financial statements of these companies will not have material effect on the Group's consolidated financial statements.

The following subsidiaries' accounts were not consolidated because YMTC does not have controlling interest on them: Yang Ming Italy S.p.A., Corstor Ltd., Yang Ming (Naples) S.r.l.

The contract of YMTC and Yang Ming (Netherlands) B.V. stipulates that YMTC does not have controlling interest on the operation and personnel matters of the latter.

### **Current/Noncurrent Assets and Liabilities**

Current assets include unrestricted cash or cash equivalents, assets held for operating purposes and other assets to be converted into cash or consumed within 12 months after the balance sheet date. Property and equipment and those not classified as current assets are noncurrent assets. Current liabilities are obligations to be settled within 12 months after the balance sheet date. All other assets and liabilities are classified as noncurrent.

### **Cash Equivalents**

Commercial paper purchased under agreement to resell within three months from acquisition dates are classified as cash equivalents. The carrying values approximate their fair values.

### **Financial Assets at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss include financial assets held for trading and those designated on initial recognition to be measured at fair value with fair value changes recognized in profit or loss. On initial recognition, the financial instruments are measured at fair value, with transaction costs expensed currently. Subsequent changes in fair value are recognized as current gain or loss. Any cash dividends received (including in the period of investment) are recognized as current income. Purchase or sale of financial assets under customary transactions is recognized and derecognized using trade date accounting.

Fair values of the listed stocks, mutual funds and bonds are based on the closing prices or the net asset values of the funds on the balance sheet date.

If there is no market value, the fair value of the asset will be estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Hybrid contracts containing one or more embedded derivatives are designated as financial assets at fair value through profit or loss upon initial recognition.

### **Available-for-sale Financial Assets**

On initial recognition, available-for-sale financial assets are recorded at fair value plus transaction costs directly attributable to the acquisition of the assets. Gain or loss due to changes in fair value is recognized as adjustments to stockholders' equity, and the related cumulative gain or loss should be recognized in the current period when the financial asset is derecognized. Purchase or sale of financial assets under customary transactions is recognized and derecognized using trade date accounting.

Fair values of the listed stocks and mutual funds are based on the closing prices or the net asset values of the funds on the balance sheet date.

Any cash dividends received are recognized as income on the ex-dividend date, but cash dividends declared on the investee's net income before investment acquisition are recognized as a reduction of the carrying value of the investments.

Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount per share held is recalculated on the basis of the total number of shares held after stock dividends are received.

An impairment loss should be recognized if there is objective evidence that a financial asset is impaired. This impairment loss of an equity instrument can be reversed to the extent of the original carrying value and recognized as adjustments to stockholders' equity. Recovery of impairment loss that is clearly attributable to an event which occurred after the impairment loss was recognized is recognized as income.

### **Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts**

Revenue is recognized when the earnings process is completed and the revenue is realizable and measurable. The costs of providing services are recognized as incurred.

Cargo revenues are recognized using the completion of voyage method. Monthly rental revenues on ships and containers leased to others and ship management revenue are recognized in the month the services are rendered.

Revenue is measured by the transaction price (after consideration of discount) agreed upon by the Corporation and its clients. The pro forma interest rate method is not used to measure fair value of revenue because the collectibility of accounts receivable on operating revenue is within one year, transaction volumes are huge, and the present value and fair value of receivables approximate each other.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of individual receivables. The Corporation's periodic review also covers the aging status of the receivables, customers' credit and prevailing economic developments.

### **Shipping Fuel**

Shipping fuel is carried at the lower of aggregate cost (weighted-average method) or market value. Market value is based on replacement cost.

### **Held-to-maturity Financial Assets**

Held-to-maturity financial assets are carried at amortized cost under the effective interest method. These financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Earnings or losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using transaction date accounting.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined if no impairment loss had been recognized.

### **Financial Asset Measured at Cost**

Investments in equity instruments without quoted market prices in an active market, including investments in unlisted stocks and emerging stocks, are measured at cost upon initial recognition.

Any cash dividends received are recognized as income on the ex-dividend date, but dividends declared on income generated before the investment was made are recognized as a reduction of the carrying value of the investments. Stock dividends received are accounted for only as an increase in the number of shares held but are not recognized as investment income. The carrying amount per share is recalculated on the basis of the total number of shares held after stock dividends are received.

Cost of sale of financial asset measured at cost is determined using weighted-average method.

An impairment loss should be recognized as a charge to current income if there is objective evidence that a financial asset is impaired. This impairment loss cannot be reversed.

### **Investments Accounted for Using Equity Method**

Investments in companies in which the Group owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method.

On the acquisition date or the adoption of the equity method for the first time, the difference between investment cost and underlying equity in net assets is amortized using the straight-line method over 5 years.

As required, however, by the revised ROC Statement of Financial Accounting Standards No. 5 - "Long Term Investments in Equity Securities," starting on January 1, 2006, the investment cost in excess of the fair value of identifiable net assets is recognized as goodwill. Goodwill is no longer amortized but instead tested annually for impairment. Starting on January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and subject to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic life.

If an investee issues additional shares and the Group subscribes for these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

If the Group's share of an investee's losses equals to or exceeds the carrying amount of an investment accounted for under the equity method, plus advances made by the Group, the recognized investment losses shall be limited to the extent that makes the book value of a long-term investment and advances equal to zero. However, if any of the following conditions is met, the Group shall continue to recognize investment losses: (a) the Group intends to continue its support for the investee, or (b) an investee's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations in the near future.

Starting on January 1, 2005 under the revised ROC Statement of Financial Accounting Standards No. 5, "Long-term Investments in Equity Securities," the Group started to recognize its equity in the net income or net loss of Transyang Shipping Pte. Ltd. in the current year. The equity in the net income or net loss of investees that also have investments in the Group (reciprocal holdings) is computed using the treasury stock method. An impairment loss should be recognized whenever the carrying amount of investments in shares of stock exceeds their recoverable amount, and this impairment loss should be charged to current income.

Long-term equity investment in which the Group can exercise significant influence but not control over the investee is evaluated based on the investee's book value.

Starting on January 1, 2005, any equity of the Group's net loss in excess of the related investment is recognized by the Group unless the minority interest commits to share in the investee's losses. If the Group recognized all the investee's losses and the investee subsequently reports profits, the Group will also recognize all the profits until the previously recognized losses have been reversed.

### **Cash Surrender Value of Life Insurance**

Annual insurance premium paid for the incremental bonus life insurance of which the Corporation is the beneficiary includes a savings component that is recognized as cash surrender value of life insurance (under Long--Term Investment) and recorded as other income.

## **Properties and Assets Leased to Others**

Properties and assets leased to others are stated at cost less accumulated depreciation. During construction, the interest on the payment for the construction is capitalized as cost of assets. Major renewals and betterments are capitalized, while maintenance and repairs are expensed currently.

An impairment loss should be recognized whenever the carrying amount of properties and rental properties exceeds their recoverable amount, and this impairment loss should be charged to current income. The accumulated impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years.

Capital lease and the corresponding obligation are recorded at the lower of the (a) fair market value of leased equipment, or (b) present value of the sum of the future minimum lease payables and the bargain purchase option price. The imputed interest on lease payment is recognized as current interest expense.

Depreciation is computed using the straight-line method over the service lives of properties initially estimated as follows (plus one year to represent the estimated salvage value): buildings, 40 to 55 years; containers and chassis, 6 to 8 years; ships, 2.5 to 20 years; leased containers and chassis, 4 to 20 years; leasehold improvements, 2 to 10 years; and miscellaneous equipment, 3 to 18 years. Properties being used by the Group beyond their initially estimated service lives are depreciated over their newly estimated remaining service lives.

Upon sale or other disposal of properties and assets leased to others, the related cost and accumulated depreciation are removed from the accounts, and resulting gain or loss is credited or charged to income.

## **Nonoperating Assets**

Properties not currently used in operations are transferred to nonoperating assets at the lower of the carrying value or net fair value, with any reduction in carrying value charged to nonoperating expenses. Starting on January 1, 2006, based on related regulations, nonoperating assets are depreciated using the straight-line method over the estimated useful lives of the properties.

An impairment loss should be recognized whenever the carrying amount of nonoperating assets not currently used in operation exceeds their recoverable amount, and this impairment loss should be charged to current income. The accumulated impairment loss recognized in prior years could be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years.

## **Deferred Charges**

Deferred charges refer to ship-overhaul costs, computer software, and bond issuance expenses. These are capitalized and amortized using the straight-line method over periods ranging from 2.5 years to 12 years.

## **Convertible Bonds**

Convertible bonds issued before December 31, 2005 are recognized as liabilities including bond issuance expenses. The interest-premium of puttable convertible bonds, which is the difference between the specified put price and the par value, is amortized using the effective interest method and is recognized as a liability. Bond issuance expenses are recognized as deferred charges and amortized over the term of the convertible bonds.



To convert bonds to common shares, the Group uses the book-value approach, which involves writing off the unamortized issuance costs, recognized interest-premium, unpaid accrued interests and par value of the convertible bonds. The capital stock should be valued at the net written-off carrying amount, and the difference of this amount from the par value of the common stock exchange certificate (capital stock) should be recognized as additional paid-in capital.

## **Pension**

YMTC, AOT, Ching Ming, Kuang Ming, Yes Logistics, Honming, and Jing Ming have pension plans for all regular employees. Pension plan under the Labor Standards Law is defined benefit pension plan. The pension costs are recognized on the basis of actuarial calculations. Unrecognized net transition obligations, prior service cost and unrecognized pension gains or losses are amortized using the straight-line method over the average remaining service years of employees.

The pension plan under the Labor Standards Law of Honming and Jing Ming is defined benefit pension plan. Effective December 31, 2005, Honming and Jing Ming adopted Statement of Financial Accounting Standards No. 18, "Accounting for Pensions," which requires (a) the actuarial determination of assets and obligation as of December 31, 2005; (b) disclosure of certain pension information; and (c) recognition of pension cost as actuarially determined starting 2006.

The pension plan under the Labor Pension Act (the "Act") of the above companies is defined contribution pension plan. Under defined contribution pension plan, the companies' monthly contribution to employees' individual pension account should be made at a fixed percentage of employees' salaries, which are recognized as pension cost.

Some consolidated subsidiaries, which are mainly for investment holding purpose, have either very few or no staff. These subsidiaries have no pension plans and thus do not contribute to pension funds and do not recognize pension costs. Except for these companies, the consolidated subsidiaries all contribute to pension funds and recognize pension costs based on local government regulations.

## **Unrealized Gain (Loss) on Sale and Leaseback**

A gain or loss on the sale of containers, chassis and ships that are leased back by the YMTC is deferred and amortized over the term of the lease or their estimated service lives, whichever is shorter.

## **Treasury Stocks**

The shares of the YMTC held by subsidiaries were reclassified by the subsidiaries from investments to treasury stocks. The reclassification was based on carrying value of the investment as of January 1, 2002 of the subsidiaries' investment in YMTC as shown in their books.

## **Income Tax**

The inter-period and intra-period allocation methods are used for income taxes. Deferred income taxes are recognized for the tax effects of temporary differences, unused income tax credits, and operating loss carryforwards. Valuation allowance is recognized on deferred income tax assets that are not expected to be realized. Deferred tax liabilities and assets are classified as current or noncurrent on the basis of the classification of the related assets or liabilities for financial reporting. A deferred tax liability or asset that cannot be related to an asset or liability for financial reporting is classified as current or noncurrent according to the expected realization date of the temporary difference.

Income tax credits for certain purchases of eligible equipment, research and development expenses, personnel training expenditures and stock investments are accounted for as reduction of the current period's income tax expense.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's income tax expense.

Income taxes (10%) on undistributed earnings generated since 1998 are recorded as expense in the year when the stockholders resolve to retain the earnings.

### **Foreign Currency Transactions**

Foreign currency transactions (except derivative instruments) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing exchange rates when foreign-currency denominated monetary assets and liabilities are settled, are credited or charged to income in the period of settlement.

On the balance sheet dates, the balances of foreign-currency denominated nonmonetary assets and liabilities carried at fair value, such as equity instruments, are restated at the prevailing exchange rates on the date the fair value was determined, and the resulting differences are recorded as adjustment to stockholders' equity or as profit or loss in the current period. Financial assets and liabilities carried at cost are stated at historical exchange rates; while equity-method investments are translated at prevailing exchange rates with exchange differences recorded as cumulative translation adjustments under stockholders' equity.

### **Derivative Financial Instruments Designated as Hedge Items**

Derivative financial instruments designated as hedge items are measured at fair value. The changes in fair values of these instruments are debited or charged to either stockholders' equity or current income depending on the hedged items.

### **Cash Flow Hedge Accounting**

Cash flow hedge accounting involves the recognition of the offsetting effects on profit or loss of changes in fair values of the hedging instrument and the hedged item.

Under the cash flow hedge, the gains or losses from the change in fair value on the hedging instruments are recognized under stockholders' equity. If the hedged forecast transaction would give rise to a financial asset or a financial liability, the gain or loss should be recognized as current income within the period that the asset or liability affects the gains or losses. If a recognized adjustment to stockholders' equity results in irreversible losses, these losses should be immediately charged to current income.

### **Reclassifications**

Certain accounts in the financial statements as of and for the year ended December 31, 2005 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2006.

### 3. CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2006, the Group adopted the new ROC Statement of Financial Accounting Standards (SFAS) No. 34 - "Accounting for Financial Instruments," No. 36 - "Disclosure and Presentation of Financial Instruments" and related revisions to other SFASs.

a. Effect of adopting the new and revised SFASs

According to the new and revised SFASs, the Group reclassified financial assets and financial liabilities (including derivative instruments). Adjustments to the carrying values of the financial assets at fair value through profit or loss are reported in cumulative effect of changes in accounting principles. Adjustments to the carrying values of available-for-sale financial assets and assets or liabilities in cash flow hedge are reported in stockholders' equity.

Moreover, equity investments in foreign currencies originally measured at costs and reclassified as financial assets measured at costs, are remeasured at their historical exchange rates using the trade date accounting. Related accumulated translation adjustments previously reported as reductions of stockholders' equity are then reversed.

The effects of the first time adoption of new SFASs are as follows:

	<b>As Cumulative Effect of Changes in Accounting Principles (After Tax)</b>	<b>As Adjustments to Stockholders' Equity (After Tax)</b>
Financial assets at fair value through profit or loss	\$ 19,519	\$ -
Financial assets measured at cost	-	1,073
Hedging derivative financial liability	<u>-</u>	<u>(32,559)</u>
	<u>\$ 19,519</u>	<u>\$ (31,486)</u>

b. Reclassifications that resulted from adopting the newly announced and revised SFASs

According to the explanation of the Accounting Research and Development Foundation, at the initial adoption of SFAS No. 34, certain accounts in the financial statements for the year ended December 31, 2005 should be reclassified to conform with the financial statement presentation for the year ended December 31, 2006. The 2005 financial statements shall not be retroactively adjusted.

The accounting policies on the valuation of financial instruments for the year ended December 31, 2005 are summarized as follows:

1) Short-term investments

Short-term investments that were publicly-traded, easily converted to cash, and not acquired for the purpose of controlling the investees or establishing close business relationship with the investees were carried at the lower of cost or market value at the balance sheet date, with any temporary decline in value charged to current income. The market value of publicly-traded stocks was determined using the average-closing prices for the last month of the period.

2) Long-term investments

Investments in unlisted companies in which the Corporation owns less than 20% equity interest and is unable to exercise significant influence are accounted for by the cost method. Investments in less than 20% owned listed companies are stated at the lower of cost or market value. Unrealized losses on these investments, if any, are reported as a separate component of stockholders' equity.

3) Foreign-currency long-term investments at cost method

Foreign-currency long-term investments at cost method are restated at exchange rates on balance sheet date, and the resulting difference are recorded as part of cumulative translation adjustments under stockholders' equity when the restated amounts are lower than their carrying amounts, otherwise, no adjustment is made.

4) Derivative financial instruments

a) Currency swaps

Currency swap contracts, which are used for trading purposes, are recorded at spot rates when the transactions occur. The corresponding forward-position assets or liabilities are recorded at the difference between the spot rate and the contracted forward rates. Premiums or discounts, computed using the foreign currency-amount of the contract multiplied by the difference between the contracted forward rate and the spot rate on the contract starting dates, is also recognized, and is amortized over the term of the currency swap contract using the straight-line method. The forward components of the contracts outstanding as of the balance sheet dates are marked to market, with the unrealized gains or losses arising from changes in market values recognized as current income. The carrying amounts (either assets or liabilities) of the contracts are credited or charged to income once the swap contracts are settled.

b) Interest rate swaps

The amounts of interest rate swap agreements are not recognized in the financial statements because these amounts are only notional and the agreements do not require the settlement of these amounts. On the balance sheet dates or settlement dates, the amounts receivable or payable under the agreements, which result from differences in interest rates, are accrued as interest income or interest expense of the hedged item.

c) Forward contract transactions

The foreign currency amounts of forward exchange contracts (the "contracts"), which are used for hedging purposes, are recorded in New Taiwan dollars at spot rates (forward rates if the contracts are used for trading purposes) on the starting dates of the contracts. The premium or discount, computed using the foreign-currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rates on the starting date of the contract, is also recognized. The premium or discount is amortized using the straight-line method over the term of the forward contract, with the amortization charged to income. On the balance sheet dates, the gains or losses on the contracts, computed by multiplying the foreign-currency amounts of the contracts by the difference between the spot rates on the contract starting dates and the balance sheet dates (or the spot rates last used to measure a gain or loss on that contract for an earlier period), are charged to income. For contracts open as of the balance sheet date, the balances of the receivables and payables are netted out, and the resulting net amount is classified as either an asset or a liability.

On the balance sheet date, if exchange loss is incurred on an open contract that is used for hedging, the recording of the loss may be deferred. In addition, when these contracts are settled, the costs of related commitments may be adjusted, but the adjusted costs of these commitments should not exceed the market value of the commitments on the settlement date.

Forward contract for trading purpose should be recorded at the forward rate as of the contract date. On the balance sheet dates or settlement dates, contract amounts are adjusted at the forward rate available for the remaining period of the contract, with the adjustments recognized as current income.

d) Equity-linked notes

The notional amounts paid on equity-linked notes (ELNs), which have redemption amounts tied to the market value of the underlying stock, are treated as assets. The difference between the carrying value and the redemption amount of ELNs is charged to income.

e) Interest-linked notes

The principals of interest-linked notes, which have no quoted market prices, are recorded as asset, and interest revenue is recognized over the term of these contracts. The difference between the carrying value and the redemption amount of these contracts is charged to income.

f) Credit-linked notes and structured time deposits

The notional amounts paid on credit-linked notes and structured time deposits, which have redemption amounts tied to the credit of the issuer of the underlying bonds, are recorded as assets. Interest revenue is recognized over the term of these contracts. The credit-linked notes and time deposit have interest rates higher than those for general time deposits. The difference between the carrying value and the redemption amount of these contracts is charged to income.

Based on the new SFASs, accounts in the financial statements as of and for the year ended December 31, 2005 were reclassified as follows:

	<u>December 31</u>	
	<b>Before</b>	<b>After</b>
	<b>Reclassification</b>	<b>Reclassification</b>
<u>Balance sheet</u>		
Short-term investments	\$ 9,232,030	\$ -
Investments in shares of stock - cost method	1,539,979	-
Long-term investments in bonds	32,850	-
Other financial instruments - current (included in other current assets)	358,500	-
Other financial instruments - noncurrent (included in other assets - miscellaneous)	129,719	-
Financial assets at fair value through profit or loss - current	-	2,018,921
Available-for-sale financial assets - current	-	7,571,609
Financial assets at fair value through profit or loss - noncurrent	-	118,550
Held-to-maturity financial assets - current	-	32,850
Held-to-maturity financial assets - noncurrent	-	11,169
Financial assets measured at cost - noncurrent	-	1,539,979
	<u>-\$</u>	<u>1,539,979</u>
	<u>\$ 11,293,078</u>	<u>\$ 11,293,078</u>

	<b>Year Ended December 31</b>	
	<b>Before Reclassification</b>	<b>After Reclassification</b>
<u>Income statement</u>		
Investment gain - reversal of allowance for unrealized losses on short-term investments	\$ 889,563	\$ -
Investment gain - impairment loss on long-term investments	124,137	-
Loss on impairment of financial instruments	-	124,137
Valuation gain on financial instruments, net	-	889,563
	<u>\$ 1,013,700</u>	<u>\$ 1,013,700</u>

#### 4. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
Cash		
Petty cash and cash on hand	\$ 7,028	\$ 7,563
Checking deposits	798,997	880,115
Demand deposits	2,428,929	3,570,853
Time deposits: Interest - 0.08%-6.50% and 0.85%-4.38% at December 31, 2006 and 2005	<u>2,919,550</u>	<u>7,173,745</u>
	6,154,504	11,632,276
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 4.62% at December 31, 2005	-	854,100
	<u>\$ 6,154,504</u>	<u>\$ 12,486,376</u>

There were no deposits due over one year as of December 31, 2006 and 2005.

The overseas deposits of YMTC as of December 31, 2006 and 2005 are summarized in the accompanying Schedules B and C.

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
Financial assets held for trading	\$ 1,689,153	\$ 1,660,421
Designated as financial assets at fair value through profit or loss	<u>32,620</u>	<u>477,050</u>
	<u>\$ 1,721,773</u>	<u>\$ 2,137,471</u>

a. Financial assets held for trading

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Marketable equity securities	\$ 475,775	\$ 782,204
Mutual funds	1,213,378	858,217
Convertible bonds	<u>-</u>	<u>20,000</u>
	<u>\$ 1,689,153</u>	<u>\$ 1,660,421</u>

Foreign exchange forward contracts and options are held mainly to hedge the exchange rate risks arising from net assets or liabilities denominated in foreign currency or to earn gains from exchange rates. The hedging strategy was developed with the objective to reduce the risk of market price or cash flow fluctuations. The derivative transactions entered into by YMTC is based on forecasted cash flows, and the risk of the transaction can be controlled by YMTC.

The purpose of holding the short crude oil swap is for spread trading. By shorting the swap YMTC can hedge some energy fund investment risk, and make possible profit when the convergence of the two price series appears.

There are no outstanding foreign exchange contracts, options and oil swap contract of the Group as of December 31, 2006 and 2005.

Net gains arising from financial assets held for trading were \$115,140 thousand (including realized settlement gains of \$64,223 thousand and valuation gains of \$50,917 thousand) for the year ended December 31, 2006; net gains were \$116,978 thousand (including realized settlement losses of \$772,258 thousand and valuation gains of \$889,236 thousand) for the year ended December 31, 2005.

b. Designated as financial assets at fair value through profit or loss

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Credit-linked structured time deposit	\$ 32,620	\$ 279,950
Credit-linked notes	-	197,100
Less: Reclassified into noncurrent assets	<u>-</u>	<u>(118,550)</u>
	<u>\$ 32,620</u>	<u>\$ 358,500</u>

The Group uses equity-linked notes for trading purposes to earn investment income. The Group will settle the notes on contract value if the market value of underlying equity stock is higher than contract value; otherwise, the Group converts the notes to beneficiary certificates representing the shares of underlying equity stock and earns dividends before selling the stock in the market.

The Group uses interest-linked notes and credit-linked structured time deposit for trading purposes to earn higher interest income. The Group chooses commodities highly correlated to interest rates.

Net gains arising from designated as financial assets at fair value through profit or loss were \$2,481 thousand (including realized settlement losses of \$11,503 thousand, valuation gains of \$217 thousand and interest revenue of \$13,767 thousand) for the year ended December 31, 2006; net gains were \$25,691 thousand (including realized settlement gains of \$1,789 thousand and interest revenue of \$23,902 thousand) for the year ended December 31, 2005.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2006	2005
Current		
Bond fund	\$ 7,506,153	\$ 7,571,609

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31</u>	
	2006	2005
Bond - General Motors	\$ -	\$ 32,850
Bond - Via Source	9,617	11,169
Less: Reclassified into noncurrent assets	<u>(9,617)</u>	<u>(11,169)</u>
	<u>\$ -</u>	<u>\$ 32,850</u>

YML-BVI invested in 2-year bonds of General Motors Acceptance Corp. US\$500 thousand on October 13, 2004 and US\$500 thousand on November 2, 2004. The maturity dates are October 15, 2006 and November 15, 2006, respectively. The effective interest rates are 3.35% and 3.65%, respectively.

YML-Singapore invested US\$500 thousand in 6-year Via Source Bond which will mature on February 15, 2008 with interest rate of 9% per annum. The counterparty bought US\$205 thousand as of December 31, 2006.

## 8. FINANCIAL ASSET MEASURED AT COST

	<u>December 31</u>			
	<u>2006</u>		<u>2005</u>	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Common stock with no quoted market prices				
Taipei Port Container Terminal Co., Ltd.	\$ 76,640	10.00	\$ 76,640	10.00
United Venture Capital Corp.	65,440	9.04	65,440	9.04
China Technology Venture Capital Corp.	30,000	8.96	30,000	8.96
Kingmax Technology Corp.	21,835	1.38	21,835	1.38
SF Technology Venture Capital Corp.	20,534	7.24	25,668	7.24
Ascentek Venture Capital Corp.	14,056	1.50	20,080	2.14
United Raw Material Solutions Inc.	5,899	2.76	5,898	2.76
Tytech Co., Ltd.	<u>1,500</u>	1.11	<u>1,500</u>	1.11
	<u>235,904</u>		<u>247,061</u>	
Preferred stock with no quoted market prices				
New Century Infocomm Co., Ltd.	<u>659,200</u>	1.68	<u>669,600</u>	1.68
Overseas common stock with no quoted market prices				
Yangtze River Express Airlines Company Limited	607,082	12.00	560,369	12.00
Antwerp International Terminal	58,978	16.33	57,906	16.33
B2B.Com Holdings Ltd.	5,043	8.00	5,043	8.00
Zoll Pool Hafen Hamburg	<u>429</u>	6.00	<u>-</u>	-
	<u>671,532</u>		<u>623,318</u>	
	<u>\$ 1,566,636</u>		<u>\$ 1,539,979</u>	



The above stock investments have no market value and fair value cannot be reliably measured since the quoted market prices are not available.

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Chunghwa Investment Co., Ltd.	\$ 795,760	40.00	\$ 775,554	40.00
West Basin Container Terminal LLC	416,833	40.00	334,962	40.00
Chongqing Changming Terminal Stevedoring Co., Ltd.	212,986	49.00	-	-
Transyang Shipping Pte. Ltd.	67,945	49.00	51,512	24.99
United Terminal Leasing LLC	41,140	40.00	37,551	40.00
Yang Ming Italy S.p.A.	18,435	50.00	14,679	50.00
Yang Ming (Netherlands) B.V.	6,667	70.00	3,207	70.00
Yang Ming (Vietnam) Corp.	4,487	49.00	3,075	49.00
Corstor Ltd.	32	50.00	28	50.00
Nexus International Express, Inc.	-	49.00	9,760	49.00
	<u>\$ 1,564,285</u>		<u>\$ 1,230,328</u>	

As of December 31, 2006 and 2005, equity in net income (loss) of investee companies was as follows:

<b>Investee</b>	<b>Years Ended December 31</b>	
	<b>2006</b>	<b>2005</b>
West Basin Container Terminal LLC	\$ 84,208	\$ 135,708
Chunghwa Investment Co., Ltd.	20,508	14,800
United Terminal Leasing LLC	3,864	3,555
Yang Ming (Netherlands) B.V.	2,985	2,676
Transyang Shipping Pte. Ltd.	2,473	13,980
Others	<u>(6,982)</u>	<u>(3,105)</u>
	<u>\$ 107,056</u>	<u>\$ 167,614</u>

The Corporation's equity in the net income or net loss of Transyang Shipping Pte Ltd. was recognized using the financial statements of the immediately preceding year. Starting from 2005, under the revised ROC Statement of Financial Accounting Standards (SFAS) No. 5, "Long-term Investments in Equity Securities," the Corporation started to recognize its equity in the net income or net loss of Transyang Shipping Pte. Ltd. for the year ended December 31, 2005. As a result, the equity in its earnings for the year ended December 31, 2005 included the accounts of audited financial statement as of and for the year ended December 31, 2005 and 2004.

The carrying amounts of the investments accounted for using the equity method and the related net income or losses of equity method investees were determined based on the audited financial statements of the investees as of and for the same periods as the Group.

The Group did not provide endorsement and guarantee to Nexus International Express, Inc., so the investor's equity in the investee is reduced to zero and additional losses are not recognized.

## 10. PREPAYMENTS FOR LONG-TERM INVESTMENT IN STOCKS

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Formosa International Development Corporation	\$ 177,996	\$ -
Golden Logistics Corporation	9,758	-
Chongqing Changming Terminal Stevedoring Co., Ltd.	<u>-</u>	<u>45,990</u>
	<u>\$ 187,754</u>	<u>\$ 45,990</u>

## 11. PROPERTIES

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Accumulated depreciation		
Buildings	\$ 157,632	\$ 127,873
Containers and chassis	10,737,129	9,422,989
Ships	11,932,187	10,299,448
Leased assets	3,124,671	2,694,379
Leasehold improvements	171,934	150,092
Miscellaneous equipments	<u>1,787,364</u>	<u>1,551,010</u>
	<u>\$ 27,910,917</u>	<u>\$ 24,245,791</u>

YMTC leases containers and chassis under capital lease agreements. The terms of the leases were from five years to nine years for containers and from five years to eight years for chassis. The annual rent payable on leased containers under the agreements is US\$5,471 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 annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to YMTC at no additional cost.

YML-BVI leases ships under 25-year capital lease agreements starting in March 2001. The lease contracts were secured by standby letters credit issued by the Bank of Scotland and the Canadian Imperial Bank of Commerce (CIBC). YML-BVI deposited a portion of its lease payments in the Bank of Scotland and CIBC as collaterals (included in refundable deposits).

The related information for future rentals is shown in Note 26. The details of these leases as of December 31, 2006 and 2005 were as follows:

	<u>December 31</u>			
	<u>2006</u>		<u>2005</u>	
	<u>U.S. Dollars (Thousands)</u>	<u>New Taiwan Dollars (Thousands)</u>	<u>U.S. Dollars (Thousands)</u>	<u>New Taiwan Dollars (Thousands)</u>
Total capital lease obligations (undiscounted)	\$ 434,852	\$ 14,176,194	\$ 400,889	\$ 13,169,182
Less: Unamortized interest expense	<u>(198,839)</u>	<u>(6,482,158)</u>	<u>(185,374)</u>	<u>(6,089,526)</u>
	<u>\$ 236,013</u>	<u>\$ 7,694,036</u>	<u>\$ 215,515</u>	<u>\$ 7,079,656</u>

Capitalized interest on properties was as follows:

	<u>Years Ended December 31</u>	
	<u>2006</u>	<u>2005</u>
Total interest expense	\$ 1,170,348	\$ 1,125,067
Less - interest capitalized - 3.5770%-5.9375% in 2006	<u>107,116</u>	<u>-</u>
Interest expense, net of amounts capitalized	<u>\$ 1,063,232</u>	<u>\$ 1,125,067</u>

Depreciation expenses for the years ended December 31, 2006 and 2005 were \$4,544,878 thousand and \$4,185,174 thousand, respectively.

## 12. ASSETS LEASED TO OTHERS, NET

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Cost		
Land	\$ 2,077,416	\$ 2,055,583
Buildings	<u>887,584</u>	<u>941,299</u>
	2,965,000	2,996,882
Accumulated impairment - land	10,507	10,507
Accumulated impairment - buildings	2,832	2,832
Accumulated depreciation - buildings	<u>95,590</u>	<u>84,679</u>
	<u>\$ 2,856,071</u>	<u>\$ 2,898,864</u>

Depreciation expenses for the years ended December 31, 2006 and 2005 were \$19,172 thousand and \$18,852 thousand, respectively.

## 13. NONOPERATING ASSETS, NET

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Cost		
Land	\$ 260,043	\$ 307,487
Buildings	<u>4,894</u>	<u>5,154</u>
	264,937	312,641
Accumulated depreciation - buildings	<u>4,551</u>	<u>4,812</u>
	<u>\$ 260,386</u>	<u>\$ 307,829</u>

## 14. LONG-TERM DEBTS

	Current	Long-term	Total
<u>December 31, 2006</u>			
Secured bank loans	\$ 726,501	\$ 5,047,433	\$ 5,773,934
Shareholder accounts	-	4,142	4,142
Domestic unsecured bonds	848,000	19,740,000	20,588,000
Domestic secured bonds	3,000,000	-	3,000,000
Domestic unsecured convertible bonds	465,200	-	465,200
Interest premium - domestic unsecured convertible bonds	4,142	-	4,142
Capital leases	<u>208,660</u>	<u>7,485,376</u>	<u>7,694,036</u>
	<u>\$ 5,252,503</u>	<u>\$ 32,276,951</u>	<u>\$ 37,529,454</u>
<u>December 31, 2005</u>			
Secured bank loans	\$ 365,725	\$ 696,605	\$ 1,062,330
Shareholder accounts	-	6,026	6,026
Domestic unsecured bonds	616,000	14,588,000	15,204,000
Domestic secured bonds	-	3,000,000	3,000,000
Domestic unsecured convertible bonds	528,000	-	528,000
Interest premium - domestic unsecured convertible bonds	3,178	-	3,178
Capital leases	<u>312,409</u>	<u>6,767,247</u>	<u>7,079,656</u>
	<u>\$ 1,825,312</u>	<u>\$ 25,057,878</u>	<u>\$ 26,883,190</u>

### Secured Bank Loans

Yang Ming-Liberia provided four 8,200 TEU ships as collateral for the eight-year secured loan of US\$221,760 thousand from Mega International Commercial Bank. As of December 31, 2006, the loan obtained amounted to US\$174,240 thousand and will be fully paid by August 22, 2014. The interest rate is at 3-month or 6-month LIBOR plus spread. The interest rate ranged from 5.8125% to 5.9375% for the year ended December 31, 2006. The loan will be repayable after one year the loan was obtained and every six months thereafter at 15 equal installments of US\$3,696 thousand. In 2005, the loan was not paid and US\$22,176 thousand to be paid in 2007 was classified as current portion of long-term secured bank loans.

AOT provided two 5,500 TEU ships as collateral for the five-year secured loans of US\$20,150 thousand and US\$35,000 thousand from Land Bank and Taiwan Cooperative Bank on January 27, 2003 and October 22, 2003 with interest rate of six months LIBOR plus spread, respectively. The interest rates were 5.1625% and 4.67125%, respectively. The loans are payable after six months the loans were obtained and every six months thereafter at 10 equal installments of US\$2,015 and US\$3,500 thousand, respectively. The loan balance of US\$31,075 thousand at December 31, 2005 and was fully paid on April 24, 2006.

Karlman Properties provided real estates in Hong Kong as collaterals for the fifteen-year secured loan of HK\$16,000 thousand from Shanghai Commercial Bank maturing on May 21, 2016 with interest rate of 4.50% per annum. The unpaid loan amounted to HK\$10,425 thousand and HK\$11,218 thousand at December 31, 2006 and 2005 with current portion of HK\$850 thousand and HK\$800 thousand, respectively.

Jing Ming provided its land as collateral for the fifteen-year secured loan of \$50,000 thousand from Bank of Taiwan. The interest is paid monthly in the first two years after the loan was obtained, and paid quarterly thereafter. The interest rate is 2.53% in the first two years and 2.73% thereafter. Jing Ming paid interest of \$496 thousand for the year ended December 31, 2006, and will pay the principal in equal installments from August 2008.

### **Domestic Unsecured Bonds**

On various dates, YMTC issued domestic unsecured bonds; the dates and the aggregate face values were as follows: \$3,000,000 thousand on June 1, 2000 (the "June 2000 Bonds"); \$2,400,000 thousand on November 20, 2000 (the "November 2000 Bonds"); \$1,100,000 thousand on July 16, 2001 (the "July 2001 Bonds"), \$1,600,000 thousand on June 18, 2004 (the "June 2004 Bonds"), \$5,000,000 thousand from October 8 to October 20 in 2004 (the "October 2004 Bonds"); \$2,500,000 thousand from December 8 to December 14 in 2004 (the "December 2004 Bonds") \$6,000,000 thousand on October 23, 2006 (the "October 2006 Bonds").

Other bond features and terms are as follows:

June 2000 Bonds: Type A - Aggregate face value: \$1,200,000 thousand; repayments: 33% - June 1, 2005, 33% - June 1, 2006, and 34% - June 1, 2007; 5.7% annual interest. The Corporation had repaid \$792,000 thousand as of December 31, 2006.

Type B - Aggregate face value: \$1,800,000 thousand; repayments: 33% - June 1, 2008, 33% - June 1, 2009, and 34% June 1, 2010; 6.09% annual interest.

November 2000 Bonds: Repayments: 20% - November 20, 2010, 40% - November 20, 2011, and 40% - November 20, 2012; 6.02% annual interest.

July 2001 Bonds: Repayments: 20% - July 2006, 40% - July 2007, and 40% - July 2008; 4.49% annual interest. The Corporation had repaid \$220,000 thousand as of December 31, 2006.

June 2004 Bonds: Type A - Aggregate face value of \$600,000 thousand and maturity on June 18, 2011; 2.46% annual interest.

Type B - Aggregate face value of \$500,000 thousand and maturity on June 18, 2011 at USD 6-month LIBOR rate (the target rate) when the target rate is smaller than 1.15%; at 4.4% when the target rate is between 1.15% and 3.5%; at 6% less the target rate when the target rate is greater than 3.5%. The interest rate should not be smaller than 0% and will be reset quarterly.

Type C - Aggregate face value of \$500,000 thousand and maturity on June 18, 2011 at 4.5% interest multiplied by a ratio (interest-bearing days per month divided by interest-bearing days per year) when USD 6-month LIBOR rate (the target rate) is between a certain interest range; at 0% when the target rate is out of the interest range.

October 2004 Bonds: Type A, B, D, E, G, H, I - Aggregate face value of \$500,000 thousand and maturity from October 8 to October 20 in 2011; 3.30% annual interest.

Type C - Aggregate face value of \$800,000 thousand and maturity on October 12, 2011; 3.30% annual interest.

Type F - Aggregate face value of \$700,000 thousand and maturity on October 15, 2011; 3.30% annual interest.

December 2004 Bonds: Aggregate face value of \$2,500,000 thousand and maturity from December 8 to 14 in 2011; 2.99% annual interest.

October 2006 Bonds: Type A - Aggregate face value: \$3,000,000 thousand; repayments: 33% - October 23, 2009, 33% - October 23, 2010, and 34% - October 23, 2011; 2.09% annual interest.

Type B - Aggregate face value of \$3,000,000 thousand and maturity on October 23, 2013; 2.32% annual interest.

### **Domestic Secured Bonds**

YMTC issued five-year domestic secured bonds between June 27, 2002 and July 5, 2002, with an aggregate face value of \$3,000,000 thousand and 3.85% annual interest.

### **Domestic Unsecured Convertible Bonds**

On August 7, 2003, YMTC issued five-year domestic unsecured bonds (the "2003 Convertible Bonds") with an aggregate face value of \$8,000,000 thousand and 0% interest. The bonds are classified as "Type A" (with aggregate face value of \$3,000,000 thousand) and "Type B" (with aggregate face value of \$5,000,000 thousand). Bond settlement is as follows:

- a. Lump-sum payment to the holders upon maturity (in 2008) at 101.256% of the face value;
- b. Conversion by the holders, from November 2003 to 10 days before the due date, into YMTC's common shares at the prevailing conversion price (NT\$19.90 dollars per share as of December 31, 2006);
- c. Reselling to YMTC by the holders before maturity. The reselling of Type A bonds starts from August 7, 2005 at face value while that of Type B bonds starts from August 7, 2006 at 100.451% of the face value; or
- d. Redemption by YMTC, under certain conditions, at face value before bond maturity.

As of December 31, 2006, the 2003 Convertible Bonds with aggregate face value of \$7,472,400 thousand had been converted into 292,446 thousand common shares of YMTC, and the aggregate face value of \$62,400 thousand, plus interest premium of \$281 thousand had been sold to the Corporation by the holders.

As of December 31, 2006, the Group had used all its credit lines available for long-term borrowings, except the subsidiary Yang Ming (Liberia) Corp.

## **15. RESERVE FOR LAND VALUE INCREMENT TAX**

The reserve for land value increment tax resulted from YMTC's merger with China Merchants Steam Navigation Company.

## 16. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Chassis	\$ 15,655	\$ 23,435
Vessel Ming North	<u>6,321</u>	<u>7,471</u>
	<u>\$ 21,976</u>	<u>\$ 30,906</u>

The above properties had been sold and then leased back by YMTC. The resulting gains on the sale were deferred (included in "other liabilities" in the balance sheets) and amortized over the expected term of the lease or estimated service lives, whichever was shorter.

## 17. STOCKHOLDERS' EQUITY

### a. 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. The holders of the GDRs may not exchange them for YMTC's stocks. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the shares represented by the GDRs. As of December 31 2006, there were 4,363,782 units outstanding, representing 43,637,877 shares, 1.91% of total issued shares.

The holders of the GDR retain stockholder's rights that are the same as those of YMTC's common stockholders, but the exercise of stockholder'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

Under the Company Law and related regulations, capital surplus from equity-method investments should not be used for any purpose. All other components of capital surplus may only be used to offset a deficit. In addition, only the capital surplus from the issue of stock in excess of par value and treasury stock transactions may be transferred to capital. For this capitalization, new shares should be issued to stockholders in proportion to their holdings, and capitalized amounts should be within certain limits.

### c. Appropriation of earnings and dividend policy

YMTC's Articles of Incorporation provide that the following should be appropriated from the annual net income, less any losses of prior years:

- 1) 10% as legal reserve;
- 2) 10% as special reserve, as needed; and
- 3) Dividends and at least 1% as bonus to employees and up to 2% as remuneration to directors and supervisors.

These appropriations and other allocations of earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

The Articles of Incorporation provide that YMTC shall declare at least 50% of the distributable earnings as dividends. Further, at least 20% of the amount declared as dividends should be in the form of cash to enable YMTC to finance its capital expenditure and working capital requirements.

Under the Securities and Exchange Law, YMTC should appropriate a special reserve equal to the debit balance of any stockholders' equity item (other than deficit). Special reserve should also be appropriated at percentage of ownership for the amount of the stock price less than the carrying value of the shares of YMTC held by subsidiaries. The balance of the reserve is adjusted according to the debit balance of such items as of the end of YMTC's current financial reporting year.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals YMTC's paid-in capital. This reserve may only be used to offset a deficit. When the reserve reaches 50% of YMTC's paid-in capital, up to 50% thereof can be capitalized.

Under the Integrated Income Tax System, which took effect on July 1, 1998, noncorporate ROC resident stockholders are entitled to tax credit on income tax paid by YMTC on earnings generated from July 1, 1998. An imputation credit account (ICA) is maintained by YMTC to monitor the balance of such income tax and the tax credits allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the ICA balance on the date of dividend distribution.

The stockholders resolved to appropriate the 2005 and 2004 earnings on June 23, 2006 and June 23, 2005, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Legal reserve	\$ 925,574	\$ 979,726		
Special reserve	925,574	7,416		
Bonus to employees - cash	106,426	101,680		
Cash dividend	5,724,586	6,828,310	\$2.50	\$3.00

Because of the conversion of the 2004 Convertible Bonds, the actual cash dividends per share in 2004 was NT\$2.98203.

Had YMTC recognized bonus to employees as expense in 2005 and 2004, the primary and diluted earnings per share in 2005 would have declined from NT\$4.11 to NT\$4.06 and NT\$4.06 to NT\$4.01, and in 2004 would have declined from NT\$4.57 to NT\$4.52 and from NT\$4.34 to NT\$4.29, respectively.

As of March 1, 2007, YMTC's board of directors had not decided the appropriation of the 2006 earnings. Information on the appropriation of YMTC's earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

Unrealized gain (loss) on financial instruments for the year ended December 31, 2006 consisted of the following:

	<b>For the Year Ended December 31, 2006</b>
Changes in unrealized gain on available-for-sale financial assets	\$ 311
Changes in unrealized loss on cash flow hedging derivative	(3,344)
Equity-method investee's recognition of unrealized gains on financial instruments	<u>4</u>
Adjustment to stockholders' equity	<u>\$ (3,029)</u>



Cumulative translation adjustments for the year ended December 31, 2006 consisted of the following:

	<u>Years Ended December 31</u>	
	2006	2005
Adjustment of adopting newly released and revised statements of financial accounting standards	\$ 1,073	\$ -
Translation adjustments on long-term investments accounted for using equity method	<u>(24,063)</u>	<u>163,315</u>
	<u>\$ (22,990)</u>	<u>\$ 163,315</u>

## 18. TREASURY STOCKS

Reason for Repurchase	<u>Outstanding Shares (Thousands)</u>			
	Beginning of the Period	Increase	Decrease	End of the Period
<u>Year ended December 31, 2006</u>				
Stocks of YMTC held by subsidiaries	<u>22,248</u>	<u>-</u>	<u>22,848</u>	<u>-</u>
<u>Year ended December 31, 2005</u>				
Stocks of YMTC held by subsidiaries	<u>32,607</u>	<u>12</u>	<u>10,371</u>	<u>22,248</u>

On January 1, 2002, YMTC reclassified the shares of YMTC held by subsidiaries from investments into treasury stocks. The proceeds from the subsidiaries' disposal of these shares were \$445,138 thousand and \$220,489 thousand in 2006 and 2005. As of December 31, 2005, the carrying value of YMTC's shares held by subsidiaries was \$164,701 thousand.

The increase in the number of shares of YMTC held by subsidiaries in 2005 was due to the increase in YMTC's equity in the subsidiaries.

Although YMTC's shares held by subsidiaries are treated as treasury stocks instead of investments, the subsidiaries retain stockholders' rights on those shares, except the right of voting under the revised Company Law and the right to subscribe for new shares issued by YMTC.

## 19. INCOME TAX

- a. The Income Basic Tax Act (the "IBT Act"), which took effect on January 1, 2006, requires that the income basic tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Act plus tax benefit regulated by the Income Tax Act or other laws. The tax payable of the current year would be the higher of the income basic tax and income tax payable calculated in accordance with the Income Tax Act.

b. Computation of current income tax:

	<b>2006</b>	<b>2005</b>
Income tax expense computed at statutory rate	\$ 523,590	\$ 2,593,339
Add (deduct) tax effects of:		
Permanent differences	(306,893)	(1,595,868)
Temporary differences	(369,317)	(244,716)
Tax-exempt income	(16,673)	-
Loss carryforward	251,455	759
Investment tax credit	-	(760)
Income tax (10%) on undistributed earnings	250,879	3,165
Income basic tax	<u>6,728</u>	<u>-</u>
Current income tax expense	<u>\$ 339,769</u>	<u>\$ 755,919</u>

The balance of income tax payable as of December 31, 2006 included income tax payable of \$912 thousand for the year not examined and cleared by authorities and was net of the creditable income tax of \$28,408 thousand. The balance of income tax payable as of December 31, 2005 included income tax payable of \$5,470 thousand for the year examined and cleared by authorities and was net of the creditable income tax of \$672,787 thousand.

c. Income tax expense consisted of:

	<b>2006</b>	<b>2005</b>
Income tax expense - current	\$ 339,769	\$ 755,919
Overseas income tax	155,673	30,273
Income tax expense - deferred		
Temporary differences	102,149	159,002
Loss carryforward	(49)	-
Income tax expense on income subjected to a separate rate of 20%	-	15
Adjustments of prior years' taxes	<u>(65,889)</u>	<u>(55,330)</u>
	<u>\$ 531,653</u>	<u>\$ 889,879</u>

d. Deferred income tax assets (liabilities) as of December 31, 2006 and 2005 consisted of the following:

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
Current (included in other current assets)		
Deferred income tax assets		
Unrealized loss shipping fuel valuation losses	\$ 14,193	\$ 16,575
Unrealized foreign exchange loss	-	37,512
Others	<u>2,492</u>	<u>4,943</u>
	<u>16,685</u>	<u>59,030</u>
Deferred income tax liabilities		
Unrealized gain on financial instruments	(2,222)	-
Others	<u>(3,695)</u>	<u>-</u>
	<u>(5,917)</u>	<u>-</u>
	<u>\$ 10,768</u>	<u>\$ 59,030</u>

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Noncurrent		
Deferred income tax assets		
Loss carryforward	\$ 280,243	\$ 33,442
Deferred pension cost	124,562	115,488
Unrealized loss on financial instruments	11,967	-
Cumulative equity in net loss of investee	34,869	-
Others	787	755
Less - valuation allowance	<u>(38,137)</u>	<u>(46,717)</u>
	<u>414,291</u>	<u>102,968</u>
Deferred income tax liabilities		
Cumulative equity in net income of investee	(2,347,084)	(1,992,208)
Differences in estimated service lives of properties	<u>(340,636)</u>	<u>(400,298)</u>
	<u>(2,687,720)</u>	<u>(2,392,506)</u>
	<u>\$ (2,273,429)</u>	<u>\$ (2,289,538)</u>

The above deferred income taxes were computed at the 25% income tax rate of YMTC and subsidiaries in ROC. The deferred income taxes of other subsidiaries were computed at the local statutory rate.

e. Integrated income tax system information:

	<u>December 31,</u> <u>2006</u>	<u>Estimated</u> <u>Ratio of 2006</u>	<u>Actual Ratio</u> <u>of 2005</u>
Balance of the imputation credit account (ICA)			
YMTC	<u>\$ 354,976</u>	9.12%	6.61%
Kuang Ming	<u>\$ 19,443</u>	33.33%	-
Ching Ming	<u>\$ 28,163</u>	27.67%	33.33%
Honming	<u>\$ 6,616</u>	34.21%	34.21%
Jing Ming	<u>\$ 8,067</u>	33.97%	33.97%
Yes Logistics	<u>\$ 3,295</u>	-	-

Yes Logistics had no unappropriated earnings as of December 31, 2005. Thus, the ICA balance will be accumulated until dividend distribution in the future.

The tax credits will be accumulated until the date of dividend distribution. Upon dividend distribution, the ratio of the imputed tax credits to unappropriated earnings will be used for allocating tax credits to each stockholder. The estimated creditable tax ratio for 2006, for which income tax payable had been taken into account, might differ from the actual ratio on the dividend distribution date.

f. As of December 31, 2006 and 2005, the balances of YMTC's unappropriated retained earnings generated before June 30, 1998 aggregated \$2,064,438 thousand.

g. Investment tax credits information

The unused investment tax credits as of December 31, 2006 are summarized as follows:

<b>Regulatory Basis of Tax Credits</b>	<b>Items</b>	<b>Total Investment Tax Credits</b>	<b>Unused Investment Tax Credits</b>	<b>Expiry Year</b>
<u>Yes Logistics</u>				
Statute for Upgrading Industries	Training	<u>\$39</u>	<u>\$39</u>	2007

h. Loss carryforwards as of December 31, 2006 were as follows:

<b>Expiry Year</b>	<b>YMTC</b>	<b>Kuang Ming</b>	<b>Yes Logistics</b>
2007	\$ -	\$ 22,765	\$ 2,038
2008	-	-	3,905
2009	-	-	256
2010	-	50	-
2011	<u>250,897</u>	<u>332</u>	<u>-</u>
	<u>\$ 250,897</u>	<u>\$ 23,147</u>	<u>\$ 6,199</u>

i. Status of income tax returns:

Income tax returns of YMTC through 2003 had been examined and cleared by tax authorities.

## 20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>2006</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salary	\$ 1,474,725	\$ 2,374,828	\$ 3,849,553
Insurance	58,754	263,215	321,969
Pension	113,506	258,740	372,246
Others	81,860	129,301	211,161
Depreciation	4,320,343	200,611	4,520,954
Amortization	<u>176,123</u>	<u>27,212</u>	<u>203,335</u>
	<u>\$ 6,225,311</u>	<u>\$ 3,253,907</u>	<u>\$ 9,479,218</u>
	<b>2005</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salary	\$ 1,130,422	\$ 2,964,972	\$ 4,095,394
Insurance	26,085	169,805	195,890
Pension	57,526	199,250	256,776
Others	58,716	340,575	399,291
Depreciation	4,005,367	178,851	4,184,218
Amortization	<u>135,468</u>	<u>27,696</u>	<u>163,164</u>
	<u>\$ 5,413,584</u>	<u>\$ 3,881,149</u>	<u>\$ 9,294,733</u>

## 21. EARNINGS PER SHARE

	<b>December 31</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Pretax</b>	<b>After Tax</b>	<b>Pretax</b>	<b>After Tax</b>
<u>Basic EPS</u>				
Income before cumulative effect of changes in accounting principles	\$ 0.71	\$ 0.49	\$ 4.45	\$ 4.11
Cumulative effect of changes in accounting principles	<u>0.01</u>	<u>0.01</u>	<u>-</u>	<u>-</u>
Net income - attributable to controlling interest	<u>\$ 0.72</u>	<u>\$ 0.50</u>	<u>\$ 4.45</u>	<u>\$ 4.11</u>
<u>Diluted EPS</u>				
Income before cumulative effect of changes in accounting principles	\$ 0.70	\$ 0.49	\$ 4.39	\$ 4.06
Cumulative effect of changes in accounting principles	<u>0.01</u>	<u>0.01</u>	<u>-</u>	<u>-</u>
Net income - attributable to controlling interest	<u>\$ 0.71</u>	<u>\$ 0.50</u>	<u>\$ 4.39</u>	<u>\$ 4.06</u>

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	<u>Amount (Numerator)</u>		<b>Capital Stock (Denominator) (in Thousand Shares)</b>	<u>Net Income Per Share (Dollars)</u>	
	<b>Income Before Income Tax</b>	<b>Net Income</b>		<b>Income Before Income Tax</b>	<b>Net Income</b>
<u>Year ended December 31, 2006</u>					
Basic EPS	\$ 1,648,113	\$ 1,143,155	2,286,533	<u>\$ 0.72</u>	<u>\$ 0.50</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>1,248</u>	<u>936</u>	<u>23,379</u>		
Diluted EPS	<u>\$ 1,649,361</u>	<u>\$ 1,144,091</u>	<u>2,309,912</u>	<u>\$ 0.71</u>	<u>\$ 0.50</u>
<u>Year ended December 31, 2005</u>					
Basic EPS	\$ 10,025,059	\$ 9,262,954	2,252,812	<u>\$ 4.45</u>	<u>\$ 4.11</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>1,680</u>	<u>1,260</u>	<u>29,385</u>		
Diluted EPS	<u>\$ 10,026,739</u>	<u>\$ 9,264,214</u>	<u>2,282,197</u>	<u>\$ 4.39</u>	<u>\$ 4.06</u>

## 22. PENSION PLAN

### a. Pension plan of YMTC

YMTC adopted three pension plans when it was privatized on February 15, 1996. These plans are as follows:

The Labor Pension Act (the “Act”) took effect on July 1, 2005. This Act provides for a defined contribution plan featuring a portable pension. Employees can choose to remain subject to the pension mechanism under the Labor Standards Law and the Maritime Labor Law, or choose to be subject to the pension mechanism under the Act, with their service years accumulated before the enforcement of this Act to be retained. Employees hired after July 1, 2005 can only choose to be subject to the pension mechanism under the Act.

Pension plan under the Labor Standards Law for onshore employees is a defined benefit plan. Benefits are based on service years and average basic salary of the six months before retirement. The pension fund, to which YMTC contributes amounts equal to 13% of salaries every month in 2006 and 2005, is administered by each company’s pension reserve fund supervisory committee and deposited in the name of each company’s committee in the Central Trust of China Co., Ltd.

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 crews’ hiring contracts. Under the Law, benefits are based on service years and average basic salary of the six months before retirement.

Pension plan is a defined contribution type scheme under the Act for onshore employees and shipping crews. Starting on July 1, 2005, YMTC makes monthly contributions to the employees’ individual pension accounts in the Bureau of Labor Insurance at 6% of employees’ salaries every month.

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

Before YMTC’s privatization, qualified employees received pension payments for service year 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.

### b. Pension plan of subsidiaries

The Labor Pension Act (the “Act”) took effect on July 1, 2005. This Act provides for a defined contribution plan featuring a portable pension. Employees can choose to remain subject to the pension mechanism under the Labor Standards Law and the Maritime Labor Law, or choose to be subject to the pension mechanism under the Act, with their service years accumulated before the enforcement of this Act to be retained. Employees hired after July 1, 2005 can only choose to be subject to the pension mechanism under the Act.

Ching Ming, Honming, Jing Ming, Kuang Ming and Yes Logistics have a defined contribution plan under the Act. Starting on July 1, 2005 the above subsidiaries make monthly contributions to the employees’ individual pension accounts in the Bureau of Labor Insurance at 6% of employees’ salaries every month.

Under the Labor Standards Law, the above subsidiaries have a defined benefit pension plan. Benefits are based on service years and average basic salary of the six months before retirement. Honming, Jing Ming and Yes Logistics accrue pension cost on the basis of actuarial calculations and make monthly contributions, at 8%, 10% and 6% of salaries and wages, to each pension fund, which is administered by each pension plan committee and deposited in each Committee's name in the Central Trust of China.

Some consolidated subsidiaries, which are mainly for investment holding purpose, have either very few or no staff. These subsidiaries have no pension plans and thus do not contribute to pension funds and do not recognize pension costs. Except for these companies, the consolidated subsidiaries all contribute to pension funds and recognize pension costs based on local government regulations. They have recognized pension cost of \$139,087 thousand and \$95,441 thousand for the years ended December 31, 2006 and 2005, respectively.

c. Information of the pension cost under the Act

Under the Act, the employer's monthly rate of contribution to the pension fund from July 1, 2005, should be at least 6% of the employees' monthly wages. The pension costs under the defined contribution plan amounted to \$29,361 thousand and \$10,209 thousand for the year ended December 31, 2006 and from July 2005 to December 2005, respectively.

d. Combined information on the defined benefit pension plan under the Labor Standards Law

Under Statement of Financial Accounting Standards No. 18, "Accounting for Pensions," pension cost should be recognized using the actuarial method. YMTC and certain subsidiaries have pension information as follows:

1) Net periodic pension cost was as follows:

	<b>2006</b>	<b>2005</b>
Service cost	\$ 151,924	\$ 146,473
Interest cost	42,202	37,819
Expected return on plan assets	(11,078)	(7,444)
Amortization of net transition assets or obligation	3,389	(328)
Amortization of prior service cost	436	436
Amortization of net loss	<u>10,603</u>	<u>11,235</u>
Net pension cost	<u>\$ 197,476</u>	<u>\$ 188,191</u>

2) Reconciliation of funded status of the pension plan to accrued pension cost at end of year

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
Benefit obligation		
Vested benefit obligation	\$ 514,723	\$ 362,443
Non-vested benefit obligation	<u>793,815</u>	<u>656,737</u>
Accumulated benefit obligation	1,308,538	1,019,180
Additional benefits based on future salaries	<u>451,760</u>	<u>356,030</u>
Projected benefit obligation	1,760,298	1,375,210
Fair value of plan assets	<u>(396,079)</u>	<u>(307,515)</u>
Plan funded status	1,364,219	1,067,695
Unrecognized net transition assets (liabilities)	(34,365)	(36,649)

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Unrecognized prior service cost	(3,927)	(4,363)
Unrecognized net loss	(469,877)	(249,579)
Additional minimum pension liability	<u>116,467</u>	<u>63,817</u>
Accrued pension cost	<u>\$ 972,517</u>	<u>\$ 840,921</u>
	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
3) Vested benefits	<u>\$ 653,497</u>	<u>\$ 463,672</u>
	<u>2006</u>	<u>2005</u>
4) Assumptions used		
Discount rate	2.50-2.75%	2.50-3.00%
Rate of increase in compensation	2.00-2.75%	2.00-2.75%
Expected rate of return on plan assets	2.75%	3.00%
5) Contribution and benefits paid		
Contributions	<u>\$ 91,645</u>	<u>\$ 92,938</u>
Payment of benefits	<u>\$ 39,411</u>	<u>\$ 35,316</u>

### 23. DISCLOSURE FOR FINANCIAL INSTRUMENTS

a. The fair values of the Group's financial instruments were as follows:

	<u>December 31</u>			
	<u>2006</u>		<u>2005</u>	
	<u>Carrying</u>	<u>Fair Value</u>	<u>Carrying</u>	<u>Fair Value</u>
	<u>Value</u>	<u>Fair Value</u>	<u>Value</u>	<u>Fair Value</u>
Assets				
Financial assets at fair value through profit or loss - current	\$ 1,721,773	\$ 1,721,773	\$ 2,018,921	\$ 2,017,735
Available-for-sale financial assets - current	7,506,153	7,506,153	7,571,609	7,571,998
Held-to-maturity financial assets - current	-	-	32,850	30,393
Financial assets at fair value through profit or loss - noncurrent	-	-	118,550	118,597
Held-to-maturity financial assets - noncurrent	9,617	9,617	11,169	11,169
Financial asset measured at cost - noncurrent	1,566,636	-	1,539,979	-
Investments accounted for using equity method	1,564,285	-	1,230,328	-

(Continued)



	<b>December 31</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Prepayment for long-term investment in stock	\$ 187,754	\$ -	\$ 45,990	\$ -
Cash surrender value of life insurance	6,802	6,802	2,476	2,476
<b>Liabilities</b>				
Hedging derivative financial liability - noncurrent	47,871	47,871	-	43,412
Long-term bank loans	5,773,934	5,773,934	1,062,330	1,062,330
Bonds	24,057,342	24,307,673	18,753,178	19,273,522
				(Concluded)

Place of transaction:

<b>Place of Transaction</b>	<b>December 31, 2006</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Financial assets</u>		
Overseas (including foreign institutions in Taiwan )	\$ 32,620	\$ 32,620

<u>Financial liabilities</u>		
Overseas (including foreign institutions in Taiwan )	47,871	47,871

<b>Place of Transaction</b>	<b>December 31, 2005</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Financial assets</u>		
Taiwan	\$ 50,000	\$ 50,032
Overseas (including foreign institutions in Taiwan )	427,164	426,907

<u>Financial liabilities</u>		
Overseas (including foreign institutions in Taiwan )	-	43,412

The Group adopted ROC SFAS No. 34, "Accounting for Financial Instruments," on January 1, 2006. Please refer to Note 3 to the financial statements for the cumulative effect of changes in accounting principles and adjustment to stockholders' equity.

- b. The methods and assumptions applied in estimating fair values are as follows:
- 1) Cash and cash equivalents, accounts receivable, accounts receivable from related parties, other receivables from related parties, advances to shipping agents, payable to related parties, accrued expenses and payables to shipping agents which are not shown among the financial instruments in the table above, are recorded at their carrying values because of the short maturities of these instruments.

- 2) If quoted market prices are available, these are used as market value of financial assets at fair value through profit or loss and available-for-sale financial assets. Otherwise, the market value is evaluated by the Group using the same estimates and assumptions used by other market participants to value the instruments. These estimation and assumptions are available to the Group.

If quoted market prices are available, these are used as market value of derivatives. Otherwise, the market value is evaluated by the Group using the same estimates and assumptions used by other market participants to value the derivatives. These estimation and assumptions are available to the Group.

The Group uses the exchange quotations of the Reuters (or the Associated Press) to calculate market value of each interest rate swap and forward contract based on the related net cash flow and the exchange rate.

- 3) Financial assets measured at cost and investments accounted for using equity method are investments in unlisted stocks which had no market value and will require an amount in excess of reasonable cost to determine fair value, thus, no reliable fair value was determined.
- 4) Fair values of long-term receivable from related parties are measured at the present values of expected cash flows which are discounted at the interest rate for bank loans with similar maturities.
- 5) The fair value of bonds is market value.
- c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

	Quoted Price		Estimated Price	
	December 31	December 31	December 31	December 31
	2006	2005	2006	2005
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 1,689,153	\$ 1,659,393	\$ 32,620	\$ 358,342
Available-for-sale financial assets - current	7,506,153	7,571,998	-	-
Held-to-maturity financial assets - current	-	-	-	30,393
Financial assets at fair value through profit or loss - noncurrent	-	-	-	118,597
Held-to-maturity financial assets - noncurrent	-	-	9,617	11,169
<u>Liabilities</u>				
Hedging derivative financial liabilities - noncurrent	-	-	47,871	43,412

- d. Net gain on changes of the fair value determined using valuation technique was \$217 thousand for the year ended December 31, 2006.

- e. Financial assets and liabilities affected by interest rate were as follows:

	<b>December 31</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Financial Assets</b>	<b>Financial Liabilities</b>	<b>Financial Assets</b>	<b>Financial Liabilities</b>
<u>Risk of interest rate change</u>				
Fair value risk	\$ 2,805,371	\$ 23,137,335	\$ 8,648,771	\$ 17,738,609
Cash flow risk	10,617,940	6,778,075	10,556,009	2,068,355

- f. Information about financial risks

1) Market risk

For the years ended December 31, 2006 and 2005, the interest rate swap contracts held by YMTC were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. YMTC and subsidiaries use interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, YMTC and subsidiaries hedges most of the risks in the market. In addition, YMTC and subsidiaries evaluate the hedging effectiveness of the contracts periodically.

The contract will be settled at net or nominal amounts. Thus the change of fair value of this contract due to change of market interest rate should not cause additional risk for YMTC.

YMTC and subsidiaries use equity-linked notes for trading purposes to earn investment income. YMTC and subsidiaries will settle the notes on contract value if the underlying equity stock market value is higher than contract value; otherwise, YMTC will convert the notes to beneficiary certificates representing the shares of underlying equity stock and earn dividends before selling the stock in the market.

Further, YMTC's observance of proper procedures when buying contracts for trading purposes as well as setting up break-even points helps YMTC avoid losses that could significantly impact its operations.

YMTC and subsidiaries use interest-linked notes and credit-linked structured time deposit for trading purposes to earn higher interest income. YMTC and subsidiaries choose commodities highly correlated to interest rates. YMTC's observance of proper procedures when buying contracts for trading purposes as well as setting up break-even points helps the Corporation avoid losses that could significantly impact its operations.

YMTC's purpose for trading crude oil swap is to reduce the cost burden from oil price increase. Because the crude oil swap traded is basically based on the bunker consumption of YMTC, the market risk is controllable.

YMTC's purpose for foreign currency derivative trading is to manage the exchange rate risk of foreign currency. The gains or losses derived from the derivative transactions will be offset by the gains or losses from the related underlying assets. To control the risk of the derivative transactions, YMTC sets maximum loss limit on its foreign exchange derivative trading and periodically evaluates the market risk of the outstanding contracts.

The foreign exchange risk of YMTC's monetary assets and liabilities is mainly controlled by natural hedge. With symmetrical and diversified assets and liabilities of each foreign currency, the currency evaluation effect of the aforesaid position could be broadly offset mutually.

2) Credit risk

YMTC and its subsidiaries are exposed to credit risk on counter-parties' default on contracts. YMTC's and its subsidiaries' maximum exposure to credit risk is equal to book value. YMTC conducts transactions only with selected financial institutions and corporations with good credit ratings. Thus, management does not anticipate any material losses resulting from default on contracts.

3) Liquidity risk

YMTC and its subsidiaries have sufficient operating capital to meet the cash demand. Thus, YMTC and its subsidiaries do not have liquidity risk.

YMTC entered into interest rate swaps to hedge cash flow risks for the years ended December 31, 2006 and 2005. The interest rate swap contracts are settled at net amounts; thus, and the expected cash demand is not significant.

YMTC invested in marketable equity securities, mutual funds and bonds fund that have quoted prices in an active market and could be sold immediately at prices close to fair value. However, YMTC also invested in listed common stock, stock with no quoted market prices and equity instruments with no quoted prices in an active market; thus, these investments could expose YMTC to material liquidity risks.

4) Cash flow risk on interest rate

The Group's time deposits, short-term debts and long-term debt have floating interest rates. Effective rate and future cash flow of the Group will fluctuate as a result of changes in market interest rate.

g. Cash flow hedge

YMTC uses interest rate swap contracts to hedge future cash flows:

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments				Expected Period of Cash Flows	Expected Period for Realization of Gains or Losses
		December 31					
		2006		2005			
		Notional Amount	Fair Value	Notional Amount	Fair Value		
Bonds with floating interest rate	Interest rate swap	\$(1,000,000)	\$(47,871)	\$(1,000,000)	\$(43,412)	2004-2011	2004-2011

## 24. RELATED-PARTY TRANSACTIONS

a. The Group's related parties and their relationships were as follows:

Related Party	Relationship with the Group
Yang Ming Italy S.P.A	Equity-method investee
Yang Ming (Vietnam) Corp.	Equity-method investee
West Basin Container Terminal LLC	Equity-method investee
Yang Ming (Netherlands) B.V.	Equity-method investee
Transyang Shipping Ptd. Ltd.	Equity-method investee
Nexus International Express, Inc.	Equity-method investee

(Continued)

<u>Related Party</u>	<u>Relationship with the Group</u>
Yang Ming Cultural Foundation	YMTC's donation is equal to foundation's capital
Leader Container Transportation Co., Ltd.	The company's supervisor is Jing Ming's Chairman
Marine Container Service India P. Ltd.	The company is a major shareholder of Yang Ming Line (India) Pvt. Ltd.
Bay Container Terminal PVT Ltd.	The company is a major shareholder of Yang Ming Line (India) Pvt. Ltd.

(Concluded)

b. Except as disclosed in schedule E, the following is a summary of significant related-party transactions

	<u>2006</u>		<u>2005</u>	
	Amount	%	Amount	%
<b>Operating revenues</b>				
Leader Container Transportation Co., Ltd.	\$ 4,466	-	\$ 8,019	-
Nexus International Express, Inc.	<u>157</u>	<u>-</u>	<u>3,314</u>	<u>-</u>
	<u>\$ 4,623</u>	<u>-</u>	<u>\$ 11,333</u>	<u>-</u>
<b>Operating costs</b>				
West Basin Container Terminal LLC	\$ 2,357,581	2	\$ 2,259,278	3
Leader Container Transportation Co., Ltd.	395,072	1	388,082	-
Yang Ming Italy S.P.A	137,776	-	142,146	-
Nexus International Express, Inc.	50,421	-	18,864	-
Yang Ming (Netherlands) B.V.	80,206	-	93,296	-
Yang Ming (Vietnam) Corp.	<u>48,553</u>	<u>-</u>	<u>19,879</u>	<u>-</u>
	<u>\$ 3,069,609</u>	<u>3</u>	<u>\$ 2,921,545</u>	<u>3</u>
<b>Operating expenses</b>				
Marine Container Service India P. Ltd.	\$ 18,751	-	\$ -	-
Bay Container Terminal PVT Ltd.	<u>1,984</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 20,735</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
<b>Accounts receivable from related parties</b>				
Yang Ming Italy S.P.A	\$ 329,507	70	\$ 226,943	63
Yang Ming (Netherlands) B.V.	89,527	19	82,101	23
Yang Ming (Vietnam) Corp.	47,817	10	49,684	13
Others	<u>876</u>	<u>1</u>	<u>803</u>	<u>1</u>
	<u>\$ 467,727</u>	<u>100</u>	<u>\$ 359,531</u>	<u>100</u>
<b>Other receivable from related parties</b>				
Yang Ming Cultural Foundation	\$ -	-	\$ 3,215	98
Yang Ming (Netherlands) B.V.	<u>-</u>	<u>-</u>	<u>53</u>	<u>2</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 3,268</u>	<u>100</u>

	<b>2006</b>		<b>2005</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Payable to related parties				
Yang Ming (Vietnam) Corp.	\$ 77,250	29	\$ 120,538	42
Leader Container Transportation Co., Ltd.	72,022	27	40,269	14
Yang Ming (Netherlands) B.V.	56,164	21	40,119	14
Yang Ming Italy S.P.A	50,007	19	72,597	25
Marine Container Service India P. Ltd.	3,870	2	-	-
Nexus International Express, Inc.	2,262	1	15,373	5
Bay Container Terminal PVT Ltd.	570	1	-	-
	<u>\$ 262,145</u>	<u>100</u>	<u>\$ 288,896</u>	<u>100</u>

The financing provided by the related parties were as follows:

	<b>Maximum Balance for the Period</b>	<b>Ending Balance</b>	<b>Interest Rate</b>	<b>Interest Expense</b>
<u>2006</u>				
Long-term debts				
Marine Container Services India P. Ltd	<u>\$ 6,026</u>	<u>\$ 4,142</u>	12%	<u>\$ 1,021</u>
<u>2005</u>				
Long-term debts				
Marine Container Services India P. Ltd	<u>\$ 6,026</u>	<u>\$ 6,026</u>	12%	<u>\$ 920</u>

The terms of related party transactions were determined in accordance with YMTC's "Agency Accounting Procedure" or commercial practices in related parties' countries.

The transactions with related parties were conducted under contract terms.

## 25. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged as collaterals for long-term bank loans, bonds and credit lines:

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
Refundable deposits	\$ 7,771,331	\$ 6,889,732
Properties, net	8,884,905	3,888,746
Nonoperating assets, net	89,230	89,230
Restricted time deposit (included in other current assets)	124,923	-
Pledged time deposits (included in other assets - miscellaneous)	<u>71,320</u>	<u>128,444</u>
	<u>\$ 16,941,709</u>	<u>\$ 10,996,152</u>

## 26. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 23 and Schedule E, commitments and contingent liability as of December 31, 2006 were as follows:

- a. Obligations of YMTC to provide crews to two ships of Taiwan Power Company, Ltd. under contracts expiring on various dates by October 2011. The daily compensation under the contracts is \$143 thousand for all the crews.
- b. Leases of office premises, ships and container yard of the Group under operating lease agreements that will expire on various dates until May 2030. The total rental for the year ended December 31, 2006 was \$8,757,000 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2007	\$ 6,883,777
2008	5,689,607
2009	4,700,073
2010	3,890,929
2011	2,918,741

Rentals after 2012 will be \$5,810,053 thousand. The present value of those rentals, computed at an annual interest rate of 2.20%, is \$5,552,548 thousand.

- c. Leases of containers and chassis and vessels of the Group under capital lease agreements expiring on various dates until March 2026. The total rental and interests for the year ended December 31, 2006 were about \$465,465 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2007	\$ 421,620
2008	365,969
2009	284,866
2010	280,628
2011	393,702

Rentals after 2012 will be \$9,694,686 thousand. The present value of those rentals, computed at an annual interest rate of 2.20%, is \$7,337,283 thousand.

- d. Guarantees of loans obtained by subsidiaries and investee companies accounted for using equity method were as follows:

Company Name	Nature of Relationship	Guarantee Amount
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	US\$ 5,000,000
All Oceans Transportation Inc.	Subsidiary	US\$ 29,298,000
Yang Ming (America) Corp.	Subsidiary	US\$ 1,500,000
Yang Ming (Liberia) Corp.	Subsidiary	US\$ 269,280,000
United Terminal Leasing LLC	Equity-method investee	US\$ 7,238,000
West Basin Container Terminal LLC	Equity-method investee	US\$ 14,528,000
Olympic Container Terminal LLC	Subsidiary	US\$ 4,700,000
Sino International United Petroleum Group Company Limited	Subsidiary	US\$ 34,000,000

- e. Yang Ming Line Holding Co. guarantee of loan obtained by 40% investee, West Basin Container Terminal LLC (US\$206,000). Yes Logistics Corp. guarantee of loan obtained by Yes Logistics Europe GmbH (GBP150,000) and Golden Logistics (SHA) Corp. (NT\$60,000 thousand). Yang Ming Line (Hong Kong) guarantee of loan obtained by Karlman Properties Limited (HK\$16,000,000).
- f. Agreement between YMTC and China Shipbuilding Corp. (CSBC) for CSBC to construct 2 vessels for US\$44,780,000 for delivery by 2007. As of December 31, 2006, YMTC had paid US\$11,195,000 to CSBC.
- g. One vessel leased by YMTC to a third party was alleged to have fuel oil leaks, which caused water pollution. As of December 31, 2006, YMTC had paid US\$1,000,000 as refundable deposits in line with the ongoing legal proceedings on this case. On the basis of the conservatism principle, YMTC had accrued a loss of US\$1,000,000.
- h. YMTC made an agreement to acquire containers. As of December 31, 2006, YMTC had not yet received the containers and thus had not yet made the related payment of US\$39,738,000.
- i. An agreement entered into on October 8, 2004 for YMTC to build the second logistics center in Kaohsiung jointly with the MOTC Harbor Bureau. The center is to be used to package, store, process, transfer and distribute goods. The estimated investment for the logistics center is around \$600,000 thousand. As of December 31, 2006, YMTC had paid \$200,034 thousand for this center.
- j. Agreement between AOT and CSBC to construct 14 vessels for US\$888,520,000. As of December 31, 2006, AOT has paid US\$91,440,000.
- k. Agreement between AOT and Universal Shipbuilding Corp. to construct 1 vessel for JPY15,610,000,000. As of December 31, 2006, AOT had paid JPY2,347,000,000.
- l. Agreement between Yang Ming (Liberia) Corp. and Hyundai Heavy Industries Co., Ltd. to construct 4 vessels for US\$79,200,000. As of December 31, 2006, Yang Ming (Liberia) Corp. had paid US\$31,680,000.

## **27. SUBSEQUENT EVENT**

At the meetings of their respective boards of directors on February 9, 2007, Yang Ming Marine Transport Corporation and Taiwan Navigation Co., Ltd presented a proposal. Under the proposal, these two companies will enter a strategic alliance through a share swap and collaborate on pursuing new business opportunities. Shares will be exchanged at 1.35 shares of Yang Ming Marine Transport Corporation for every share of Taiwan Navigation Co. Thus, Yang Ming Marine Transport Corporation will issue 69,627,226 shares in exchange for 51,575,723 shares of Taiwan Navigation Co. The board of directors approved the share swap proposal with the expected date of share swap before June 30, 2007.

As of March 1, 2007, the Corporation and its subsidiaries acquired 50,592 thousand shares (acquisition amount \$1,511,735 thousand) of Taiwan Navigation Co., Ltd. representing 12.12% of outstanding shares.

## **28. ADDITIONAL DISCLOSURES**

Following are the additional disclosures required by the Securities and Future Bureau for the Corporation and its investees.

- a. Financing provided: Please see Schedule D attached;
- b. Endorsement/guarantee provided: Please see Schedule E attached;



- c. Marketable securities held: Please see Schedule F attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Schedule G attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Schedule H attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Schedule I attached;
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Please see Schedule J attached;
- j. Information about derivatives of investees over which the Corporation has a controlling interest: Please see Note 23;
- k. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Schedule K attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.
- l. Significant transactions between YMTC and its subsidiaries for the years ended December 31, 2006 and 2005: Please see Schedule M, N.

## 29. SEGMENT INFORMATION

- a. The Group operates in a single business, namely, ocean freight transport.
- b. The Group's geographic area information is presented in Schedule L.
- c. Cargo transport revenues

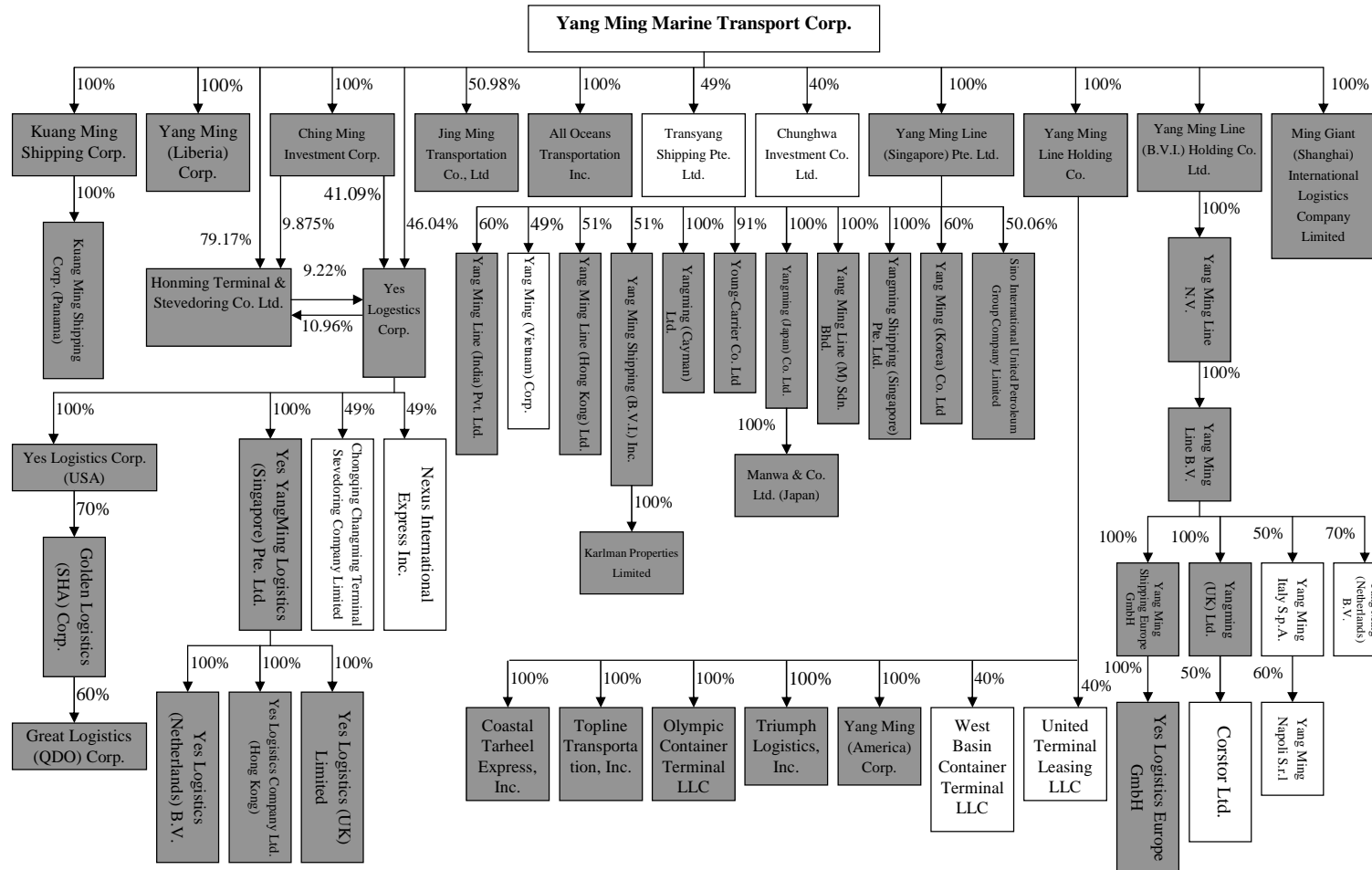
Line Service	2006		2005	
	Amount	%	Amount	%
U.S. Western coast line	\$ 32,864,901	30	\$ 28,278,352	29
Northwest European line	16,435,770	15	17,627,359	18
Asia line	15,353,928	14	15,533,135	16
U.S. Eastern coast line	14,040,320	13	12,680,091	13

- d. No single customer accounted for at least 10% of the Group's total operating revenues.

**YANG MING MARINE GROUP**

The intercompany relationships and percentages of ownership as of December 31, 2006 are shown below:

Date: 2007/1/19



Note 1: Consolidated entities for 2006 are highlighted in above diagram.

Note 2: The Group accounted for its investments in and its equity in net income or loss of other subsidiaries excluded in the consolidated entities as “equity method investments in shares of stock” and “equity in net income of investees, net,” respectively, except that investments in Formosa International Development Corporation are recognized as prepayments for long-term investment in stocks in the balance sheets.

**SCHEDULE B****YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS OF YMTC  
DECEMBER 31, 2006**

Country	Currency	Foreign-Currency Amount (Thousands)	New Taiwan Dollar Exchange Rate	New Taiwan Dollar Amount (Thousands)
Japan	USD	(Note)	32.6000	\$ 2
	JPY	\$ 551,193	0.2742	151,151
Hong Kong	USD	1,109	32.6000	36,151
	HKD	6,220	4.1927	26,076
United States	USD	9,329	32.6000	304,130
Indonesia	USD	96	32.6000	3,133
	IDR	5,955	0.0036	22
Malaysia	USD	(Note)	32.6000	13
	MIR	(Note)	9.2482	2
Britain	USD	1	32.6000	28
Germany	USD	1,232	32.6000	40,172
	EUR	2,188	42.9179	93,906
Italy	USD	1	32.6000	41
	EUR	(Note)	42.9179	21
Philippines	USD	1	32.6000	20
	PUP	11,614	0.6656	7,730
Singapore	USD	118	32.6000	3,858
	SAD	210	21.2794	4,464
India	IN	7,485	0.7364	5,512
Thailand	TUB	37,452	0.9030	33,821
Korea	USD	(Note)	32.6000	4
	KEW	2,360,015	0.0351	82,772

Note: The foreign-currency amount was less than one thousand.

**YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS OF YMTC  
DECEMBER 31, 2005**

<b>Country</b>	<b>Currency</b>	<b>Foreign Currency Amount (Thousands)</b>	<b>New Taiwan Dollar Exchange Rate</b>	<b>New Taiwan Dollar Amount (Thousands)</b>
Japan	USD	(Note)	32.8500	\$ 11
	JPY	\$ 5,607,896	0.2797	1,568,359
Hong Kong	USD	1,176	32.8500	38,648
	HKD	4,920	4.2369	20,845
United States	USD	4,541	32.8500	149,178
Belgium	EUR	243	38.9680	9,487
Indonesia	USD	650	32.8500	21,350
	IRDA	5,227	0.0033	17
Malaysia	USD	(Note)	32.8500	12
	MIR	1	8.6928	7
Britain	USD	5	32.8500	177
	GBP	245	56.7064	13,875
Germany	USD	(Note)	32.8500	7
	EUR	26	38.9680	1,007
Italy	USD	78	32.8500	2,577
	EUR	164	38.9680	6,403
Philippines	USD	(Note)	32.8500	11
	PUP	23,775	0.6205	14,753
Singapore	USD	84	32.8500	2,758
	SAD	457	19.7594	9,030
India	IN	31,270	0.7290	22,797
Thailand	TUB	138,837	0.7991	110,941
Korea	USD	(Note)	32.8500	1
	KEW	281,435	0.0327	9,208

Note: The foreign-currency amount was less than one thousand.

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

**FINANCING PROVIDED**

**DECEMBER 31, 2006**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Year (Note H)	Ending Balance (Note H)	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
0	Yang Ming Marine Transport Corporation	Yang Ming (Liberia) Corp.	Long-term receivables	\$ 1,032,768 (US\$ 31,680,000)	\$ 819,857 (US\$ 25,128,000)	4.27%	2	\$ -	Acquisition of ships	\$ -	-	\$ -	\$ 2,141,891 (Note C)	\$ 17,135,125 (Note B)
1	Yang Ming (America) Corp.	Olympic Container Terminal LLC	Other receivables	293,400 (US\$ 9,000,000)	293,400 (US\$ 9,000,000)	4.00%	2	-	Obtain working capital	-	-	-	332,520 (Note G)	391,200
2	Yang Ming Shipping (B.V.I.) Inc.	Karman Properties Limited	Other receivables	101,971 (HK\$ 24,321,000)	101,602 (HK\$ 24,233,000)	-	2	-	Acquisition of office building	-	-	-	402,890 (Note E)	503,613 (Note D)
3	Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Line (India) Pvt. Ltd.	Other receivables	7,824 (US\$ 240,000)	5,868 (US\$ 180,000)	2.80%	2	-	Obtain working capital	-	-	-	1,012,246 (Note F)	2,024,491 (Note D)
		Yang Ming (Korea) Co., Ltd.	Other receivables	16,300 (US\$ 500,000)	-	5.14%	2	-	Obtain working capital	-	-	-	1,012,246 (Note F)	2,024,491 (Note D)
4	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line B.V.	Other receivables	37,813 (Note H)	37,813 (Note H)	1.50%	2	-	Investment in Yang Ming Italy S.p.A., Yangming (UK) Ltd. and Yang Ming Shipping Europe GmbH	-	-	-	3,120,989 (Note E)	3,901,236 (Note D)

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 40% of net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 30% of net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of net assets of the Corporation.

C. For borrowers with transactions with the Corporation, maximum financing is 50% of the amounts mentioned in Note B or of 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 50% of the amount mentioned in Note B.

D. Represents the lender's net asset value.

E. Represents 80% of the lender's net asset value.

F. Represents 50% of the lender's net asset value.

G. Represents 85% of US\$12,000,000.

H. Equivalent to GBP300,000 and EUR434,000 translated into New Taiwan dollars at the exchange rate of GBP1=NT\$63.9579 and EUR1=NT\$42.9179 as of December 31, 2006.

I. United States dollars and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.60 and HK\$1=NT\$4.1927 as of December 31, 2006.

J. The balance of Schedule D has been eliminated in consolidation.

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED**

**DECEMBER 31, 2006**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Guarantor	Guaranteed Party		Maximum Amount of Guarantee to Individual Guaranteed Parties	Maximum Balance for the Year (Note G)	Ending Balance (Note G)	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Amount of Guarantee that Can Be Provided by the Guarantor
		Name	Nature of Relationship						
0	Yang Ming Marine Transport Corporation	Yang Ming (America) Corp.	Subsidiary	\$ 18,318,675 (Note B)	\$ 48,900 (US\$ 1,500,000)	\$ 48,900 (US\$ 1,500,000)	\$ -	0.11%	\$ 22,898,344 (Note A)
		All Oceans Transportation, Inc.	Subsidiary	18,318,675 (Note B)	1,995,022 (US\$ 61,197,000)	955,130 (US\$ 29,298,000)	-	2.23%	22,898,344 (Note A)
		Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	18,318,675 (Note B)	163,000 (US\$ 5,000,000)	163,000 (US\$ 5,000,000)	-	0.38%	22,898,344 (Note A)
		Yang Ming (Liberia) Corp.	Subsidiary	18,318,675 (Note B)	10,615,962 (US\$ 325,643,000)	8,778,528 (US\$ 269,280,000)	-	20.49%	22,898,344 (Note A)
		United Terminal Leasing LLC	Equity-method investee of subsidiary	18,318,675 (Note B)	235,970 (US\$ 7,238,000)	235,970 (US\$ 7,238,000)	-	0.55%	22,898,344 (Note A)
		West Basin Container Terminal LLC	Equity-method investee of subsidiary	18,318,675 (Note B)	473,613 (US\$ 14,528,000)	473,613 (US\$ 14,528,000)	-	1.11%	22,898,344 (Note A)
		Olympic Container Terminal LLC	Subsidiary	18,318,675 (Note B)	153,220 (US\$ 4,700,000)	153,220 (US\$ 4,700,000)	-	0.36%	22,898,344 (Note A)
		Sino International United Petroleum Group Company Ltd.	Subsidiary	18,318,675 (Note B)	1,108,400 (US\$ 34,000,000)	1,108,400 (US\$ 34,000,000)	-	2.59%	22,898,344 (Note A)
		1	Yang Mine Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee of subsidiary	469,440 (Note D)	9,910 (US\$ 304,000)	6,706 (US\$ 206,000)	-
2	Yes Logistics Corp.	Yes Logistics (UK) Ltd.	Subsidiary	600,000 (Note F)	9,594 (GBP 150,000)	9,594 (GBP 150,000)	-	0.02%	1,200,000 (Note E)
		Golden Logistics (SHA) Corp.	Subsidiary	600,000 (Note F)	60,000	60,000	-	0.14%	1,200,000 (Note E)
3	Yang Ming Line (Hong Kong) Ltd.	Karman Properties Limited	Subsidiary	67,083 (Note H)	67,083 (HK\$ 16,000,000)	67,083 (HK\$ 16,000,000)	-	0.16%	83,854 (Note G)

Notes:

A. Represents 100% of the paid-in capital of Yang Ming Marine Transport Corporation (the "Corporation").

B. Represents 80% of the Corporation's paid-in capital.

C. Represents US\$18,000,000.

D. Represents 80% of the amount mentioned in Note C.

E. Represents 100% of the paid-in capital of Yes Logistics Corp.

F. Represents 50% of the amount mentioned in Note E.

G. Represents HK\$20,000,000.

H. Represents 80% of the amount mentioned in Note G.

I. United States dollars, Great Britain's currency and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.60, GBP1=NT\$63.9579 and HK\$1=NT\$4.1927 on December 31, 2006.

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2006			Market Value or Net Asset Value (Note A)	Highest Shares/Units Held in 2006	Note
				Shares/Units	Carrying Value	% of Ownership			
Yang Ming Marine Transport Corporation	<u>Common stock</u>								
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	Investments accounted for using equity method	103,505,031	\$ 3,901,236	100.00	\$ 3,901,236	103,505,031	Note Y
	Yang Ming Line (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for using equity method	60,130,000	2,024,491	100.00	2,024,491	60,130,000	Note Y
	All Oceans Transportation, Inc.	Subsidiary	Investments accounted for using equity method	1,000	7,916,891	100.00	7,916,891	1,000	Note Y
	Kuang Ming Shipping Corp.	Subsidiary	Investments accounted for using equity method	24,000,000	306,112	100.00	306,753	24,000,000	Note Y
	Yang Ming Line Holding Co.	Subsidiary	Investments accounted for using equity method	13,500	229,711	100.00	229,711	13,500	Note Y
	Ching Ming Investment Corp.	Subsidiary	Investments accounted for using equity method	150,000,000	1,576,459	100.00	1,576,459	150,000,000	Note Y
	Honming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for using equity method	31,667,630	348,092	79.17	348,092	31,667,630	Note Y
	Jing Ming Transportation Co., Ltd.	Subsidiary	Investments accounted for using equity method	7,126,629	97,009	50.98	97,009	7,126,629	Note Y
	Yes Logistics Corp.	Subsidiary	Investments accounted for using equity method	55,251,100	514,181	46.04	514,181	55,251,100	Note Y
	Yang Ming (Liberia) Corp.	Subsidiary	Investments accounted for using equity method	500	(64,801 )	100.00	(64,801 )	500	Notes N and Y
	Transyang Shipping Pte. Ltd.	Equity-method investee	Investments accounted for using equity method	1,345	67,945	49.00	67,945	1,345	
	Chunghwa Investment Co., Ltd.	Equity-method investee	Investments accounted for using equity method	80,000,000	795,760	40.00	795,760	80,000,000	
	Ming Giant (Shanghai) International Logistics Company Limited	Subsidiary	Investments accounted for using equity method	(Note T)	228,200	100.00	228,200	(Note T)	Note Y
	Taipei Port Container Terminal Corporation	-	Financial asset measured at cost - noncurrent	8,000,000	76,640	10.00	-	8,000,000	
	Antwerp International Terminal	-	Financial asset measured at cost - noncurrent	1,486,030	58,978	16.33	-	1,486,030	
	Asustek Computer Inc.	-	Financial assets at fair value through profit or loss - current	210,000	18,732	0.01	18,732	772,500	
	Chipbond Technology Corporation	-	Financial assets at fair value through profit or loss - current	310,062	9,038	0.10	9,038	355,062	
	Chi Mei Optoelectronics Corporation	-	Financial assets at fair value through profit or loss - current	1,667,200	55,018	0.02	55,018	1,667,200	
	Formosa Chemicals & Fibre Corporation	-	Financial assets at fair value through profit or loss - current	360,000	19,620	0.01	19,620	544,700	
	Formosa Plastics Corporation	-	Financial assets at fair value through profit or loss - current	390,000	21,099	0.01	21,099	666,190	
	Motech Industries Inc.	-	Financial assets at fair value through profit or loss - current	9,084	3,652	0.01	3,652	9,084	
	Novatek Microelectronics Corp.	-	Financial assets at fair value through profit or loss - current	204,472	30,159	0.04	30,159	204,472	
	Taiwan Cooperative Bank	-	Financial assets at fair value through profit or loss - current	212,516	5,143	-	5,143	277,200	
	Tatung System Technologies Inc.	-	Financial assets at fair value through profit or loss - current	100,800	3,488	0.17	3,488	121,800	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Highest Shares/Units Held in 2006	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
	Walsin Technology Corporation	-	Financial assets at fair value through profit or loss - current	150,000	\$ 4,635	0.03	\$ 4,635	150,000	
	Eternal Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss - current	81,000	4,082	0.01	4,082	81,000	
	Li Shin International Enterprise Corporation	-	Financial assets at fair value through profit or loss - current	220,000	5,434	0.09	5,434	220,000	
	Career Technology (MFG) Co., Ltd.	-	Financial assets at fair value through profit or loss - current	100,000	2,660	0.03	2,660	100,000	
	Yeun Chyang Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss - current	100,000	4,300	0.05	4,300	100,000	
	UPC Technology Corporation	-	Financial assets at fair value through profit or loss - current	100,000	1,730	0.01	1,730	100,000	
	Yorkey Optical Intl Cayman	-	Financial assets at fair value through profit or loss - current	500,000	5,136	0.06	5,136	500,000	
	<u>Mutual fund</u>								
	Yuanta Asset Management Ltd. - Certificate Wintek	-	Financial assets at fair value through profit or loss - current	1,326,507	41,055	0.13	41,055	1,326,507	
	Yuanta Asset Management Ltd. - Certificate Chipbond	-	Financial assets at fair value through profit or loss - current	783,999	22,854	0.26	22,854	783,999	
	Yuanta Asset Management Ltd. - Certificate Novatek	-	Financial assets at fair value through profit or loss - current	32,444	4,785	0.01	4,785	176,175	
	Templeton Developing Markets Trust Fund	-	Financial assets at fair value through profit or loss - current	11,371	10,483	-	10,483	11,371	
	MLIIF Japan Value Fund	-	Financial assets at fair value through profit or loss - current	38,314	15,538	-	15,538	38,314	
	AIG Equity Fund Japan	-	Financial assets at fair value through profit or loss - current	5,519	42,094	-	42,094	5,519	
	ABN AMRO Bond Fund	-	Available-for-sale financial assets - current	13,677,877	206,115	-	206,115	61,729,172	
	Mega Diamond Bond Fund	-	Available-for-sale financial assets - current	26,117,313	300,464	-	300,464	60,302,829	
	NITC Bond Fund	-	Available-for-sale financial assets - current	610,249	100,411	-	100,411	4,925,275	
	AIG Taiwan Bond Fund	-	Available-for-sale financial assets - current	31,669,640	403,819	-	403,819	117,990,847	
	Fubon Jin-Ju - I Fund	-	Available-for-sale financial assets - current	58,764,804	718,770	-	718,770	59,589,664	
	ABN AMRO Income Fund	-	Available-for-sale financial assets - current	85,085,926	1,347,029	-	1,347,029	85,085,926	
	Ta Chong Bond Fund	-	Available-for-sale financial assets - current	40,684,284	529,844	-	529,844	62,040,305	
	Capital Income Fund	-	Available-for-sale financial assets - current	48,989,138	729,458	-	729,458	48,989,138	
	Capital Money Market Fund	-	Available-for-sale financial assets - current	55,381,231	756,242	-	756,242	55,381,231	
	Hua Nan Kirin Fund	-	Available-for-sale financial assets - current	46,722,606	517,229	-	517,229	66,640,551	
	Fuh-Hwa Yuli Bond Fund	-	Available-for-sale financial assets - current	25,348,622	314,538	-	314,538	25,348,622	
	TLAM Solomon Bond Fund	-	Available-for-sale financial assets - current	24,028,961	280,199	-	280,199	43,026,298	
	Fuh-Hwa Bond Fund	-	Available-for-sale financial assets - current	90,532,980	1,206,832	-	1,206,832	90,532,980	
	<u>Credit-linked notes</u>								
	ASE Credit-Linked Deposit	-	Financial assets at fair value through profit or loss - current	(Note Q)	32,620	-	32,620	(Note Q)	

(Continued)



Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Highest Shares/Units Held in 2006	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
Ching Ming Investment Co., Ltd.	<u>Preferred stock</u> New Century Infocomm Co., Ltd.	-	Financial asset measured at cost - noncurrent	80,000,000	\$ 659,200	1.68	\$ -	80,000,000	
	<u>Common stock</u> Honming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for using equity method	3,950,000	43,418	9.88	43,418	3,950,000	Note Y
	Yes Logistics Corp.	Subsidiary	Investments accounted for using equity method	49,311,077	458,928	41.09	458,928	49,311,077	Note Y
	Tytech Co., Ltd.	-	Financial asset measured at cost - noncurrent	150,000	1,500	1.11	-	150,000	
	SF Technology Venture Capital Investment Corp.	-	Financial asset measured at cost - noncurrent	3,200,000	20,534	7.24	-	4,000,000	
	United Venture Capital Corp.	-	Financial asset measured at cost - noncurrent	8,000,000	65,440	9.04	-	8,000,000	
	Ascentek Venture Capital Corp.	-	Financial asset measured at cost - noncurrent	1,400,000	14,056	1.50	-	2,000,000	
	China Technology Venture Capital Corporation	-	Financial asset measured at cost - noncurrent	3,000,000	30,000	8.96	-	3,000,000	
	Kingmax Technology Corp.	-	Financial asset measured at cost - noncurrent	1,644,231	21,835	1.38	-	1,644,231	
	U-Ming Marine Transport Corp.	-	Financial assets at fair value through profit or loss - current	400,000	17,780	-	17,780	722,000	
	Taiwan Navigation Co., Ltd.	-	Financial assets at fair value through profit or loss - current	140,000	3,542	-	3,542	140,000	
	Delta Electronics, Inc.	-	Financial assets at fair value through profit or loss - current	50,000	5,250	-	5,250	138,000	
	Powertech Technology Inc.	-	Financial assets at fair value through profit or loss - current	400,000	54,400	-	54,400	690,000	
	AU Optronics Corp.	-	Financial assets at fair value through profit or loss - current	50,750	2,299	-	2,299	540,000	
	Radiant Opto-Electronics Corp.	-	Financial assets at fair value through profit or loss - current	630,851	32,867	-	32,867	765,000	
	Novatek Microelectronics Corp.	-	Financial assets at fair value through profit or loss - current	269,285	39,720	-	39,720	269,285	
	Chipbond Technology Corporation	-	Financial assets at fair value through profit or loss - current	104,430	3,044	-	3,044	104,000	
	Hon Hai Precision Ind. Co., Ltd.	-	Financial assets at fair value through profit or loss - current	42,000	9,765	-	9,765	132,000	
	Taiwan Surface Mounting Technology Corp.	-	Financial assets at fair value through profit or loss - current	70,000	4,900	-	4,900	70,000	
	High Tech Computer Corp.	-	Financial assets at fair value through profit or loss - current	55,000	35,475	-	35,475	55,000	
Acer Incorporated	-	Financial assets at fair value through profit or loss - current	306,000	20,808	-	20,808	306,000		
Wellypower Optronics Co., Ltd.	-	Financial assets at fair value through profit or loss - current	50,000	6,000	-	6,000	50,000		
Coretronic Corporation	-	Financial assets at fair value through profit or loss - current	386,214	16,337	-	16,337	386,214		
Huaku Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	10,000	703	-	703	82,000		
The Ambassador Hotel, Ltd.	-	Financial assets at fair value through profit or loss - current	150,000	5,393	-	5,393	150,000		
Merry Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss - current	60,000	5,340	-	5,340	100,000		
Inotera Memories, Inc.	-	Financial assets at fair value through profit or loss - current	50,000	1,955	-	1,955	50,000		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Highest Shares/Units Held in 2006	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
	<u>Mutual fund</u> Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	11,335,723	\$ 151,105	-	\$ 151,105	15,070,735	
	Truwell Yi Li Shi	-	Financial assets at fair value through profit or loss - current	1,574,357	20,059	-	20,059	12,104,156	
	The First Global Investment Trust Duo Li-2 Bond Fund	-	Financial assets at fair value through profit or loss - current	2,058,961	30,060	-	30,060	6,950,671	
	CITC Cash Reserves	-	Financial assets at fair value through profit or loss - current	2,562,307	30,031	-	30,031	24,207,159	
	Capital Income Fund	-	Financial assets at fair value through profit or loss - current	8,612,458	128,241	-	128,241	8,612,458	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,339,552	141,189	-	141,189	10,339,552	
	Ta Chong North America Income Trust Fund	-	Financial assets at fair value through profit or loss - current	500,000	4,870	-	4,870	500,000	
	Prudential Financial First Fund	-	Financial assets at fair value through profit or loss - current	1,362,449	19,912	-	19,912	1,362,449	
	Cathay Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	1,341,693	19,874	-	19,874	1,341,693	
	Fidelity European Growth Fund	-	Financial assets at fair value through profit or loss - current	5,136	6,033	-	6,033	5,136	
	Templeton Developing Markets Fund	-	Financial assets at fair value through profit or loss - current	2,254	2,078	-	2,078	2,254	
	Fidelity European Aggressive Fund	-	Financial assets at fair value through profit or loss - current	1,277	1,137	-	1,137	1,277	
	Fidelity Emerging Markets Fund	-	Financial assets at fair value through profit or loss - current	2,477	1,487	-	1,487	2,477	
	AIG Global Medallion Fund of Funds	-	Financial assets at fair value through profit or loss - current	1,779,107	20,887	-	20,887	1,779,107	
	Capital Strategin Growth Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	10,600	-	10,600	1,000,000	
	AIG Latin America Fund	-	Financial assets at fair value through profit or loss - current	100,000	1,086	-	1,086	100,000	
	JF (Taiwan) Japan Brilliance Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	8,990	-	8,990	1,000,000	
Yes Logistics Corp.	<u>Common stock</u> Honming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,382,370	48,287	10.96	48,287	4,382,370	Note Y
	Yes Logistics Corp. (USA)	Subsidiary	Investments accounted for using equity method	1,100,000	14,587	100.00	14,587	1,100,000	Note Y
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for using equity method	340,000	(15,293 )	100.00	(15,293 )	340,000	Notes D and Y
	Nexus International Express Inc.	Equity-method investee	Investments accounted for using equity method	328,000	-	49.00	-	328,000	Note V
	B2B. Com Holdings Ltd.	-	Financial asset measured at cost - noncurrent	800,000	5,043	8.00	5,043	800,000	
	United Raw Material Solutions Inc.	-	Financial asset measured at cost - noncurrent	800,000	5,899	2.76	5,899	800,000	
	Chongqing Changming Terminal Stevedoring Co., Ltd	Equity-method investee	Investments accounted for using equity method	(Note R)	212,986	49.00	212,986	(Note R)	
	<u>Mutual fund</u> Tiim High Yield Fund	-	Financial assets at fair value through profit or loss - current	621,758	7,720	-	7,720	621,758	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,297,026	17,711	-	17,711	1,297,026	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Highest Shares/Units Held in 2006	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
	CITC Cash Reserves	-	Financial assets at fair value through profit or loss - current	154,044	\$ 1,805	-	\$ 1,805	2,548,433	
	Capital Income Fund	-	Financial assets at fair value through profit or loss - current	6,257,037	93,168	-	93,168	6,257,037	
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss - current	2,481,486	35,144	-	35,144	2,481,486	
	The RSIT Enhanced Bond Fund	-	Financial assets at fair value through profit or loss - current	545,479	6,016	-	6,016	1,369,086	
	ING CHB Global Fund of Bond Funds	-	Financial assets at fair value through profit or loss - current	1,977,555	20,475	-	20,475	1,977,555	
	Ta Chong Gallop Bond Fund	-	Financial assets at fair value through profit or loss - current	2,768,652	30,164	-	30,164	4,614,419	
	Ta Chong Bond Fund	-	Financial assets at fair value through profit or loss - current	761,984	9,924	-	9,924	761,984	
	NITC Bond Fund	-	Financial assets at fair value through profit or loss - current	308,559	50,770	-	50,770	308,559	
	NITC Bond Fund	-	Financial assets at fair value through profit or loss - current	301,421	49,596	-	49,596	301,421	
	Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss - current	350,980	4,038	-	4,038	8,739,273	
	Grand Cathay Stable Bond Fund	-	Financial assets at fair value through profit or loss - current	1,666,653	20,048	-	20,048	1,666,653	
	Fuh Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	1,503,364	20,040	-	20,040	1,503,364	
	Fuh Hwa Total Return Fund 3	-	Financial assets at fair value through profit or loss - current	2,000,000	21,200	-	21,200	2,000,000	
	Sheng Hua 5599 Bond Fund	-	Financial assets at fair value through profit or loss - current	2,676,325	30,000	-	30,000	2,676,325	
	The Wan Pao Fund	-	Financial assets at fair value through profit or loss - current	32,999	501	-	501	3,299,851	
Yes Yangming Logistics (Singapore) Pte. Ltd.	<u>Common stock</u> Yes Logistics U.K. Limited	Subsidiary	Investments accounted for using equity method	200	(2,583 )	100.00	(2,583 )	200	Notes D and Y
	Yes Logistics Company Ltd.	Subsidiary	Investments accounted for using equity method	1,000,000	(13,625 )	100.00	(13,625 )	1,000,000	Notes D and Y
	Yes Logistics (Netherlands) B.V.	Subsidiary	Investments accounted for using equity method	(Note S)	743	100.00	743	(Note S)	Note Y
Yes Logistics Corp. (USA)	<u>Common stock</u> Golden Logistics Corp.	Subsidiary	Investments accounted for using equity method	(Note M)	4,028	70.00	4,028	(Note M)	Note Y
	Golden Logistics Corp.	Subsidiary	Prepayment for investments accounted for using equity method	(Note M)	9,758	-	-	(Note M)	
Golden Logistics Corp.	<u>Common stock</u> Great Logistics (QDO) Corp.	Subsidiary	Investments accounted for using equity method	(Note W)	7,499	60.00	7,499	(Note W)	Note Y
Yang Ming Line (Singapore) Pte. Ltd.	<u>Common stock</u> Yang Ming Shipping (B.V.I.) Inc.	Subsidiary	Investments accounted for using equity method	510	251,576	51.00	251,576	510	Note Y
	Young-Carrier Company Ltd.	Subsidiary	Investments accounted for using equity method	910,000	449,165	91.00	449,165	910,000	Note Y
	Yangming (Japan) Co., Ltd.	Subsidiary	Investments accounted for using equity method	3,000	40,141	100.00	40,141	3,000	Note Y

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Highest Shares/Units Held in 2006	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
	Yangming Shipping (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for using equity method	1,000,000	\$ 39,387	100.00	\$ 39,387	1,000,000	Note Y
	Yang Ming Line (M) Sdn. Bhd.	Subsidiary	Investments accounted for using equity method	1,000,000	19,684	100.00	19,684	1,000,000	Note Y
	Yangming (Cayman) Ltd.	Subsidiary	Investments accounted for using equity method	20,000	(485 )	100.00	(485 )	20,000	Notes D and Y
	Yang Ming Line (Hong Kong) Ltd.	Subsidiary	Investments accounted for using equity method	510,000	(76,532 )	51.00	(76,532 )	510,000	Notes U and Y
	Yang Ming Line (India) Pvt. Ltd.	Subsidiary	Investments accounted for using equity method	300,000	7,549	60.00	7,549	300,000	Note Y
	Yang Ming (Korea) Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	15,638	60.00	15,638	60,000	Note Y
	Sino International United Petroleum Group Company Limited	Subsidiary	Investments accounted for using equity method	(Note O)	3,260	50.06	3,260	(Note O)	Note Y
	Yang Ming (Vietnam) Corp.	Equity-method investee	Investments accounted for using equity method	(Note I)	4,487	49.00	4,487	(Note I)	
	Formosa International Development Corporation	Equity-method investee	Prepayment for investments accounted for using equity method	(Note G)	177,996	30.00	-	(Note G)	
	Yangtze River Express Airlines Company Limited	-	Financial asset measured at cost - noncurrent	(Note P)	607,082	12.00	-	(Note P)	
	Global depository receipt Via Source Policy Fund	-	Financial asset held-to-maturity - noncurrent	5	9,617	-	9,617	5	
	World Energy Fund	-	Financial assets at fair value through profit or loss - current	45,328	60,610	-	60,610	45,328	
Yangming (Japan) Co., Ltd.	<u>Common stock</u> Manwa & Co., Ltd.	Subsidiary	Investments accounted for using equity method	200	2,469	100.00	2,469	200	Note Y
Yang Ming Shipping (B.V.I) Inc.	<u>Common stock</u> Karman Properties Limited	Subsidiary	Investments accounted for using equity method	1,000	(5,261 )	100.00	(5,261 )	1,000	Notes D and Y
Yang Ming Line (B.V.I.) Holding Co., Ltd.	<u>Common stock</u> Yang Ming Line N.V.	Subsidiary	Investments accounted for using equity method	1,500,000	(577,064 )	100.00	(577,064 )	1,500,000	Notes D and Y
Yang Ming Line N.V.	<u>Common stock</u> Yang Ming Line B.V.	Subsidiary	Investments accounted for using equity method	2,500	(580,453 )	100.00	(580,453 )	2,500	Notes D and Y
Yang Ming Line B.V.	<u>Common stock</u> Yangming (UK) Ltd.	Subsidiary	Investments accounted for using equity method	900,000	(653,691 )	100.00	(653,691 )	900,000	Notes D and Y
	Yang Ming Shipping Europe GmbH	Subsidiary	Investments accounted for using equity method	(Note B)	84,082	100.00	84,082	(Note B)	Note Y
	Yang Ming Italy S. p. A.	Equity-method investee	Investments accounted for using equity method	125,000	18,435	50.00	18,435	125,000	
	Yang Ming (Netherlands) B.V.	Equity-method investee	Investments accounted for using equity method	(Note J)	6,667	70.00	6,667	(Note J)	
Yangming (UK) Ltd.	<u>Common stock</u> Corstor Ltd.	Equity-method investee	Investments accounted for using equity method	(Note C)	32	50.00	32	(Note C)	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2006				Highest Shares/Units Held in 2006	Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)		
Yang Ming Shipping Europe GmbH	<u>Common stock</u> Yes Logistics Europe GmbH	Subsidiary	Investments accounted for using equity method	(Note K)	\$ 1,021	100.00	\$ 1,021	(Note K)	Note Y
	Zoll Pool Hafen Hamburg	-	Financial asset measured at cost - noncurrent	(Note X)	429	6.00	429	(Note X)	
Yang Ming Italy S. p. A.	<u>Common stock</u> Yang Ming Naples S.r.l.	Equity-method investee	Investments accounted for using equity method	(Note L)	588	60.00	588	(Note L)	
Yang Ming Line Holding Co.	<u>Common stock</u> West Basin Container Terminal LLC	Equity-method investee	Investments accounted for using equity method	(Note E)	416,833	40.00	416,833	(Note E)	
	United Terminal Leasing LLC	Equity-method investee	Investments accounted for using equity method	(Note F)	41,140	40.00	41,140	(Note F)	
	Yang Ming (America) Corp.	Subsidiary	Investments accounted for using equity method	5,000	81,066	100.00	81,066	5,000	Note Y
	Triumph Logistics Inc.	Subsidiary	Investments accounted for using equity method	200	(3,382)	100.00	(3,382)	200	Notes D and Y
	Olympic Container Terminal LLC	Subsidiary	Investments accounted for using equity method	(Note H)	(264,908)	100.00	(264,908)	(Note H)	Notes D and Y
	Topline Transportation Inc.	Subsidiary	Investments accounted for using equity method	200	4,239	100.00	4,239	200	Note D and Y
	Coastal Tarheel Express Inc.	Subsidiary	Investments accounted for using equity method	200	(1,151)	100.00	(1,151)	200	Notes D and Y
	Kuang Ming Shipping Corp.	<u>Common stock</u> Kuang Ming Shipping Corp. (Panama)	Subsidiary	Investments accounted for using equity method	49,500	48,944	100.00	48,944	49,500
Tatung Co.		-	Financial assets at fair value through profit or loss - current	300,000	4,380	-	4,380	2,000,000	
Taiwan Navigation Co., Ltd.		-	Financial assets at fair value through profit or loss - current	470,000	11,891	-	11,891	470,000	
<u>Mutual fund</u> Fuh Hwa Bond Fund		-	Available-for-sale financial asset - current	5,264,811	70,182	-	70,182	6,015,111	
Fuh-Hwa Yuli Bond Fund		-	Available-for-sale financial asset - current	2,016,471	25,021	-	25,021	7,937,321	
Honming Terminal & Stevedoring Co., Ltd.		<u>Common stock</u> Yes Logistics Corp.	Subsidiary	Investments accounted for using equity method	11,068,800	101,167	9.22	101,167	11,068,800

Notes:

- A. Market values were based on closing prices at December 31, 2006 or the net asset value of the fund on December 31, 2006, or, if market prices were unavailable, on the investees' net assets.  
B. The issued capital stock amounted to EUR818,000.  
C. This is equivalent to GBP500, and no shares were issued.  
D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.  
E. This is equivalent to US\$3,800,000, and no shares were issued.  
F. This is equivalent to US\$1,000,000, and no shares were issued.  
G. This is equivalent to US\$5,460,000, and no shares were issued.  
H. This is equivalent to US\$1,000,000, and no shares were issued.  
I. This is equivalent to US\$94,000, and no shares were issued.  
J. This is equivalent to EUR13,000, and no shares were issued.  
K. This is equivalent to EUR25,000, and no shares were issued.  
L. This is equivalent to EUR6,000, and no shares were issued.

(Continued)

- M. This is equivalent to US\$1,000,000, and no shares were issued.
- N. This is a deduction of long-term receivables from related parties.
- O. This is equivalent to US\$500,000, and no shares were issued.
- P. This is equivalent to US\$18,622,000, and no shares were issued.
- Q. This is equivalent to US\$1,000,000, and no shares were issued.
- R. This is equivalent to US\$6,434,000, and no shares were issued.
- S. This is equivalent to EUR30,000, and no shares were issued.
- T. This is equivalent to US\$7,000,000, and no shares were issued.
- U. The loss of subsidiary was recognized in proportion to the Company's equity. Because the minority interest commits to share in the investees' losses, the cumulative equity of the Corporation in the investee's net loss in excess of the related investments is not charged against the Corporation.
- V. Because recognize the investee's loss, the carrying value of investment become negative. Then the Corporation committed not to support its operation, and decrease the carrying value to zero.
- W. This is equivalent to RMB3,000,000, and no shares were issued.
- X. This is equivalent to EUR10,000, and no shares were issued.
- Y. The balance has been eliminated in consolidation.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 YEAR ENDED DECEMBER 31, 2006  
 (In Thousands of New Taiwan Dollars, Except Shares/Units)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance			
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount	
Yang Ming Marine Transport Corporation	<u>Common stock</u>														
	Ming Giant (Shanghai) International Logistics Company Limited	Investments accounted for using equity method	-	Subsidiary	-	\$ -	-	\$ 231,700	-	\$ -	\$ -	\$ -	-	\$ 231,700	
	Taishin Financial Holding Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	5,216,640	129,894	3,620,000	59,896	8,836,640	172,210	189,790	(17,580)	-	-	
	Cathay Financial Holding Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	485,000	29,005	1,531,000	97,772	2,016,000	131,250	126,777	4,473	-	-	
	China Steel Corporation	Financial assets at fair value through profit or loss - current	-	-	2,902,800	82,130	750,000	22,012	3,652,800	107,036	104,142	2,894	-	-	
	Gemtek Technology Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	2,078,605	125,351	450,544	11,809	2,529,149	150,335	137,160	13,175	-	-	
	Evergreen Marine Corp. (Taiwan) Ltd.	Financial assets at fair value through profit or loss - current	-	-	5,500,641	132,869	-	-	5,500,641	120,337	132,869	(12,532)	-	-	
	DELTA Electronics, Inc.	Financial assets at fair value through profit or loss - current	-	-	-	-	2,252,000	174,770	2,252,000	182,889	174,770	8,119	-	-	
	Asustek Computer Inc.	Financial assets at fair value through profit or loss - current	-	-	-	-	1,672,500	138,123	1,462,500	116,926	119,398	(2,472)	210,000	18,725	
	Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	3,226,991	198,001	3,226,991	200,790	198,001	2,789	-	-	
	Hon Hai Precision Ind. Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	559,000	105,995	559,000	110,060	105,995	4,065	-	-	
	<u>Mutual fund</u>														
	Fubon Ju-I II Fund	Available-for-sale financial assets - current	-	-	92,892,887	1,335,112	15,176,781	220,035	108,069,668	1,555,533	1,555,147	386	-	-	
	ABN AMRO Bond Fund	Available-for-sale financial assets - current	-	-	61,751,030	917,626	177,747,111	2,666,751	225,820,264	3,388,751	3,378,271	10,480	13,677,877	206,106	
	Fuhwa Bond Fund	Available-for-sale financial assets - current	-	-	38,969,860	491,765	-	-	38,969,860	493,474	491,765	1,709	-	-	
	NTS High Yield Fund	Available-for-sale financial assets - current	-	-	28,980,738	475,417	33,683,149	557,189	62,663,887	1,036,309	1,032,606	3,703	-	-	
	Mega Diamond Bond Fund	Available-for-sale financial assets - current	-	-	62,646,490	711,088	129,712,526	1,485,888	166,241,703	1,900,882	1,896,516	4,366	26,117,313	300,460	
	NITC Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	80,921,766	1,124,772	-	-	80,921,766	1,131,016	1,124,772	6,244	-	-	
	NITC Bond Fund	Available-for-sale financial assets - current	-	-	3,705,443	601,304	11,068,965	1,813,414	14,164,159	2,321,096	2,314,311	6,785	610,249	100,407	
	AIG Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	121,147,437	1,523,696	232,117,418	2,946,223	321,595,215	4,081,223	4,066,107	15,116	31,669,640	403,812	
	Fubon Jin-Ju I Fund	Available-for-sale financial assets - current	-	-	24,086,379	290,829	118,354,467	1,445,694	83,676,042	1,019,649	1,017,829	1,820	58,764,804	718,694	
	Fuh-Hwa Albatross Fund	Available-for-sale financial assets - current	-	-	-	-	38,501,548	430,955	38,501,548	432,283	430,955	1,328	-	-	
	Fubon Chi-Hsiang III Fund	Available-for-sale financial assets - current	-	-	-	-	124,260,412	1,300,000	124,260,412	1,302,912	1,300,000	2,912	-	-	
	Fubon Chi-Hsiang I Fund	Available-for-sale financial assets - current	-	-	-	-	11,608,944	150,005	11,608,944	150,466	150,005	461	-	-	
	ABN AMRO Select Bond Fund	Available-for-sale financial assets - current	-	-	-	-	173,195,087	1,948,019	173,195,087	1,953,099	1,948,019	5,080	-	-	
	ABN AMRO Income Fund	Available-for-sale financial assets - current	-	-	-	-	255,257,777	4,018,826	170,171,851	2,688,826	2,671,848	16,978	85,085,926	1,346,978	
	Ta Chong Bond Fund	Available-for-sale financial assets - current	-	-	-	-	269,989,456	3,497,024	229,305,172	2,974,024	2,967,201	6,823	40,684,284	529,823	
	Capital Income Fund	Available-for-sale financial assets - current	-	-	-	-	168,799,582	2,502,318	119,810,444	1,778,318	1,772,894	5,424	48,989,138	729,424	
	Capital Cash Reserves Fund	Available-for-sale financial assets - current	-	-	-	-	66,161,061	770,454	66,161,061	771,180	770,454	726	-	-	
	Capital Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	193,180,981	2,625,744	137,799,750	1,875,744	1,869,530	6,214	55,381,231	756,214	
	Hua Nan Kirin Fund	Available-for-sale financial assets - current	-	-	-	-	145,587,897	1,607,652	98,865,291	1,092,652	1,090,442	2,210	46,722,606	517,210	
	Fuh-Hwa Yu Li Fund	Available-for-sale financial assets - current	-	-	-	-	50,697,244	628,526	25,348,622	314,526	314,000	526	25,348,622	314,526	
	The RSIT Enhanced Bond Fund	Available-for-sale financial assets - current	-	-	-	-	27,298,040	300,000	27,298,040	300,055	300,000	55	-	-	
	Cathay Capital Income Growth Bond Fund	Available-for-sale financial assets - current	-	-	-	-	27,517,887	300,000	27,517,887	300,058	300,000	58	-	-	
	TLAM Solomon Bond Fund	Available-for-sale financial assets - current	-	-	-	-	103,139,015	1,200,194	79,110,054	920,280	920,000	280	24,028,961	280,194	
	Shinkong Chi-shin Fund	Available-for-sale financial assets - current	-	-	-	-	14,010,508	200,000	14,010,508	200,033	200,000	33	-	-	
Fuh-Hwa Bond Fund	Available-for-sale financial assets - current	-	-	-	-	283,295,327	3,769,157	192,762,347	2,564,629	2,562,366	2,263	90,532,980	1,206,791		
Energy-ETFs	Financial assets at fair value through profit or loss - current	-	-	-	-	203,000	361,078	203,000	374,378	361,078	13,300	-	-		
Ching Ming Investment Corp.	<u>Common stock</u>														
	Yang Ming Marine Transport Corporation	Financial assets at fair value through profit or loss - current	-	Parent company	21,778,356	400,748	-	-	21,778,356	435,524	400,748	34,776	-	-	
	Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	100,000	5,472	3,605,000	226,055	3,705,000	233,027	231,527	1,500	-	-	
	Cathay Financial Holding Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	2,480,000	154,962	2,480,000	160,338	154,962	5,376	-	-	
Yes Logistics Corp.	Investments accounted for using equity method	-	The same parent company	9,437,090	82,695	39,873,987	398,740	-	-	-	-	49,311,077	481,435		

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
	<u>Mutual fund</u>													
	Fuh-Hwa Bond Fund	Financial assets at fair value through profit or loss - current	-	-	5,165,635	\$ 67,939	51,715,374	\$ 687,169	45,545,286	\$ 605,118	\$ 604,006	\$ 1,112	11,335,723	\$ 151,102
	Truwell Yi Li Shi	Financial assets at fair value through profit or loss - current	-	-	12,104,156	152,569	7,345,410	93,256	17,875,209	226,493	225,767	726	1,574,357	20,058
	The First Global Investment Trust Duo Li-2 Bond Fund	Financial assets at fair value through profit or loss - current	-	-	6,950,671	100,275	4,861,767	70,724	9,753,477	141,361	140,939	422	2,058,961	30,060
	CITC Cash Reserves	Financial assets at fair value through profit or loss - current	-	-	12,985,365	150,184	31,940,575	371,659	42,363,633	493,444	491,813	1,631	2,562,307	30,030
	Capital Income Fund	Financial assets at fair value through profit or loss - current	-	-	2,730,692	40,034	28,789,462	426,811	22,907,696	339,811	338,610	1,201	8,612,458	128,235
	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	35,492,052	482,298	25,152,500	342,298	341,113	1,185	10,339,552	141,185
	Ta Chong Everybody's Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	12,427,572	160,000	12,427,572	160,389	160,000	389	-	-
	Fuh-Hwa Albatross Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	11,572,632	130,000	11,572,632	130,028	130,000	28	-	-
	Fuh-Hwa Yuli Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	14,137,164	174,794	14,137,164	175,058	174,794	264	-	-
Honming Terminal & Stevedoring Co., Ltd.	<u>Common stock</u>													
	Yes Logistics Corp. (Note 1)	Investments accounted for using equity method	-	The same parent company	1,068,800	9,347	10,000,000	100,000	-	-	-	-	11,068,800	109,347
Yang Ming Line (Singapore) Pte. Ltd.	<u>Common stock</u>													
	Formosa International Development Corporation	Prepayment for investments accounted for using equity method	-	-	-	-	-	177,996	-	-	-	-	-	177,996
Yes Logistics Corp.	<u>Mutual fund</u>													
	Nam Short Term Fixed Income Fund	Financial assets at fair value through profit or loss - current	-	-	16,120	7,231	484,681	218,001	500,801	225,935	225,232	703	-	-
	CITC Cash Reserves	Financial assets at fair value through profit or loss - current	-	-	174,330	2,016	9,410,576	109,700	9,430,862	110,036	109,913	123	154,044	1,803
	Mega Diamond Bond Fund	Financial assets at fair value through profit or loss - current	-	-	1,762,115	20,000	9,090,252	104,019	10,501,387	120,112	120,000	112	350,980	4,019
	Chongqing Changming Terminal Stevedoring Co., Ltd.	Investments accounted for using equity method	-	-	-	45,640	-	164,108	-	-	-	-	-	209,748

Note 1: The balance has been eliminated in consolidation.

(Concluded)



**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATES AT COST OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**(Expressed in Thousands of New Taiwan Dollars)**

Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-Party				Price Reference	Purpose of Acquisition	Other Terms
						Owner	Relationship	Transaction Date	Amount			
Land in Yengcheng District, Kaohsiung	August 11, 2006	\$138,061	Fully paid	RSEA Engineering Corporation	Third parties	-	-	-	-	Public bidding	Operation	-

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2006**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of 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.	A	\$ 20,337,954 (Note E)	-	\$ -	-	\$ 164,024	\$ -
	Yang Ming (Liberia) Corp.	A	3,262,975 (Note F)	-	-	-	213,126	-
	Yangming (UK) Ltd.	A	2,772,279 (Note H)	-	-	-	71,937	-
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	1,265,066 (Note G)	-	-	-	-	-
	Young-Carrier Company Ltd.	A	805,123	-	-	-	769,377	-
	Yang Ming (America) Corp.	A	527,683	-	-	-	123,956	-
	Yang Ming Italy S.p.A.	B	288,788	-	-	-	226,357	-
	Yang Ming Line (Hong Kong) Ltd.	A	189,309	-	-	-	182,267	-
	Yang Ming (Korea) Co., Ltd.	A	103,900	-	-	-	90,305	-
	Yang Ming Shipping Europe GmbH	A	132,385	-	-	-	79,238	-
All Oceans Transportation, Inc.	Kuang Ming Shipping Corp.	C	214,098	-	-	-	5,465	-
Young-Carrier Company Ltd. (Note H)	Yang Ming Marine Transport Corporation	D	121,643	-	-	-	121,643	-
Yang Ming Line (Hong Kong) Ltd. (Note H)	Yang Ming Marine Transport Corporation	D	210,962	-	-	-	198,549	-
Jing Ming Transportation Co., Ltd.	Yang Ming Marine Transport Corporation	D	105,675	-	-	-	95,544	-

Notes:

- A. Subsidiary of the Corporation.
- B. An equity-method investee of subsidiary of the Corporation.
- C. The same parent company.
- D. Parent company.
- E. Dividend receivables and proceeds from sale of ships.
- F. Financing providing and proceeds from sale of ship.
- G. Dividends receivable.
- H. Receivables, net of agency collections and payments.
- I. Collections between related parties have been made according to "Agency Accounting Procedure" by the Corporation and local business conventions.
- J. Except for Yang Ming Italy S.p.A., the balance has been eliminated in consolidation.

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2006  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A)		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2006	December 31, 2005	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transport Corporation	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	103,505,031	100.00	\$ 3,901,236	\$ (9,808)	\$ (9,808)	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	2,024,491	142,131	142,131	Subsidiary
	Ching Ming Investment Corp.	Taipei, Taiwan	Investment	1,500,013	1,500,013	150,000,000	100.00	1,576,459	82,435	46,631	Subsidiary
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	7,916,891	2,128,863	2,128,863	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	551,944	551,944	55,251,100	46.04	514,181	1,472	1,780	Subsidiary
	Kuang Ming Shipping Corp.	Taipei, Taiwan	Shipping service, shipping agency and forwarding agency	143,168	143,168	24,000,000	100.00	306,112	57,610	57,720	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	316,780	316,780	31,667,630	79.17	348,092	16,708	13,050	Subsidiary
	Jing Ming Transportation Co., Ltd.	Kaohsiung, Taiwan	Container transportation	35,844	35,808	7,126,629	50.98	97,009	24,935	12,451	Subsidiary
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	143,860	111,400	13,500	100.00	229,711	(59,943)	(59,943)	Subsidiary
	Transyang Shipping Pte. Ltd.	Singapore	Shipping services; chartering, sale and purchase of ships; forwarding agency and shipping agency	57,802	24,842	1,345	49.00	67,945	9,161	2,473	Equity-method investee
Ching Ming Investment Corp.	Chunghwa Investment Co., Ltd	Taipei, Taiwan	Investment	800,000	800,000	80,000,000	40.00	795,760	51,268	20,508	Equity-method investee
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,378	3,378	500	100.00	(64,801)	(46,206)	(46,206)	Subsidiary
	Ming Giant (Shanghai) International Logistics Company Limited	Shanghai, China	Warehouse operation and forwarding agency	231,700	-	(Note Q)	100.00	228,200	-	-	Subsidiary
Yang Ming Line Holding Co.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	43,418	16,708	-	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	493,111	94,371	49,311,077	41.09	458,928	1,472	-	Subsidiary
Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	416,833	210,519	-	Equity-method investee
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation and machine lease	34,750	34,750	(Note G)	40.00	41,140	9,663	-	Equity-method investee
	Yang Ming (America) Corp.	New Jersey, U.S.A.	Shipping agency, forwarding agency and shipping managers	17,305	17,305	5,000	100.00	81,066	2,350	-	Subsidiary
	Triumph Logistics INC.	U.S.A.	Container transportation	1,699	1,699	200	100.00	(3,382)	961	-	Subsidiary
	Olympic Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	31,530	31,530	(Note S)	100.00	(264,908)	(220,544)	-	Subsidiary
	Topline Transportation Inc.	U.S.A.	Container transportation	4,860	-	200	100.00	4,239	(649)	-	Subsidiary
	Coastal Tarheel Express Inc.	U.S.A.	Container transportation	2,430	-	200	100.00	(1,151)	(3,587)	-	Subsidiary
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(577,064)	(656,561)	-	Subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Amsterdam, The Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	(580,453)	(656,955)	-	Subsidiary
Yang Ming Line B.V.	Yangming (UK) Ltd.	London, U.K.	Shipping agency, forwarding agency and shipping managers	42,408	42,408	900,000	100.00	(653,691)	(686,791)	-	Subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	29,697	29,697	(Note B)	100.00	84,082	18,262	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A)		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2006	December 31, 2005	Shares	Percentage of Ownership	Carrying Value			
	Yang Ming Italy S.p.A.	Genova, Italy	Shipping agency	\$ 4,319	\$ 4,319	125,000	50.00	\$ 18,435	\$ 19,613	\$ -	Equity-method investee
	Yang Ming (Netherlands) B.V.	Amsterdam, The Netherlands	Shipping agency	540	540	(Note I)	70.00	6,667	4,229	-	Equity-method investee
Yangming (UK) Ltd.	Corstor Ltd.	U.K.	Forwarding agency and shipping managers	25	25	(Note C)	50.00	32	(3,313)	-	Equity-method investee
Yang Ming Italy S.p.A.	Yang Ming Naples S.r.l.	Naples, Italy	Forwarding agency	238	238	(Note K)	60.00	588	667	-	Equity-method investee
Yang Ming Shipping Europe GmbH	Yes Logistics Europe GmbH	Hamburg, Germany	Forwarding agency	945	945	(Note H)	100.00	1,021	(5)	-	Subsidiary
Yangming Shipping (Singapore) Pte Ltd.	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	449,165	100,564	-	Subsidiary
	Yang Ming Shipping (B.V.I) Inc.	British Virgin Islands	Forwarding agency and shipping agency	16	16	510	51.00	251,576	23,870	-	Subsidiary
	Yangming (Japan) Co., Ltd.	Tokyo, Japan	Shipping services; chartering, sale and purchase of ships; and forwarding agency	36,235	36,235	3,000	100.00	40,141	9,141	-	Subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	510,000	51.00	(76,532)	(4,331)	-	Subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	39,387	3,435	-	Subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	10,727	1,000,000	100.00	19,684	621	-	Subsidiary
	Yangming (Cayman) Ltd.	Cayman Island	Chartering of chips	629	629	20,000	100.00	(485)	(65)	-	Subsidiary
	Yang Ming Line (India) Pvt. Ltd.	India	Forwarding agency and shipping managers	2,228	2,228	300,000	60.00	7,549	7,524	-	Subsidiary
	Yang Ming (Vietnam) Corp.	Vietnam	Shipping agency, forwarding agency and shipping managers	3,197	3,197	(Note J)	49.00	4,487	3,196	-	Equity-method investee
	Yang Ming (Korea) Co., Ltd.	Korea	Shipping agency, forwarding agency and shipping managers	10,107	-	60,000	60.00	15,638	8,280	-	Subsidiary
	Sino International United Petroleum Group Company Limited	Hong Kong	Trade	6,520	-	(Note P)	50.06	3,260	(3,275)	-	Subsidiary
	Formosa International Development Corporation	Vietnam	Invest industry district and real estate	176,904	-	(Note O)	30.00	177,996	-	-	Prepayment for investments accounted for using equity method
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,469	(21)	-	Subsidiary
Yang Ming Shipping (B.V.I) Inc.	Karman Properties Limited	Hong Kong	Property agency	4	4	1,000	100.00	(5,261)	(359)	-	Subsidiary
Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Panama	Forwarding agency	30,887	30,887	49,500	100.00	48,944	50,756	-	Subsidiary
Honming Terminal & Stevedoring Co., Ltd.	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	110,610	10,610	11,068,800	9.22	101,167	1,472	-	Subsidiary
Yes Logistics Corp.	Yes Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	26,035	26,035	1,100,000	100.00	14,587	(13,423)	-	Subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment and subsidiaries management	6,608	6,608	340,000	100.00	(15,293)	(8,661)	-	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	43,824	43,824	4,382,370	10.96	48,287	18,897	-	Subsidiary
	Nexus International Express Inc.	California, USA	Terminal operation and stevedoring	10,283	10,283	328,000	49.00	-	(25,142)	-	Equity-method investee
	Chongqing Changming Terminal Stevedoring Co., Ltd	Chongqing, China	Terminal operation and stevedoring	211,417	46,340	(Note D)	49.00	212,986	1,931	-	Equity-method investee
Yes Logistics Corp. (U.S.A.)	Golden Logistics Corp.	Shanghai, China	Forwarding agency	32,652	22,722	(Note L)	70.00	13,786	(17,907)	-	Subsidiary
Golden Logistics Corp.	Great Logistics (QDO) Corp.	Qingdao, China	Forwarding agency	7,499	7,499	(Note R)	60.00	7,499	(1)	-	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A)		Balance as of December 31, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2006	December 31, 2005	Shares	Percentage of Ownership	Carrying Value			
Yes Yangming Logistics (Singapore) Pte. Ltd.	Yes Logistic UK Limited	U.K.	Shipping agency	\$ 344	\$ 344	200	100.00	\$ (2,583) (Note E)	\$ (1,871)	\$ -	Subsidiary
	Yes Logistics Company Ltd.	Hong Kong	Shipping agency	4,304	4,304	1,000,000	100.00	(13,625) (Note E)	(7,987)	-	Subsidiary
	Yes Logistics (Netherlands) B.V.	Netherlands	Shipping agency	1,216	1,216	(Note N)	100.00	743	(543)	-	Subsidiary

Notes:

- A. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- B. This is equivalent to EUR818,000, and no shares were issued.
- C. This is equivalent to GBP500, and no shares were issued.
- D. This is equivalent to US\$6,434,000, and no shares were issued.
- E. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000, and no shares were issued.
- G. This is equivalent to US\$1,000,000, and no shares were issued.
- H. Paid-in capital was equivalent to EUR25,000, and no shares were issued.
- I. Paid-in capital was equivalent to EUR13,000, and no shares were issued.
- J. This is equivalent to US\$94,000, and no shares were issued.
- K. This is equivalent to EUR6,000, and no shares were issued.
- L. This is equivalent to US\$1,000,000, and no shares were issued.
- M. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as the deduction of long-term receivables from related parties.
- N. This is equivalent to EUR30,000, and no shares were issued.
- O. This is equivalent to US\$5,460,000, and no shares were issued.
- P. This is equivalent to US\$500,000, and no shares were issued.
- Q. This is equivalent to US\$7,000,000, and no shares were issued.
- R. This is equivalent to RMB3,000,000, and no shares were issued.
- S. This is equivalent to US\$1,000,000, and no shares were issued.
- T. The balance of investments accounted for using equity method, equity in investees' net income (loss) and investees' net assets of consolidated parties have been eliminated in consolidation.

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2006

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006	Accumulated Investment in Mainland China as of December 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
						Outflow	Inflow								
Yang Ming Marine Transportation Corporation	Yangtze River Express Airlines Company Limited (Note A)	Shipping agency	RMB 500,000,000	Indirect investment through Singapore-based subsidiary's direct investment in Mainland China.	\$ 556,091 (US\$ 17,058,000)	\$ 50,986 (US\$ 1,564,000)	\$ -	\$ 607,077 (US\$18,622,000)	12%	\$ -	\$ 607,082 (US\$18,622,000)	-	\$ 835,277 (US\$ 25,622,000)	\$ 1,701,720 (US\$ 52,200,000)	\$ 10,067,562
	Ming Giant (Shanghai) International Logistics Company Limited (Notes B and G)	Warehouse operation and forwarding agency	US\$ 7,000,000	Direct investment in Mainland China	-	228,200 (US\$ 7,000,000)	-	228,200 (US\$ 7,000,000)	100%	-	228,200 (US\$ 7,000,000)	-	-	-	-
Yes Logistics Corp.	Golden Logistics Corp. (Notes C and G)	Shipping agency	US\$ 1,000,000	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	22,820 (US\$ 700,000)	9,780 (US\$ 300,000)	-	32,600 (US\$ 1,000,000)	70%	(12,775)	4,028	-	242,348 (US\$ 7,434,000)	\$ 372,748 (US\$ 11,434,000)	446,726
	Chongqing Changming Terminal Stevedoring Co., Ltd. (Note D)	Terminal operation and stevedoring	RMB 104,800,000	Investee's direct investment in Mainland China.	45,640 (US\$ 1,400,000)	164,108 (US\$ 5,034,000)	-	209,748 (US\$ 6,434,000)	49%	(946)	212,986 (US\$ 6,434,000)	-	-	-	-

## Notes:

- A. The Corporation was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on November 23, 2005.
- B. The Corporation was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on November 22, 2006.
- 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 June 3, 2004, July 4, 2006 and December 26, 2006.
- D. 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 and November 29, 2006.
- E. It represents 40% (\$1,116,814 thousand) of the net assets of Yes Logistics Corp. as of December 31, 2006.
- F. U.S. dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.60.
- G. The balance has been eliminated in consolidation.

## YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

GEOGRAPHIC AREA INFORMATION  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)

	2006						2005							
	Domestic Area	Asia	Africa	Europe	America	Adjustment and Eliminations	Combined (Note A)	Domestic Area	Asia	Africa	Europe	America	Adjustment and Eliminations	Combined (Note A)
Sales to customers	\$ 92,545,780	\$ 61,284	\$ -	\$ 14,512,558	\$ 179,361	\$ -	\$ 107,298,983	\$ 83,729,912	\$ 31,459	\$ -	\$ 14,021,512	\$ 87,568	\$ -	\$ 97,870,451
Intracompany sales (Note B)	<u>2,746,655</u>	<u>1,461,443</u>	<u>6,954,903</u>	<u>3,367,710</u>	<u>1,934,739</u>	<u>(16,465,450)</u>	-	<u>2,954,754</u>	<u>1,132,239</u>	<u>10,325,605</u>	<u>3,105,239</u>	<u>1,750,269</u>	<u>(19,268,106)</u>	-
Total revenues	<u>\$ 95,292,435</u>	<u>\$ 1,522,727</u>	<u>\$ 6,954,903</u>	<u>\$ 17,880,268</u>	<u>\$ 2,114,100</u>	<u>\$ (16,465,450)</u>	<u>\$ 107,298,983</u>	<u>\$ 86,684,666</u>	<u>\$ 1,163,698</u>	<u>\$ 10,325,605</u>	<u>\$ 17,126,751</u>	<u>\$ 1,837,837</u>	<u>\$ (19,268,106)</u>	<u>\$ 97,870,451</u>
Segment operating income (Note C)	<u>\$ (947,178)</u>	<u>\$ 95,405</u>	<u>\$ 2,894,882</u>	<u>\$ (58,210)</u>	<u>\$ 204,177</u>	<u>\$ -</u>	\$ 2,189,076	<u>\$ 3,544,916</u>	<u>\$ 113,824</u>	<u>\$ 6,883,207</u>	<u>\$ 529,677</u>	<u>\$ 269,359</u>	<u>\$ -</u>	\$ 11,340,983
Equity in investees' net income							107,056							167,614
General income, net							1,201,952							548,565
General expenses							(754,716)							(766,045)
Interest expense							<u>(1,063,232)</u>							<u>(1,125,067)</u>
Income before income tax							<u>\$ 1,680,136</u>							<u>\$ 10,166,050</u>
Identifiable assets (Note D)	<u>\$ 67,698,313</u>	<u>\$ 2,587,453</u>	<u>\$ 37,539,641</u>	<u>\$ 17,656,334</u>	<u>\$ 783,258</u>	<u>\$ (32,178,185)</u>	\$ 94,086,814	<u>\$ 66,979,910</u>	<u>\$ 2,931,758</u>	<u>\$ 28,250,138</u>	<u>\$ 14,841,888</u>	<u>\$ 1,112,838</u>	<u>\$ (26,332,599)</u>	\$ 87,783,933
Investments in shares of stock							1,564,285							1,230,328
General assets							<u>549,095</u>							<u>763,229</u>
Total assets							<u>\$ 96,200,194</u>							<u>\$ 89,777,490</u>

## Notes:

- A. The Group operates principally in four geographic areas, namely, Republic of China (domestic), Asia, Africa, Europe and America.
- B. Revenues from inter-division goods and services.
- C. Representing revenues minus costs and operating expenses. Operating expenses include costs and expenses that directly correspond to a geographic area, excluding general and administrative expenses and interest expense.
- D. Representing tangible assets that are used by the geographic area directly, excluding.
- Assets maintained for general corporate purposes;
  - Advances or loans to, or investments in, another geographic area; and
  - Equity-method investments in shares of stock.

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS BETWEEN YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES  
YEARS ENDED DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)**

2006

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
0	YMTC	Yangming-ERO	1	Operating costs	\$ 359,786	Conducted as agreed terms	-
				Accounts receivable from related parties	132,385	Conducted as agreed terms	-
				Advances to shipping agents	15,344	Conducted as agreed terms	-
		Yangming-UK	1	Operating revenues	1,266,845	Conducted as agreed terms	1%
				Operating costs	2,606,482	Conducted as agreed terms	2%
				Accounts receivable from related parties	158,154	Conducted as agreed terms	-
				Other receivable from related parties	2,614,125	Conducted as agreed terms	3%
				Advances to shipping agents	67,224	Conducted as agreed terms	-
		Yes Logistics	1	Operating revenues	163,407	Conducted as agreed terms	-
				Rent income	4,000	Conducted as agreed terms	-
				Operating costs	42,708	Conducted as agreed terms	-
				Accounts receivable from related parties	9,838	Conducted as agreed terms	-
				Payables to related parties	669	Conducted as agreed terms	-
		Kuang Ming	1	Operating costs	37,241	Conducted as agreed terms	-
				Other receivable from related parties	30,823	Conducted as agreed terms	-
				Payables to related parties	756	Conducted as agreed terms	-
		AOT	1	Operating costs	5,348,409	Conducted as agreed terms	5%
				Interest revenues	713,194	Conducted as agreed terms	1%
				Other receivable from related parties	3,110,560	Conducted as agreed terms	3%
				Long-term receivables from related parties	17,227,394	Conducted as agreed terms	18%
				Acquisition of properties	651,448	Conducted as agreed terms	1%
				Disposal of properties	4,519,963	Conducted as agreed terms	5%
		Honming	1	Operating costs	199,404	Conducted as agreed terms	-
		Jing Ming	1	Operating costs	711,795	Conducted as agreed terms	1%
				Payables to related parties	105,675	Conducted as agreed terms	-
		Yang Ming-America	1	Operating costs	1,678,561	Conducted as agreed terms	2%
				Accounts receivable from related parties	527,683	Conducted as agreed terms	1%
				Payables to related parties	28,865	Conducted as agreed terms	-
		Olympic Container Terminal LLC	1	Operating costs	192,293	Conducted as agreed terms	-
				Payables to related parties	14,049	Conducted as agreed terms	-
Operating costs	247,137			Conducted as agreed terms	-		
Yangming-Japan	1	Accounts receivable from related parties	1,055	Conducted as agreed terms	-		
		Payables to related parties	94,029	Conducted as agreed terms	-		
		Operating costs	515,041	Conducted as agreed terms	-		
Young-Carrier	1	Accounts receivable from related parties	805,123	Conducted as agreed terms	1%		
		Payables to related parties	121,643	Conducted as agreed terms	-		
		Operating costs	186,417	Conducted as agreed terms	-		
Yangming-Cayman	1	Prepaid expense	2,070	Conducted as agreed terms	-		

(Continued)



Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
		YML-HK	1	Operating costs	\$ 175,836	Conducted as agreed terms	-
				Accounts receivable from related parties	189,309	Conducted as agreed terms	-
				Payables to related parties	210,962	Conducted as agreed terms	-
		YMS-Singapore	1	Operating costs	68,215	Conducted as agreed terms	-
				Accounts receivable from related parties	13,927	Conducted as agreed terms	-
				Payables to related parties	27,440	Conducted as agreed terms	-
		KMS-Panama	1	Operating costs	59,668	Conducted as agreed terms	-
				Other receivable from related parties	457	Conducted as agreed terms	-
				Prepaid expense	1,820	Conducted as agreed terms	-
		YML-M	1	Operating costs	41,423	Conducted as agreed terms	-
				Accounts receivable from related parties	63,116	Conducted as agreed terms	-
				Payables to related parties	74,990	Conducted as agreed terms	-
		YML-India	1	Operating costs	27,018	Conducted as agreed terms	-
				Accounts receivable from related parties	20,711	Conducted as agreed terms	-
				Payables to related parties	56,598	Conducted as agreed terms	-
		Yang Ming-Korea	1	Operating costs	117,807	Conducted as agreed terms	-
				Accounts receivable from related parties	103,900	Conducted as agreed terms	-
				Payables to related parties	79,638	Conducted as agreed terms	-
		YMS-BVI	1	Operating costs	169,201	Conducted as agreed terms	-
		YML Holding	1	Other receivable from related parties	10,453	Conducted as agreed terms	-
				Long-term receivable from related parties	20,215	Conducted as agreed terms	-
		Yang Ming-Liberia	1	Operating costs	58,388	Conducted as agreed terms	-
				Interest revenues	120,432	Conducted as agreed terms	-
				Other receivable from related parties	1,211,552	Conducted as agreed terms	1%
				Long-term receivables from related parties	2,051,423	Conducted as agreed terms	2%
		YML-BVI	1	Long-term receivables from related parties	1,265,066	Conducted as agreed terms	1%
		Ching Ming	1	Other receivable from related parties	2,480	Conducted as agreed terms	-
1	Kuang Ming	YMTC	2	Operating revenues	37,241	Conducted as agreed terms	-
				Payables to related parties	30,823	Conducted as agreed terms	-
		AOT	3	Accounts receivable from related parties	756	Conducted as agreed terms	-
				Interest expenses	2,334	Conducted as agreed terms	-
				Long-term payables to related parties	214,098	Conducted as agreed terms	-
2	AOT	YMTC	2	Operating revenues	5,348,409	Conducted as agreed terms	5%
				Interest expenses	713,194	Conducted as agreed terms	1%
				Payables to related parties	3,110,560	Conducted as agreed terms	3%
				Long-term payables to related parties	17,227,394	Conducted as agreed terms	18%
				Disposal of properties	651,448	Conducted as agreed terms	1%
				Acquisition of properties	4,519,963	Conducted as agreed terms	5%
		Yangming-UK	3	Operating revenues	1,348,951	Conducted as agreed terms	1%
		Kuang Ming	3	Interest revenues	2,334	Conducted as agreed terms	-
				Long-term receivables from related parties	214,098	Conducted as agreed terms	-
		KMS-Panama	3	Long-term receivables from related parties	23,956	Conducted as agreed terms	-
3	Honming	YMTC	2	Operating revenues	199,404	Conducted as agreed terms	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
4	Jing Ming	YMTC	2	Operating revenues	\$ 711,795	Conducted as agreed terms	1%
				Accounts receivable from related parties	105,675	Conducted as agreed terms	-
		Yes Logistics	3	Operating revenues	3,654	Conducted as agreed terms	-
				Accounts receivable from related parties	912	Conducted as agreed terms	-
5	Yang Ming-America	YMTC	2	Operating revenues	1,678,561	Conducted as agreed terms	2%
				Payables to related parties	527,683	Conducted as agreed terms	1%
				Accounts receivable from related parties	28,865	Conducted as agreed terms	-
		Yangming-UK	3	Payables to related parties	2,456	Conducted as agreed terms	-
				Accounts receivable from related parties	75,670	Conducted as agreed terms	-
6	Olympic Container Terminal LLC	YMTC	2	Operating revenues	192,293	Conducted as agreed terms	-
				Accounts receivable from related parties	14,049	Conducted as agreed terms	-
7	Yangming-Japan	YMTC	2	Operating revenues	247,137	Conducted as agreed terms	-
				Payables to related parties	1,055	Conducted as agreed terms	-
				Accounts receivable from related parties	94,029	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	2,274	Conducted as agreed terms	-
				Payables to related parties	5,167	Conducted as agreed terms	-
				Accounts receivable from related parties	471	Conducted as agreed terms	-
8	YML Holding	YMTC	2	Payables to related parties	10,453	Conducted as agreed terms	-
				Long-term payables to related parties	20,215	Conducted as agreed terms	-
9	Young-Carrier	YMTC	2	Operating revenues	515,041	Conducted as agreed terms	-
				Payables to related parties	805,123	Conducted as agreed terms	1%
				Accounts payable to related parties	121,643	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	46,018	Conducted as agreed terms	-
				Payables to related parties	99,414	Conducted as agreed terms	-
				Accounts payable to related parties	45,404	Conducted as agreed terms	-
10	Yangming-Cayman	YMTC	2	Operating revenues	186,417	Conducted as agreed terms	-
				Advances from customers	2,070	Conducted as agreed terms	-
11	Yangming-UK	YMTC	2	Operating costs	1,266,845	Conducted as agreed terms	1%
				Operating revenues	2,606,482	Conducted as agreed terms	2%
				Payables to related parties	2,772,279	Conducted as agreed terms	3%
				Advances from related parties	67,224	Conducted as agreed terms	-
		AOT	3	Operating costs	1,348,951	Conducted as agreed terms	1%
				YML-BVI	3	Operating costs	714,290
		Yangming-Japan	3	Payables to related parties		513,157	Conducted as agreed terms
				Operating costs	2,274	Conducted as agreed terms	-
				Accounts receivable from related parties	5,167	Conducted as agreed terms	-
				Payables to related parties	471	Conducted as agreed terms	-
		Yang Ming-Korea	3	Operating costs	2,412	Conducted as agreed terms	-
				Accounts receivable from related parties	1,216	Conducted as agreed terms	-
				Payables to related parties	2,471	Conducted as agreed terms	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
		Young-Carrier	3	Operating costs	\$ 46,018	Conducted as agreed terms	-
				Accounts receivable from related parties	99,414	Conducted as agreed terms	-
		YML-HK	3	Payables to related parties	45,404	Conducted as agreed terms	-
				Operating costs	15,925	Conducted as agreed terms	-
				Accounts receivable from related parties	13,990	Conducted as agreed terms	-
		YMS-Singapore	3	Payables to related parties	6,967	Conducted as agreed terms	-
				Operating costs	14,385	Conducted as agreed terms	-
				Accounts receivable from related parties	1,361	Conducted as agreed terms	-
		YML-M	3	Payables to related parties	6,993	Conducted as agreed terms	-
				Operating costs	5,607	Conducted as agreed terms	-
				Accounts receivable from related parties	1,543	Conducted as agreed terms	-
		Yangming-ERO	3	Payables to related parties	3,359	Conducted as agreed terms	-
				Operating costs	61,026	Conducted as agreed terms	-
				Accounts receivable from related parties	43,877	Conducted as agreed terms	-
		YML-India	3	Payables to related parties	27,644	Conducted as agreed terms	-
				Operating costs	43,602	Conducted as agreed terms	-
				Accounts receivable from related parties	66,320	Conducted as agreed terms	-
		Yang Ming-America	3	Payables to related parties	98,687	Conducted as agreed terms	-
				Accounts receivable from related parties	2,456	Conducted as agreed terms	-
				Payables to related parties	75,670	Conducted as agreed terms	-
12	YML-HK	YMTC	2	Operating revenues	175,836	Conducted as agreed terms	-
				Payables to related parties	189,309	Conducted as agreed terms	-
		Yangming-UK	3	Accounts receivable from related parties	210,962	Conducted as agreed terms	-
				Operating revenues	15,925	Conducted as agreed terms	-
				Payables to related parties	13,990	Conducted as agreed terms	-
				Accounts receivable from related parties	6,967	Conducted as agreed terms	-
13	YMS-Singapore	YMTC	2	Operating revenues	68,215	Conducted as agreed terms	-
				Payables to related parties	13,927	Conducted as agreed terms	-
		Yangming-UK	3	Accounts receivable from related parties	27,440	Conducted as agreed terms	-
				Operating revenues	14,385	Conducted as agreed terms	-
				Payables to related parties	1,361	Conducted as agreed terms	-
				Accounts receivable from related parties	6,993	Conducted as agreed terms	-
14	KMS-Panama	YMTC	2	Operating revenues	59,668	Conducted as agreed terms	-
				Payables to related parties	457	Conducted as agreed terms	-
		AOT	3	Advances from customers	1,820	Conducted as agreed terms	-
				Long-term payables to related parties	23,956	Conducted as agreed terms	-
15	YML-M	YMTC	2	Operating revenues	41,423	Conducted as agreed terms	-
				Payables to related parties	63,116	Conducted as agreed terms	-
		Yangming-UK	3	Accounts receivable from related parties	74,990	Conducted as agreed terms	-
				Operating revenues	5,607	Conducted as agreed terms	-
				Payables to related parties	1,543	Conducted as agreed terms	-
				Accounts receivable from related parties	3,359	Conducted as agreed terms	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
16	Yes Logistics	YMTC	2	Operating costs	\$ 163,407	Conducted as agreed terms	-
				Rental expenses	4,000	Conducted as agreed terms	-
				Operating revenues	42,708	Conducted as agreed terms	-
		Jing Ming	3	Payables to related parties	9,838	Conducted as agreed terms	-
				Other receivable from related parties	669	Conducted as agreed terms	-
				Operating costs	3,654	Conducted as agreed terms	-
Payables to related parties	912	Conducted as agreed terms	-				
17	YML-BVI	YMTC	2	Long-term payables to related parties	1,265,066	Conducted as agreed terms	1%
		Yangming-UK	3	Operating revenues	714,290	Conducted as agreed terms	1%
		YML-NV	3	Accounts receivable from related parties	513,157	Conducted as agreed terms	1%
		YML-BV	3	Long-term receivables from related parties	1,755	Conducted as agreed terms	-
		YML-BV	3	Long-term receivables from related parties	20,836	Conducted as agreed terms	-
18	Ching Ming	YMTC	2	Payables to related parties	2,480	Conducted as agreed terms	-
19	YML-India	YMTC	2	Operating revenues	27,018	Conducted as agreed terms	-
				Payables to related parties	20,711	Conducted as agreed terms	-
				Accounts receivable from related parties	56,598	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	43,602	Conducted as agreed terms	-
				Payables to related parties	66,320	Conducted as agreed terms	-
				Accounts receivable from related parties	98,687	Conducted as agreed terms	-
20	YML-NV	YML-BVI	3	Long-term payables to related parties	1,755	Conducted as agreed terms	-
21	YML-BV	YML-BVI	3	Long-term payables to related parties	20,836	Conducted as agreed terms	-
22	Yangming-ERO	YMTC	2	Operating revenues	359,786	Conducted as agreed terms	-
				Payables to related parties	132,385	Conducted as agreed terms	-
				Advances from related parties	15,344	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	61,026	Conducted as agreed terms	-
				Payables to related parties	43,877	Conducted as agreed terms	-
				Accounts receivable from related parties	27,644	Conducted as agreed terms	-
23	Yang Ming-Liberia	YMTC	2	Operating revenues	58,388	Conducted as agreed terms	-
				Interest expenses	120,432	Conducted as agreed terms	-
				Payables to related parties	1,211,552	Conducted as agreed terms	1%
				Long-term payables to related parties	2,051,423	Conducted as agreed terms	2%
24	Yang Ming-Korea	YMTC	2	Operating revenues	117,807	Conducted as agreed terms	-
				Payables to related parties	103,900	Conducted as agreed terms	-
				Accounts receivable from related parties	79,368	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	2,412	Conducted as agreed terms	-
				Payables to related parties	1,216	Conducted as agreed terms	-
				Accounts receivable from related parties	2,471	Conducted as agreed terms	-
25	YMS-BVI	YMTC	2	Operating revenues	169,201	Conducted as agreed terms	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details				
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue	
0	YMTC	Yangming-UK	1	Operating revenues	\$ 1,425,854	Conducted as agreed terms	1%	
				Operating costs	2,410,247	Conducted as agreed terms	2%	
				Accounts receivable from related parties	158,647	Conducted as agreed terms	-	
				Other receivable from related parties	1,714,485	Conducted as agreed terms	2%	
		Yes Logistics	1	1	Advances to shipping agents	24,770	Conducted as agreed terms	-
					Operating revenues	398,704	Conducted as agreed terms	-
					Operating costs	58,458	Conducted as agreed terms	-
					Rent income	4,000	Conducted as agreed terms	-
					Accounts receivable from related parties	32,197	Conducted as agreed terms	-
					Other receivable from related parties	5,780	Conducted as agreed terms	-
					Accrued expense	1,100	Conducted as agreed terms	-
		Kuang Ming	1	1	Operating costs	36,499	Conducted as agreed terms	-
					Other receivable from related parties	595	Conducted as agreed terms	-
		AOT	1	1	Operating costs	8,948,469	Conducted as agreed terms	9%
					Interest revenues	235,259	Conducted as agreed terms	-
					Other receivable from related parties	6,511,749	Conducted as agreed terms	7%
					Long-term receivables from related parties	11,531,330	Conducted as agreed terms	13%
					Properties	5,683,784	Conducted as agreed terms	6%
		Honming	1	1	Operating costs	180,300	Conducted as agreed terms	-
		Jing Ming	1	1	Operating costs	844,804	Conducted as agreed terms	1%
					Payables to related parties	84,296	Conducted as agreed terms	-
		Yang Ming-America	1	1	Operating costs	1,562,741	Conducted as agreed terms	2%
					Accounts receivable from related parties	33,920	Conducted as agreed terms	-
					Advances to shipping agents	166,093	Conducted as agreed terms	-
		Yangming-Japan	1	1	Operating costs	207,827	Conducted as agreed terms	-
					Accounts receivable from related parties	663	Conducted as agreed terms	-
					Payables to related parties	121,726	Conducted as agreed terms	-
					Operating costs	557,425	Conducted as agreed terms	1%
		Young-Carrier	1	1	Accounts receivable from related parties	688,351	Conducted as agreed terms	13%
					Payables to related parties	427,277	Conducted as agreed terms	-
					Operating costs	190,093	Conducted as agreed terms	-
		Yangming-Cayman	1	1	Prepaid expense	2,312	Conducted as agreed terms	-
					Operating costs	271,408	Conducted as agreed terms	-
		Yangming-ERO	1	1	Accounts receivable from related parties	127,148	Conducted as agreed terms	-
					Payables to related parties	42,476	Conducted as agreed terms	-
					Operating costs	154,843	Conducted as agreed terms	-
Accounts receivable from related parties	64,071				Conducted as agreed terms	-		
YML-HK	1	1	Payables to related parties	307,174	Conducted as agreed terms	-		
			Operating costs	64,971	Conducted as agreed terms	-		
			Accounts receivable from related parties	11,551	Conducted as agreed terms	-		
YMS-Singapore	1	1	Prepaid expense	36,658	Conducted as agreed terms	-		
			Operating costs	38,425	Conducted as agreed terms	-		
			Other receivable from related parties	297	Conducted as agreed terms	-		
KMS-Panama	1	1	Prepaid expense	1,825	Conducted as agreed terms	-		
			Operating costs	43,065	Conducted as agreed terms	-		
			Accounts receivable from related parties	52,117	Conducted as agreed terms	-		
YML-M	1	1	Payables to related parties	47,275	Conducted as agreed terms	-		

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
		YML-India	1	Operating costs	\$ 3,016	Conducted as agreed terms	-
				Accounts receivable from related parties	25,305	Conducted as agreed terms	-
				Payables to related parties	24,584	Conducted as agreed terms	-
		YML Holding	1	Other receivable from related parties	20,370	Conducted as agreed terms	-
		YML-BVI	1	Long-term receivables from related parties	1,479,635	Conducted as agreed terms	2%
		Ching Ming	1	Other receivable from related parties	2,645	Conducted as agreed terms	-
		YMS-BVI	1	Operating costs	159,354	Conducted as agreed terms	-
		Yang Ming-Liberia	1	Interest revenues	12,302	Conducted as agreed terms	-
				Properties	2,116,224	Conducted as agreed terms	2%
				Other receivable from related parties	12,302	Conducted as agreed terms	-
				Long-term receivables from related parties	2,357,776	Conducted as agreed terms	3%
		Olympic Container Terminal LLC	1	Operating costs	65,434	Conducted as agreed terms	-
		YML-BV	1	Other receivable from related parties	442	Conducted as agreed terms	-
1	Kuang Ming	YMTC	2	Operating revenues	36,499	Conducted as agreed terms	-
				Other payables to related parties	595	Conducted as agreed terms	-
		AOT	3	Interest expenses	2,690	Conducted as agreed terms	-
				Payables to related parties	214,098	Conducted as agreed terms	-
				Long-term payables to related parties	35,616	Conducted as agreed terms	-
2	AOT	YMTC	2	Operating revenues	8,948,469	Conducted as agreed terms	9%
				Interest expenses	235,259	Conducted as agreed terms	-
				Properties	5,683,784	Conducted as agreed terms	6%
				Other payables to related parties	6,511,749	Conducted as agreed terms	7%
				Long-term payables to related parties	11,531,330	Conducted as agreed terms	13%
		Yangming-UK	3	Operating revenues	1,377,136	Conducted as agreed terms	1%
		Kuang Ming	3	Interest revenues	2,690	Conducted as agreed terms	-
				Receivables from related parties	214,098	Conducted as agreed terms	-
				Long-term receivables from related parties	35,616	Conducted as agreed terms	-
		KMS-Panama	3	Long-term receivables from related parties	84,090	Conducted as agreed terms	-
3	Honming	YMTC	2	Operating revenues	180,300	Conducted as agreed terms	-
4	Jing Ming	YMTC	2	Operating revenues	844,804	Conducted as agreed terms	1%
				Receivables from related parties	84,296	Conducted as agreed terms	-
5	Yang Ming-America	YMTC	2	Operating revenues	1,562,741	Conducted as agreed terms	2%
				Accounts payables to related parties	33,920	Conducted as agreed terms	-
				Advances from related parties	166,093	Conducted as agreed terms	-
6	Yangming-Japan	YMTC	2	Operating revenues	207,827	Conducted as agreed terms	-
				Other payables to related parties	663	Conducted as agreed terms	-
				Accounts receivable from related parties	121,726	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	32,866	Conducted as agreed terms	-
				Accounts payable to related parties	2,987	Conducted as agreed terms	-
7	YML Holding	YMTC	2	Other payables to related parties	20,370	Conducted as agreed terms	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
8	Young-Carrier	YMTC	2	Operating revenues	\$ 557,425	Conducted as agreed terms	1%
				Accounts payable to related parties	688,351	Conducted as agreed terms	-
		Yangming-UK	3	Receivables from related parties	427,277	Conducted as agreed terms	-
				Operating revenues	22,501	Conducted as agreed terms	-
				Accounts payable to related parties	137,498	Conducted as agreed terms	-
9	Yangming-Cayman	YMTC	2	Operating revenues	190,093	Conducted as agreed terms	-
				Advances from customers	2,312	Conducted as agreed terms	-
10	Yangming-UK	YMTC	2	Operating costs	1,425,854	Conducted as agreed terms	1%
				Operating revenues	2,410,247	Conducted as agreed terms	2%
				Accounts payable to related parties	158,647	Conducted as agreed terms	-
				Other payables to related parties	1,714,485	Conducted as agreed terms	2%
		AOT	3	Advances from related parties	24,770	Conducted as agreed terms	-
				Operating costs	1,377,136	Conducted as agreed terms	1%
		YML-BVI	3	Operating costs	714,554	Conducted as agreed terms	1%
				Prepaid expense	200,382	Conducted as agreed terms	-
		Yangming-Japan	3	Operating costs	32,866	Conducted as agreed terms	-
				Accounts receivable from related parties	2,987	Conducted as agreed terms	-
		Young-Carrier	3	Operating costs	22,501	Conducted as agreed terms	-
				Accounts receivable from related parties	137,498	Conducted as agreed terms	-
		YML-HK	3	Operating costs	13,842	Conducted as agreed terms	-
				Accounts receivable from related parties	9,966	Conducted as agreed terms	-
				Payables to related parties	2,168	Conducted as agreed terms	-
				Operating costs	12,812	Conducted as agreed terms	-
		YMS-Singapore	3	Accounts receivable from related parties	2,060	Conducted as agreed terms	-
				Payables to related parties	1,784	Conducted as agreed terms	-
				Operating costs	4,039	Conducted as agreed terms	-
				Accounts receivable from related parties	322	Conducted as agreed terms	-
YML-M	3	Payables to related parties	23	Conducted as agreed terms	-		
		Operating costs	74,134	Conducted as agreed terms	-		
Yangming-ERO	3	Operating costs	18,477	Conducted as agreed terms	-		
		Accounts receivable from related parties	107,006	Conducted as agreed terms	-		
		Payables to related parties	42,983	Conducted as agreed terms	-		
		Operating revenues	271,408	Conducted as agreed terms	-		
11	Yangming-ERO	YMTC	2	Accounts payable to related parties	127,148	Conducted as agreed terms	-
				Receivables from related parties	42,476	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	74,134	Conducted as agreed terms	-
				Operating revenues	154,843	Conducted as agreed terms	-
12	YML-HK	YMTC	2	Accounts payable to related parties	64,071	Conducted as agreed terms	-
				Receivables from related parties	307,174	Conducted as agreed terms	-
				Operating revenues	13,842	Conducted as agreed terms	-
		Yangming-UK	3	Accounts payable to related parties	9,966	Conducted as agreed terms	-
				Receivables from related parties	2,168	Conducted as agreed terms	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
13	YMS-Singapore	YMTC	2	Operating revenues	\$ 64,971	Conducted as agreed terms	-
				Accounts payable to related parties	11,551	Conducted as agreed terms	-
				Advances from related parties	36,658	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	12,812	Conducted as agreed terms	-
				Accounts payable to related parties	2,060	Conducted as agreed terms	-
				Accounts receivable from related parties	1,784	Conducted as agreed terms	-
14	KMS-Panama	YMTC	2	Operating revenues	38,425	Conducted as agreed terms	-
				Other payables to related parties	297	Conducted as agreed terms	-
				Advances from related parties	1,825	Conducted as agreed terms	-
		AOT	3	Long-term payables to related parties	84,090	Conducted as agreed terms	-
15	YML-M	YMTC	2	Operating revenues	43,065	Conducted as agreed terms	-
				Accounts payable to related parties	52,117	Conducted as agreed terms	-
				Receivables from related parties	47,275	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	4,039	Conducted as agreed terms	-
				Accounts payable to related parties	322	Conducted as agreed terms	-
				Accounts receivable from related parties	23	Conducted as agreed terms	-
16	Yes Logistics	YMTC	2	Operating costs	398,407	Conducted as agreed terms	-
				Operating revenues	58,458	Conducted as agreed terms	-
				Rental expense	4,000	Conducted as agreed terms	-
				Accounts payable to related parties	32,197	Conducted as agreed terms	-
				Other payables to related parties	5,780	Conducted as agreed terms	-
				Receivables from related parties	1,100	Conducted as agreed terms	-
				17	YML-BVI	YMTC	2
Yangming-UK	3	Operating revenues	714,554			Conducted as agreed terms	1%
		Advances from customers	200,382			Conducted as agreed terms	-
YML-NV	3	Receivables from related parties	16,622			Conducted as agreed terms	-
		Long-term receivables from related parties	19,414			Conducted as agreed terms	-
YML-BV	3	Long-term receivables from related parties	36,036			Conducted as agreed terms	-
18	Ching Ming	YMTC	2	Other payables to related parties	2,645	Conducted as agreed terms	-
19	YML-India	YMTC	2	Operating revenues	3,016	Conducted as agreed terms	-
				Accounts payable to related parties	25,305	Conducted as agreed terms	-
				Receivables from related parties	24,584	Conducted as agreed terms	-
		Yangming-UK	3	Operating revenues	18,477	Conducted as agreed terms	-
				Accounts payable to related parties	107,066	Conducted as agreed terms	-
				Receivables from related parties	42,983	Conducted as agreed terms	-
20	YML-NV	YML-BVI	3	Payables to related parties	16,622	Conducted as agreed terms	-
				Long-term payables to related parties	19,414	Conducted as agreed terms	-
21	YML-BV	YMTC	2	Payables to related parties	442	Conducted as agreed terms	-
		YML-BVI	3	Long-term payables to related parties	36,036	Conducted as agreed terms	-

(Continued)



Number	Company Name	Counter Party	Nature of Relationship (Note A)	Transaction Details			
				Financial Statement Accounts	Amount (Note 2)	Payment Terms	% to Consolidated Asset/Revenue
22	YMS-BVI	YMTC	2	Operating revenues	\$ 159,354	Conducted as agreed terms	-
23	Yang Ming-Liberia	YMTC	2	Interest expenses	12,302	Conducted as agreed terms	-
				Properties	2,116,224	Conducted as agreed terms	2%
				Payables to related parties	12,302	Conducted as agreed terms	-
				Long-term payables to related parties	2,357,776	Conducted as agreed terms	3%
24	Olympic Container Terminal LLC	YMTC	2	Operating revenues	65,434	Conducted as agreed terms	-

Note A: Related party transactions are divided into three categories as follows:

1. YMTC to its subsidiaries.
2. Subsidiaries to its parent company YMTC.
3. Among YMTC's subsidiaries.

Note B: Information on the Schedule is equivalent to the eliminated material intercompany transactions.

(Concluded)