

Yang Ming Marine Transport Corporation

**Financial Statements for the
Years Ended December 31, 2005 and 2004 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. as of and for the year ended December 31, 2005 and Transyang Shipping Pte. Ltd. and Yang Ming Line (Singapore) Pte. Ltd. as of and for the year ended December 31, 2004 in which the Corporation has long-term investments in shares of stocks accounted for by the equity method. As shown in the accompanying balance sheets, the carrying values of these investments were 2.7% (NT\$2,138,562 thousand) and 1.5% (NT\$1,184,469 thousand) of the Corporation's total assets as of December 31, 2005 and 2004, respectively. The equity in these investees' net income was 1.5% (NT\$151,978 thousand) and 1.3% (NT\$150,816 thousand) of the Corporation's income before income tax in 2005 and 2004, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, 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 financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Yang Ming Marine Transport Corporation and subsidiaries as of and for the years ended December 31, 2005 and 2004 and have issued a modified unqualified opinion thereon in our report dated March 1, 2006.

March 1, 2006

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

BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

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

| ASSETS | 2005 | | 2004 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2005 | | 2004 | |
|---|----------------------|------------|----------------------|------------|--|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 2 and 3) | \$ 9,725,245 | 12 | \$ 10,223,922 | 13 | Payables to related parties (Note 18) | \$ 1,301,446 | 2 | \$ 1,822,601 | 2 |
| Short-term investments, net (Notes 2 and 4) | 8,142,095 | 10 | 15,625,880 | 20 | Income tax payable (Notes 2 and 14) | 45,470 | - | 1,126,658 | 1 |
| Accounts receivable, net of allowance for doubtful accounts of \$45,828 thousand in 2005 and \$34,986 thousand in 2004 (Note 2) | 770,061 | 1 | 769,083 | 1 | Accrued expenses | 4,603,548 | 6 | 3,105,449 | 4 |
| Accounts receivable from related parties (Note 18) | 1,511,173 | 2 | 1,741,438 | 2 | Advances from customers | 1,005,435 | 1 | 901,900 | 1 |
| Other receivables from related parties (Notes 17 and 18) | 8,271,880 | 10 | 9,282,259 | 12 | Current portion of interest-bearing long-term debts (Notes 2, 6, 9 and 19) | 1,397,151 | 2 | 1,196,088 | 2 |
| Shipping fuel, net (Note 2) | 1,676,704 | 2 | 829,992 | 1 | Payables for equipment | 678,792 | 1 | 623,058 | 1 |
| Prepaid expenses (Note 18) | 285,381 | 1 | 321,117 | 1 | Payables to shipping agents | 2,091,656 | 2 | 2,241,445 | 3 |
| Advances to shipping agents (Note 18) | 229,274 | - | 226,343 | - | Other current liabilities (Note 2) | 125,183 | - | 203,910 | - |
| Other current assets (Notes 2, 14 and 22) | 638,094 | 1 | 871,102 | 1 | | | | | |
| Total current assets | 31,249,907 | 39 | 39,891,136 | 51 | Total current liabilities | 11,248,681 | 14 | 11,221,109 | 14 |
| INVESTMENTS IN SHARES OF STOCK (Notes 2 and 5) | | | | | INTEREST-BEARING LONG-TERM DEBTS, NET OF CURRENT PORTION | | | | |
| Equity method | 15,980,651 | 20 | 12,548,973 | 16 | Bonds (Notes 2, 9 and 19) | 17,588,000 | 22 | 18,925,423 | 24 |
| Cost method | 804,146 | 1 | 805,510 | 1 | Capital lease obligations (Notes 2, 6 and 9) | 392,304 | - | 571,071 | 1 |
| Total investments in shares of stock | 16,784,797 | 21 | 13,354,483 | 17 | Total interest-bearing long-term debts | 17,980,304 | 22 | 19,496,494 | 25 |
| PROPERTIES (Notes 2, 6, 18, 19 and 20) | | | | | RESERVE FOR LAND VALUE INCREMENT TAX (Note 10) | 479,639 | 1 | 479,639 | 1 |
| Cost | | | | | OTHER LIABILITIES | | | | |
| Land | 133,014 | - | 133,014 | - | Accrued pension liabilities (Notes 2 and 17) | 796,181 | 1 | 699,415 | 1 |
| Buildings | 572,029 | 1 | 549,722 | 1 | Deferred income tax liabilities - noncurrent (Notes 2 and 14) | 2,166,989 | 3 | 1,870,386 | 3 |
| Containers and chassis | 18,336,402 | 23 | 15,273,092 | 20 | Others (Notes 2, 11 and 19) | 169,060 | - | 196,108 | - |
| Ships | 5,564,775 | 7 | 8,886,839 | 11 | Total other liabilities | 3,132,230 | 4 | 2,765,909 | 4 |
| Leased containers and chassis | 2,041,688 | 3 | 2,041,688 | 3 | Total liabilities | 32,840,854 | 41 | 33,963,151 | 44 |
| Leasehold improvements | 209,070 | - | 209,070 | - | STOCKHOLDERS' EQUITY | | | | |
| Miscellaneous equipment | 2,024,620 | 2 | 1,699,212 | 2 | Capital stock - \$10 par value | | | | |
| Total cost | 28,881,598 | 36 | 28,792,637 | 37 | Authorized - 2,400,000 thousand shares | | | | |
| Accumulated depreciation | 16,925,281 | 21 | 15,058,830 | 19 | Issued - 2,289,817 thousand shares and 2,268,755 thousand shares in 2005 and 2004 | 22,898,167 | 28 | 22,687,545 | 29 |
| Construction in progress | 11,956,317 | 15 | 13,733,807 | 18 | Capital surplus | | | | |
| Net properties | 12,886,377 | 16 | 17,030,994 | 22 | Paid-in capital in excess of par value | 7,285,865 | 9 | 6,986,846 | 9 |
| OTHER ASSETS | | | | | Treasury stock transactions | 1,199,572 | 2 | 915,830 | 1 |
| Assets leased to others, net (Notes 2, 6 and 7) | 2,879,254 | 4 | 2,769,931 | 4 | Equity on capital surplus reported by equity-method investees | 11,036 | - | 5,816 | - |
| Nonoperating assets, net (Notes 2, 6, 8 and 19) | 307,829 | - | 360,807 | 1 | Total capital surplus | 8,496,473 | 11 | 7,908,492 | 10 |
| Advances on long-term rent agreements | 309,548 | 1 | 321,377 | - | Retained earnings | | | | |
| Deferred charges, net (Note 2) | 67,971 | - | 78,031 | - | Legal reserve | 2,172,931 | 3 | 1,193,205 | 2 |
| Long-term receivables from related parties (Notes 5 and 18) | 15,368,741 | 19 | 3,946,328 | 5 | Special reserve | 1,149,355 | 1 | 1,141,939 | 1 |
| Miscellaneous (Notes 2, 19 and 22) | 184,410 | - | 47,632 | - | Unappropriated earnings | 12,493,769 | 16 | 11,155,161 | 14 |
| Total other assets | 19,117,753 | 24 | 7,524,106 | 10 | Total retained earnings | 15,816,055 | 20 | 13,490,305 | 17 |
| TOTAL | \$ 80,038,834 | 100 | \$ 77,800,719 | 100 | Other items of stockholders' equity | | | | |
| | | | | | Unrealized loss on investments in shares of stock | - | - | (1) | - |
| | | | | | Cumulative translation adjustments | 191,616 | - | 28,301 | - |
| | | | | | Net loss not recognized as pension cost | (39,630) | - | (35,717) | - |
| | | | | | Total other items of stockholders' equity | 151,986 | - | (7,417) | - |
| | | | | | Treasury stocks - 22,248 thousand shares and 32,607 thousand shares in 2005 and 2004 | (164,701) | - | (241,357) | - |
| | | | | | Total stockholders' equity | 47,197,980 | 59 | 43,837,568 | 56 |
| | | | | | TOTAL | \$ 80,038,834 | 100 | \$ 77,800,719 | 100 |

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

(With Deloitte & Touche audit report dated March 1, 2006)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

| | 2005 | | 2004 | |
|--|---------------------|-----------|---------------------|-----------|
| | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 2 and 18) | \$ 84,155,941 | 100 | \$ 78,429,274 | 100 |
| OPERATING COSTS (Notes 2, 15 and 18) | <u>79,195,158</u> | <u>94</u> | <u>70,354,187</u> | <u>90</u> |
| GROSS INCOME | <u>4,960,783</u> | <u>6</u> | <u>8,075,087</u> | <u>10</u> |
| OPERATING EXPENSES (Note 15) | | | | |
| Selling | 1,585,666 | 2 | 1,677,017 | 2 |
| General and administrative | <u>343,181</u> | <u>-</u> | <u>363,067</u> | <u>-</u> |
| Total operating expenses | <u>1,928,847</u> | <u>2</u> | <u>2,040,084</u> | <u>2</u> |
| OPERATING INCOME | <u>3,031,936</u> | <u>4</u> | <u>6,035,003</u> | <u>8</u> |
| NONOPERATING INCOME AND GAINS | | | | |
| Equity in net income of investees, net (Notes 2 and 5) | 7,323,831 | 9 | 6,352,944 | 8 |
| Interest (Notes 18 and 22) | 505,215 | 1 | 254,414 | - |
| Investment gain | 126,836 | - | - | - |
| Foreign exchange gain, net | - | - | 60,904 | - |
| Others | <u>318,040</u> | <u>-</u> | <u>310,162</u> | <u>1</u> |
| Total nonoperating income and gains | <u>8,273,922</u> | <u>10</u> | <u>6,978,424</u> | <u>9</u> |
| NONOPERATING EXPENSES AND LOSSES | | | | |
| Interest (Notes 6 and 22) | 793,760 | 1 | 671,600 | 1 |
| Foreign exchange loss, net | 387,516 | 1 | - | - |
| Investment loss (Note 2) | - | - | 228,338 | 1 |
| Others | <u>99,523</u> | <u>-</u> | <u>213,812</u> | <u>-</u> |
| Total nonoperating expenses and losses | <u>1,280,799</u> | <u>2</u> | <u>1,113,750</u> | <u>2</u> |
| INCOME BEFORE INCOME TAX | 10,025,059 | 12 | 11,899,677 | 15 |
| INCOME TAX EXPENSE (Notes 2 and 14) | <u>762,105</u> | <u>1</u> | <u>2,102,413</u> | <u>3</u> |
| NET INCOME | <u>\$ 9,262,954</u> | <u>11</u> | <u>\$ 9,797,264</u> | <u>12</u> |

(Continued)

| | <u>2005</u> | | <u>2004</u> | |
|--------------------------------------|---|-----------------------|---|-----------------------|
| | Income Before Income Tax | Net Income | Income Before Income Tax | Net Income |
| BASIC EARNINGS PER SHARE (Note 16) | <u>\$ 4.45</u> | <u>\$ 4.11</u> | <u>\$ 5.55</u> | <u>\$ 4.57</u> |
| DILUTED EARNINGS PER SHARE (Note 16) | <u>\$ 4.39</u> | <u>\$ 4.06</u> | <u>\$ 5.27</u> | <u>\$ 4.34</u> |

Pro forma information, assuming that the stocks of Corporation held by subsidiaries are accounted for as investments rather than as treasury stocks (Notes 2, 13 and 16), is as follows:

| | <u>2005</u> | | <u>2004</u> | |
|----------------------------|---|---------------------|---|----------------------|
| | Income Before Income Tax | Net Income | Income Before Income Tax | Net Income |
| NET INCOME | <u>\$ 10,033,191</u> | <u>\$ 9,271,086</u> | <u>\$ 12,186,424</u> | <u>\$ 10,084,011</u> |
| BASIC EARNINGS PER SHARE | <u>\$ 4.39</u> | <u>\$ 4.06</u> | <u>\$ 5.55</u> | <u>\$ 4.59</u> |
| DILUTED EARNINGS PER SHARE | <u>\$ 4.34</u> | <u>\$ 4.01</u> | <u>\$ 5.28</u> | <u>\$ 4.37</u> |

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

(With Deloitte & Touche audit report dated March 1, 2006)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

| | Capital Stock (\$10 Par Value, Notes 2 and 9) | | | | Capital Surplus (Notes 2 and 13) | | | | | Retained Earnings (Notes 2 and 13) | | | | Other Items of Stockholder's Equity (Notes 2 and 17) | | | | Treasury Stocks (Notes 2 and 13) | Total Stockholders' Equity |
|--|---|---------------|---|---------------|--|-----------------------------|--|--------------|---------------|------------------------------------|-------------------------|--------------|---|--|---|------------|--------------|----------------------------------|----------------------------|
| | Shares (Thousands) | Amount | Certificates of Conversion of Bonds to Stocks | Total | Paid-in Capital in Excess of Par Value | Treasury Stock Transactions | Equity on Capital Surplus Reported by Equity-accounted Investees | Total | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | Unrealized Loss on Investments in Shares of Stock | Cumulative Translation Adjustments | Net Loss Not Recognized as Pension Cost | Total | | | |
| | | | | | | | | | | | | | | | | | | | |
| BALANCE, JANUARY 1, 2004 | 1,946,707 | \$ 19,467,065 | \$ 102,234 | \$ 19,569,299 | \$ 4,075,397 | \$ 234,855 | \$ 5,816 | \$ 4,316,068 | \$ 528,295 | \$ 1,141,939 | \$ 7,836,692 | \$ 9,506,926 | \$ (1) | \$ 338,729 | \$ (18,457) | \$ 320,271 | \$ (422,620) | \$ 33,289,944 | |
| Appropriation of 2003 earnings | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | 664,910 | - | (664,910) | - | - | - | - | - | - | - | |
| Bonus to employees | - | - | - | - | - | - | - | - | - | - | (71,717) | (71,717) | - | - | - | - | - | (71,717) | |
| Cash dividends - \$2.28697 per share | - | - | - | - | - | - | - | - | - | - | (4,716,781) | (4,716,781) | - | - | - | - | - | (4,716,781) | |
| Stock dividends - \$0.49716 per share | 102,539 | 1,025,387 | - | 1,025,387 | - | - | - | - | - | - | (1,025,387) | (1,025,387) | - | - | - | - | - | - | |
| Cash dividends received by subsidiaries | - | - | - | - | - | 124,371 | - | 124,371 | - | - | - | - | - | - | - | - | - | 124,371 | |
| Disposal of the Corporation's stocks held by subsidiaries | - | - | - | - | - | 556,604 | - | 556,604 | - | - | - | - | - | - | - | - | 181,263 | 737,867 | |
| Net income in 2004 | - | - | - | - | - | - | - | - | - | - | 9,797,264 | 9,797,264 | - | - | - | - | - | 9,797,264 | |
| Recognition of net loss not recognized as pension cost reported by equity-method investees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,267) | (5,267) | - | (5,267) | |
| Recognition of minimum accrued pension liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (11,993) | (11,993) | - | (11,993) | |
| Translation adjustments on long-term equity investments | - | - | - | - | - | - | - | - | - | - | - | - | - | (310,428) | - | (310,428) | - | (310,428) | |
| Certificates of conversion of bonds converted into capital stock | 10,223 | 102,234 | (102,234) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Domestic convertible bonds converted into certificates for conversion of bonds to stocks and capital surplus | 209,286 | 2,092,859 | - | 2,092,859 | 2,911,449 | - | - | 2,911,449 | - | - | - | - | - | - | - | - | - | 5,004,308 | |
| BALANCE, DECEMBER 31, 2004 | 2,268,755 | 22,687,545 | - | 22,687,545 | 6,986,846 | 915,830 | 5,816 | 7,908,492 | 1,193,205 | 1,141,939 | 11,155,161 | 13,490,305 | (1) | 28,301 | (35,717) | (7,417) | (241,357) | 43,837,568 | |
| Appropriation of 2004 earnings | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | 979,726 | - | (979,726) | - | - | - | - | - | - | - | |
| Special reserve | - | - | - | - | - | - | - | - | - | 7,416 | (7,416) | - | - | - | - | - | - | - | |
| Bonus to employees | - | - | - | - | - | - | - | - | - | - | (101,680) | (101,680) | - | - | - | - | - | (101,680) | |
| Cash dividends - \$2.98203 per share | - | - | - | - | - | - | - | - | - | - | (6,828,310) | (6,828,310) | - | - | - | - | - | (6,828,310) | |
| Cash dividends received by subsidiaries | - | - | - | - | - | 139,909 | - | 139,909 | - | - | - | - | - | - | - | - | - | 139,909 | |
| Disposal of the Corporation's stocks held by subsidiaries | - | - | - | - | - | 143,833 | - | 143,833 | - | - | - | - | - | - | - | - | 76,656 | 220,489 | |
| Net income in 2005 | - | - | - | - | - | - | - | - | - | - | 9,262,954 | 9,262,954 | - | - | - | - | - | 9,262,954 | |
| Reversal of unrealized loss on long-term investments in shares of stock | - | - | - | - | - | - | - | - | - | - | - | - | 1 | - | - | 1 | - | 1 | |
| Translation adjustments on long-term investments in shares of stocks | - | - | - | - | - | - | - | - | - | - | - | - | - | 163,315 | - | 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 | 5,220 | - | - | (7,214) | (7,214) | - | - | - | - | - | (1,994) | |
| Recognition of net loss not recognized as pension cost reported by equity-method investees | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,551 | 4,551 | - | 4,551 | |
| Recognition of minimum accrued pension liability | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (8,464) | (8,464) | - | (8,464) | |
| Domestic convertible bonds converted into capital stock and capital surplus | 21,062 | 210,622 | - | 210,622 | 299,019 | - | - | 299,019 | - | - | - | - | - | - | - | - | - | 509,641 | |
| BALANCE, DECEMBER 31, 2005 | 2,289,817 | 22,898,167 | \$ - | 22,898,167 | 7,285,865 | 1,199,572 | 11,036 | 8,496,473 | 2,172,931 | 1,149,355 | 12,493,769 | 15,816,055 | \$ - | 191,616 | (39,630) | 151,986 | (164,701) | 47,197,980 | |

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

(With Deloitte & Touche audit report dated March 1, 2006)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

| | 2005 | 2004 |
|---|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 9,262,954 | \$ 9,797,264 |
| Adjustments to reconcile net income with net cash provided by operating activities: | | |
| Depreciation | 2,146,827 | 1,927,724 |
| Amortization | 43,130 | 53,101 |
| Provision for pension cost | 34,777 | 48,210 |
| Investment loss (gain) | (91,698) | 228,338 |
| Equity in net income of investees, net | (7,323,831) | (6,352,944) |
| Cash dividends received on equity-method investments | 5,916,427 | 1,958,195 |
| Deferred income taxes | 301,093 | 608,430 |
| Others | (30,002) | 86,693 |
| Net changes in operating assets and liabilities | | |
| Accounts receivable | (11,820) | (74,539) |
| Accounts receivables from related parties | 230,265 | (762,511) |
| Other receivables from related parties | (1,617,869) | (6,019) |
| Shipping fuel | (813,260) | (248,002) |
| Prepaid expenses | 35,736 | (102,234) |
| Advances to shipping agents | (2,931) | 332,402 |
| Other current assets | 116,174 | (183,616) |
| Advances on long-term rent agreements | 11,829 | 10,532 |
| Payables to related parties | (521,155) | 525,683 |
| Notes payable | - | (14,166) |
| Income tax payable | (1,081,188) | 396,648 |
| Accrued expenses | 1,499,779 | 433,082 |
| Advances from customers | 103,535 | (225,656) |
| Payables to shipping agents | (149,789) | 803,048 |
| Other current liabilities | (77,740) | 416,453 |
| Net cash provided by operating activities | <u>7,981,243</u> | <u>9,656,116</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) decrease in short-term investments | 7,909,046 | (2,345,079) |
| Increase in other financial instruments | (339,870) | (38,630) |
| Acquisition of investments in shares of stock | (1,957,775) | (3,378) |
| Increase in long-term receivables from related parties | (559,715) | - |
| Proceeds from disposal of investments in shares of stock | 33,415 | 346,731 |
| Proceeds from capital reduction of investments in shares of stock | 1,917 | - |
| Acquisition of properties and asset leased to others | (5,776,085) | (15,336,825) |
| Proceeds from disposal of properties and nonoperating assets | 49,104 | 8,324,425 |
| Increase in deferred charges | (63,991) | (75,856) |
| (Increase) decrease in other assets | (38,229) | 46,775 |
| Net cash used in investing activities | <u>(742,183)</u> | <u>(9,081,837)</u> |

(Continued)

| | 2005 | 2004 |
|--|---------------------|----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of principal on short-term debts | \$ - | \$ (15,080) |
| Proceeds from issuance of bonds | - | 9,100,000 |
| Repayment of principal of bonds | (396,000) | (700,000) |
| Repayment of principal of interest-bearing long-term debts | (233,470) | (322,433) |
| Payment of capital lease obligations | (177,600) | (265,624) |
| Decrease in other liabilities | 311 | 25,513 |
| Payment of dividend and employees' bonus | <u>(6,930,978)</u> | <u>(4,786,749)</u> |
| Net cash provided by (used in) financing activities | <u>(7,737,737)</u> | <u>3,035,627</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | (498,677) | 3,609,906 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | |
| | <u>10,223,922</u> | <u>6,614,016</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | | |
| | <u>\$ 9,725,245</u> | <u>\$ 10,223,922</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid (excluding capitalized interest) | <u>\$ 624,776</u> | <u>\$ 593,814</u> |
| Income tax paid | <u>\$ 1,542,100</u> | <u>\$ 1,350,804</u> |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Reclassification of nonoperating assets as properties | <u>\$ -</u> | <u>\$ 84,626</u> |
| Reclassification of properties as assets leased to others | <u>\$ 74,872</u> | <u>\$ -</u> |
| Current portion of interest-bearing long-term debts | <u>\$ 1,397,151</u> | <u>\$ 1,196,088</u> |
| Domestic unsecured convertible bonds converted into capital stock, and capital surplus | <u>\$ 509,641</u> | <u>\$ 5,004,308</u> |
| CASH PAID FOR ACQUISITION OF PROPERTIES | | |
| Increase in properties and asset leased to others | \$ 5,831,819 | \$ 15,934,339 |
| Increase in payables for equipment | (55,734) | (623,058) |
| Decrease in payables to related parties | <u>-</u> | <u>25,544</u> |
| | <u>\$ 5,776,085</u> | <u>\$ 15,336,825</u> |
| PROCEEDS FROM DISPOSAL OF PROPERTIES AND NONOPERATING ASSETS | | |
| Total contracted selling prices | \$ 7,802,551 | \$ 8,614,072 |
| (Increase) decrease in other receivables | 27,531 | (16,643) |
| (Increase) decrease in other receivables from related parties | 1,620,704 | (1,708,526) |
| (Increase) decrease in long-term receivables from related parties | <u>(9,401,682)</u> | <u>1,435,522</u> |
| | <u>\$ 49,104</u> | <u>\$ 8,324,425</u> |

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

(With Deloitte & Touche audit report dated March 1, 2006)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

1. ORGANIZATION AND OPERATIONS

Yang Ming Marine Transport Corporation (the "Corporation") 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. 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. The MOF and MOTC owned 35.84% and 36.17% of the Corporation's outstanding capital stock as of December 31, 2005 and 2004, respectively.

The Corporation primarily provides marine cargo transportation services. It also provides services related to the maintenance of old vessels, lease and sale of old vessels, containers and chassis of vessels. Further, it acts as a shipping agent and manages ships owned by others.

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

As of December 31, 2005 and 2004, the Corporation had 1,223 and 1,238 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Corporation 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, provision for losses on investments in shares of stock, depreciation of properties and assets leased to others, 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 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.

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

Current/Noncurrent Assets and Liabilities

Current assets include unrestricted cash or cash equivalents as well as items to be converted into cash or used within one year. Current liabilities are obligations to be settled within one year. Properties and all other assets and liabilities are classified as noncurrent.

Cash Equivalents

Commercial paper purchased under resell agreements within three months from acquisition dates are classified as cash equivalents.

Short-term Investments

Short-term investments are mainly listed stocks or stocks traded on the over-the-counter securities exchange, mutual funds and bonds. The investments are carried at the lower of aggregate cost or market value. If the aggregate carrying value of the investments exceeds their total market value, an allowance for losses is recognized and charged to current year's income. Any stock dividends received are recorded as an increase in the number of shares held but are not recognized as investment income. Any cash dividends received are recognized as investment income of the current year. Any annual recovery of the market value to the extent of the original carrying value is recognized as income. Costs of investment sold are determined using the first-in, first-out method.

Market values of the listed stocks, mutual funds and bonds are based on the average closing prices of the last month of the reporting period or the net asset values of the funds on the balance sheet date.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of 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.

Investments in Shares of Stock and Deferred Income

Investments in shares of stock of companies in which the Corporation 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. Under this method, the investment is carried at cost on the acquisition date and then adjusted proportionately for the Corporation's equity in net income or net loss. The difference between the cost of the investment and the Corporation's equity in the investee's net assets on the acquisition date is amortized over five years. If an investee issues additional shares and the Corporation subscribes for these shares at a percentage different from its current equity in the investee, the resulting increase in the Corporation's equity in its investee's net assets is debited to capital surplus. Any decrease in the Corporation's equity in the investee's net assets is credited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. Any cash dividends received are recognized as a reduction of the carrying value of the investments.

Under the revised ROC Statement of Financial Accounting Standards 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. in the current year. The equity in the net income or net loss of investees that also have investments in the Corporation (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.

Any cumulative equity of the Corporation in a subsidiary's net loss in excess of the related investment is charged against the Corporation unless the minority interest commits to share in the investees' losses. If the subsidiary subsequently reports profits, the Corporation will allocate the profits to itself and the minority interest until the losses previously absorbed by the Corporation are recovered. If an investment has a credit balance because of the cumulative deficit of the investee, the credit balance should be deducted from the receivables of the investee. If receivables are not enough for crediting purposes, the difference is reclassified into other liabilities.

Gain on sale of stocks to equity-method investees is deferred entirely for subsidiaries and in proportion to the Company's equity for less than majority-owned investees. This gain is credited to income when it is realized through a subsequent sale to third parties.

Other investments in shares of stock are carried at cost. An allowance is recognized for any temporary decline in the aggregate market value of listed stocks and stocks traded over the counter and is debited to stockholders' equity. But if the decline in market value is not temporary and there is no strong evidence that the market value will go up, the allowance is recognized as losses. Also, the carrying amounts of the investments in emerging stocks and stocks with no quoted market prices are reduced to recognize the other-than-temporary decline in value, and this decline is charged to current income. Cash dividends received within a year from the investment acquisition date are accounted for as reduction of the carrying value of investment and subsequently recognized as investment income.

For both equity-method and cost-method investments, stock dividends received are recorded only as an increase in the number of shares held but are not recognized as investment income. Costs of investments sold are determined using the weighted-average method.

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 on the balance sheet date if the carrying amount of properties and rental properties exceeds their recoverable amount, and this impairment loss should be charged to current income. An 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.

Containers and chassis under 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, 52 to 55 years; containers and chassis, 6 to 8 years; ships, 13 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 3 to 10 years; and miscellaneous equipment, 3 to 18 years. Properties being used by the Corporation 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

Nonoperating assets are stated at the carrying value.

An impairment loss should be recognized whenever the carrying amount of properties not currently used in operation exceeds their recoverable amount, and this impairment loss should be charged to current income. An 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 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 are issued at face value, and the interest expense is recognized on the basis of their face value and interest rate. The effective interest rate is calculated using the repayment price, and the interest compensation expense should be recognized over the term of the convertible bonds. Direct and necessary costs of issuing convertible bonds are recorded as deferred charges and amortized over the term of the convertible bonds using the straight-line method.

To convert bonds to common shares, the Corporation uses the book value approach, which involves writing off the unamortized issued costs, recognized interest-premium, unpaid accrued interests and par value of the convertible bonds. The common stock exchange certificate (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

The Corporation has two types of pension plans: defined benefit and defined contribution.

Under the defined benefit pension plan, pension costs are recognized on the basis of actuarial calculations. Unrecognized net transition assets, prior service cost and pension plan gains or losses are amortized using the straight-line method over the average remaining service years of employees.

Under the defined contribution pension plan, the Corporation's monthly contributions to employees' individual pension accounts should be made at a fixed percentage of employees' salaries, which are recognized as pension cost.

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 Corporation is deferred and amortized over the term of the lease or their estimated service lives, whichever is shorter.

Treasury Stocks

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

Revenue Recognition

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 leased to others and ship management revenue are recognized in the month when 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 cannot be 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.

Capital Expenditures and Other Expenditures

Expenditure is capitalized whenever it increases the future service potential of a fixed asset and the amount is material. Other expenditures are expensed as incurred.

Income Tax

Deferred income taxes are recognized for the tax effects of temporary differences, unused 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 or 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 recognized in the current year.

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 transactions) 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 assets and liabilities are settled, are credited or charged to income in the period of settlement. On balance sheet date, the balances of foreign-currency assets and liabilities are restated at prevailing exchange rates, and the resulting differences are recorded as follows:

- a. Equity-method investments in shares of stock - as part of cumulative translation adjustments under stockholders' equity;
- b. Cost- method investments in shares of stock - same as in (a) above when the restated amounts are lower than their carrying amounts, otherwise, no adjustment is made;
- c. Other assets and liabilities - as credits or charges to income.

Financial Derivatives

The Corporation accounts for derivative transactions as follows:

a. Currency options

Amounts received on options written are recognized as liabilities and amounts paid on options bought are treated as assets. Options unexercised 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 options are credited or charged to income once the options are exercised.

b. 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.

c. 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 therefore 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.

d. Forward contract transactions

The foreign currency amounts of forward exchange contracts (the "contracts"), which are used for hedging foreign assets or liabilities, 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 foreign-currency commitments, 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, adjusted by the forward rate available for the remaining of the contract, are recognized as current income.

e. 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.

f. Interest-linked notes

The principals of interest-linked notes, which have no quoted market prices, are recorded as assets, 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.

g. 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.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2004 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2005.

3. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---|---------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Cash | | |
| Petty cash and cash on hand | \$ 2,195 | \$ 2,079 |
| Checking deposits | 94,314 | 287,017 |
| Demand deposits | 2,211,744 | 2,114,508 |
| Time deposits: Interest - 1.35% to 4.38% in 2005 and 1.98% to 4.58% in 2004 | <u>6,562,892</u> | <u>5,841,278</u> |
| | 8,871,145 | 8,244,882 |
| Cash equivalents | | |
| Commercial paper purchased under resell agreements - interest of 4.62% in 2005 and 2.50%-2.60% in 2004 | <u>854,100</u> | <u>1,979,040</u> |
| | <u>\$ 9,725,245</u> | <u>\$ 10,223,922</u> |

There were no deposits due over one year as of December 31, 2005 and 2004.

The overseas deposits as of December 31, 2005 and 2004 are summarized in the accompanying Schedules A and B.

4. SHORT-TERM INVESTMENTS

| | <u>December 31</u> | |
|--------------------------------------|---------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Mutual funds | \$ 7,509,127 | \$ 15,381,667 |
| Marketable equity securities | 732,629 | 920,274 |
| Convertible bonds | <u>20,000</u> | <u>-</u> |
| | 8,261,756 | 16,301,941 |
| Less: Allowance for decline in value | <u>119,661</u> | <u>676,061</u> |
| | <u>\$ 8,142,095</u> | <u>\$ 15,625,880</u> |

5. INVESTMENTS IN SHARES OF STOCK

| | <u>December 31</u> | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2005</u> | | <u>2004</u> | |
| | <u>Carrying Value</u> | <u>% of Ownership</u> | <u>Carrying Value</u> | <u>% of Ownership</u> |
| Equity method (stocks with no quoted market prices) | | | | |
| All Oceans Transportation, Inc. | \$ 6,668,028 | 100.00 | \$ 5,548,560 | 100.00 |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | 3,933,733 | 100.00 | 2,857,464 | 100.00 |
| Yang Ming Line (Singapore) Pte. Ltd. | 1,879,384 | 100.00 | 1,094,306 | 100.00 |
| Ching Ming Investment Co., Ltd. | 1,217,936 | 100.00 | 908,442 | 99.96 |
| Chunghwa Investment Co., Ltd. | 775,554 | 40.00 | 759,267 | 40.00 |
| Yes Logistics Corp. | 484,153 | 78.93 | 429,012 | 90.50 |
| Honming Terminal & Stevedoring Co., Ltd. | 357,371 | 79.17 | 364,302 | 79.00 |
| Kuang Ming Shipping Corp. | 269,281 | 100.00 | 221,576 | 100.00 |
| Yang Ming Line Holding Co. | 259,178 | 100.00 | 193,578 | 100.00 |
| Transyang Shipping Pte. Ltd. | 51,511 | 24.99 | 90,163 | 24.99 |
| Jing Ming Transportation Co., Ltd. | 84,522 | 50.96 | 79,134 | 50.80 |
| Yang Ming (Liberia) Corp. | <u>(18,620)</u> | 100.00 | <u>3,169</u> | 100.00 |
| | 15,962,031 | | 12,548,973 | |
| Reclassification of credit balance as a deduction from long-term receivables from related parties | <u>18,620</u> | | <u>-</u> | |
| | <u>15,980,651</u> | | <u>12,548,973</u> | |
| Cost method | | | | |
| Listed common stock | | | | |
| Hotung Investment Holdings Ltd. | <u>-</u> | | <u>22,331</u> | 0.70 |
| Emerging common stock | | | | |
| Taiwan Nano Electro-optical Technology Co., Ltd. | <u>-</u> | | <u>5,579</u> | 0.70 |
| Common stock with no quoted market prices | | | | |
| Taipei Port Container Terminal Co., Ltd. | 76,640 | 10.00 | 80,000 | 10.00 |
| Antwerp International Terminal | <u>57,906</u> | 16.33 | <u>-</u> | - |
| | <u>134,546</u> | | <u>80,000</u> | |
| Preferred stock with no quoted market prices | | | | |
| New Century Infocomm Co., Ltd. | <u>669,600</u> | 1.68 | <u>697,600</u> | 1.68 |
| | <u>804,146</u> | | <u>805,510</u> | |
| | <u>\$ 16,784,797</u> | | <u>\$ 13,354,483</u> | |

In 2005 and 2004, equity in the investees' net income (loss) was as follows:

| Investee | 2005 | 2004 |
|---|---------------------|---------------------|
| All Oceans Transportation, Inc. | \$ 6,589,468 | \$ 5,467,739 |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | 561,996 | 747,522 |
| Yang Ming Line (Singapore) Pte. Ltd. | 126,439 | 143,010 |
| Honming Terminal & Stevedoring Co., Ltd. | 19,764 | 30,570 |
| Kuang Ming Shipping Corp. | 24,752 | 27,602 |
| Transyang Shipping Pte. Ltd. | 13,980 | 7,806 |
| Jing Ming Transportation Co., Ltd. | 10,299 | 13,730 |
| YES Logistics Corp. | (56,932) | 2,183 |
| Chunghwa Investment Co., Ltd. | 14,800 | (42,982) |
| Yang Ming Line Holding Co. | 25,539 | 22,889 |
| Ching Ming Investment Co., Ltd. | 15,168 | (67,101) |
| Yang Ming (Liberia) Corp. | <u>(21,442)</u> | <u>(24)</u> |
| | <u>\$ 7,323,831</u> | <u>\$ 6,352,944</u> |

The Corporation's equity in the net income or net loss of Transyang Shipping Pte Ltd. ("Transyang") was recognized using the financial statements of the immediately preceding year. However, 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. in the current year. As a result, the Corporation's investment income from Transyang was based on Transyang's audited financial statement as of and for the years ended December 31, 2005 and 2004.

The carrying values of the equity-method investments were based on audited financial statements, except those of Yang Ming (Liberia) Corp. in 2004. Yang Ming (Liberia) Corp. was established in 2004 with less than \$30,000 thousand in capital and had not yet started operations as of December 31, 2004. The Corporation believes there would have been no material effect on its financial statements had this investee's financial statements been audited.

The Corporation committed to provide continual financial support to Yang Ming (Liberia) Corp. and settle any of its outstanding debts. The credit balance of \$18,620 thousand on this investment was reclassified as deduction from long-term receivables from related parties.

The accounts of Yang Ming Line (B.V.I.) Holding Co., Ltd. and All Oceans Transportation, Inc. were included in the Corporation's 2004 consolidated financial statements because their individual total assets or total operating revenues were at least 10% of the total assets or revenues of the Corporation ("10% rule"). For other subsidiaries not covered by the 10% rule, their total assets and their total revenues were added up. The sum of the total assets or of total revenues of all these subsidiaries did not reach 30% of the total assets or total operating revenues of the Corporation; hence, the subsidiaries were not consolidated.

Under the revised ROC Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements," effective 2005, the consolidated financial statements should include not only subsidiaries but all investees over which the Corporation has substantive control. The consolidated financial statements as of and for the year ended December 31, 2005 included the accounts of the Corporation and its direct and indirect subsidiaries, except Transyang Shipping Pte. Ltd. and Chunghwa Investment Co., Ltd. The intercompany transactions have been eliminated from the consolidation.

Cost-method investments were as follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2005 | 2004 |
| Listed stocks (based on market value) | \$ - | \$ 22,331 |
| Equity in net assets pertaining to emerging stock and stocks with no quoted market prices (mainly based on unaudited financial statements) | <u>805,218</u> | <u>780,325</u> |
| | <u>\$ 805,218</u> | <u>\$ 802,656</u> |

6. PROPERTIES

| | December 31 | |
|-------------------------------|----------------------|----------------------|
| | 2005 | 2004 |
| Accumulated depreciation | | |
| Buildings | \$ 73,013 | \$ 63,203 |
| Containers and chassis | 9,422,989 | 7,898,588 |
| Ships | 4,819,263 | 4,878,506 |
| Leased containers and chassis | 1,531,974 | 1,288,545 |
| Leasehold improvements | 143,680 | 118,112 |
| Miscellaneous equipment | <u>934,362</u> | <u>811,876</u> |
| | <u>\$ 16,925,281</u> | <u>\$ 15,058,830</u> |

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 20. 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\$5,471,000. The Corporation 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 the Corporation at no additional cost. The details of these leases as of December 31, 2005 and 2004 were as follows:

| | December 31 | | | |
|--|---|---|---|---|
| | 2005 | | 2004 | |
| | U.S. Dollars (Thousands) | New Taiwan Dollars (Thousands) | U.S. Dollars (Thousands) | New Taiwan Dollars (Thousands) |
| Total capital lease obligations (undiscounted) | \$ 21,272 | \$ 698,771 | \$ 29,449 | \$ 940,022 |
| Less: Unamortized interest expense | <u>(1,720)</u> | <u>(56,494)</u> | <u>(3,764)</u> | <u>(120,145)</u> |
| | <u>\$ 19,552</u> | <u>\$ 642,277</u> | <u>\$ 25,685</u> | <u>\$ 819,877</u> |

Depreciation expenses were \$2,128,301 thousand in 2005 and \$1,914,969 thousand in 2004.

Insurance for properties, assets leased to others and nonoperating assets as of December 31, 2005 amounted to \$18,268,802 thousand.

7. ASSETS LEASED TO OTHERS, NET

| | <u>December 31</u> | |
|--------------------------|---------------------|---------------------|
| | 2005 | 2004 |
| Cost | | |
| Land | \$ 2,039,805 | \$ 1,987,031 |
| Buildings | <u>920,737</u> | <u>838,944</u> |
| | 2,960,542 | 2,825,975 |
| Accumulated depreciation | <u>81,288</u> | <u>56,044</u> |
| | <u>\$ 2,879,254</u> | <u>\$ 2,769,931</u> |

Depreciation expenses were \$18,526 thousand in 2005 and \$12,398 thousand in 2004.

8. NONOPERATING ASSETS, NET

| | <u>December 31</u> | |
|--------------------------|--------------------|-------------------|
| | 2005 | 2004 |
| Cost | | |
| Land | \$ 307,487 | \$ 360,261 |
| Buildings | <u>5,154</u> | <u>12,383</u> |
| | 312,641 | 372,644 |
| Accumulated depreciation | <u>4,812</u> | <u>11,837</u> |
| | <u>\$ 307,829</u> | <u>\$ 360,807</u> |

9. INTEREST-BEARING LONG-TERM DEBTS

| | Current | Long-term | Total |
|---|---------------------|----------------------|----------------------|
| <u>December 31, 2005</u> | | | |
| 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 (Note 6) | <u>249,973</u> | <u>392,304</u> | <u>642,277</u> |
| | <u>\$ 1,397,151</u> | <u>\$ 17,980,304</u> | <u>\$ 19,377,455</u> |
| <u>December 31, 2004</u> | | | |
| Unsecured bank loans | \$ 233,470 | \$ - | \$ 233,470 |
| Domestic unsecured bonds | 396,000 | 15,204,000 | 15,600,000 |
| Domestic secured bonds | - | 3,000,000 | 3,000,000 |
| Domestic unsecured convertible bonds | 316,700 | 718,900 | 1,035,600 |
| Interest premium - domestic unsecured convertible bonds | 1,112 | 2,523 | 3,635 |
| Capital leases (Note 6) | <u>248,806</u> | <u>571,071</u> | <u>819,877</u> |
| | <u>\$ 1,196,088</u> | <u>\$ 19,496,494</u> | <u>\$ 20,692,582</u> |

Unsecured Bank Loans

Unsecured bank loans in Japanese yen are repayable in eight quarterly installments from October 2003 to July 2005. Annual interest on the yen loans was 0.4017%, compounded monthly. The Corporation had repaid the total outstanding balance as of July 8, 2005.

Domestic Unsecured Bonds

On various dates, the Corporation 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") and \$2,500,000 thousand from December 8 to December 14 in 2004 (the "December 2004 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 396,000 thousand as of December 31, 2005.

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

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 reseted 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.

Domestic Secured Bonds

On November 25, 1999, the Corporation issued domestic secured bonds with aggregate face value of \$700,000 thousand and maturity on November 25, 2004 at 5.75% annual interest. The Corporation had repaid total outstanding balance on November 25, 2004.

The Corporation 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

These bonds were issued on August 2, 1997 at an aggregate face value of \$2,500,000 thousand (the “1997 Convertible Bonds”). Annual interest on the bonds was 4.5%, payable every June 27 from 1998 to 2004. Bond settlement is as follows:

- a. Lump-sum payment to the holders upon maturity (in 2004) at face value plus accrued interest;
- b. Conversion by the holders, starting September 2, 1997, into the Corporation’s common shares at the prevailing conversion price; and
- c. Redemption by the Corporation, under certain conditions, at varying prices before bond maturity.

On July 22, 2004, the 1997 convertible bonds with an aggregate face value of \$2,500,000 thousand had been all converted into 131,846 thousand common shares of the Corporation. The Corporation had registered the change in its issued stock with the Ministry of Economic Affairs, R.O.C.

On August 7, 2003, the Corporation 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 the Corporation’s common shares at the prevailing conversion price (NT\$22.60 per share as of December 31, 2005);
- c. Reselling to the Corporation 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 the Corporation, under certain conditions, at face value before bond maturity.

As of December 31, 2005, the 2003 Convertible Bonds with aggregate face value of \$4,472,000 thousand had been converted into 292,428 thousand common shares of the Corporation. The revision of registration of the issued stock was approved by Ministry of Economic Affairs, R.O.C.

As of December 31, 2005, the Corporation had used all its credit lines available for long-term bank loans.

10. RESERVE FOR LAND VALUE INCREMENT TAX

The reserve for land value increment tax resulted from the Corporation’s merger with China Merchants Steam Navigation Company.

11. UNREALIZED GAIN ON SALE AND LEASEBACK

| | <u>December 31</u> | |
|-------------------|--------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| Chassis | \$ 23,435 | \$ 31,215 |
| Vessel Ming North | <u>7,471</u> | <u>8,620</u> |
| | <u>\$ 30,906</u> | <u>\$ 39,835</u> |

The above properties had been sold and then leased back by the Corporation. 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.

12. STOCKHOLDERS' EQUITY

On November 14, 1996, the Corporation issued 10 million units of global depository receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 per unit. The holders of the GDRs may not exchange them for the Corporation'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, 2005, there were 4,762,602 units outstanding, representing 47,626,077 shares.

The holders of the GDR retain stockholder's rights that are the same as those of the Corporation'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 by way of the depository bank.

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.

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

- a. 10% as legal reserve;
- b. 10% as special reserve, as needed; and
- c. 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 the Corporation 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 the Corporation to finance its capital expenditure and working capital requirements.

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

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Corporation's paid-in capital. This reserve may only be used to offset a deficit. When the reserve reaches 50% of the Corporation'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 the Corporation on earnings generated from July 1, 1998. An imputation credit account (ICA) is maintained by the Corporation 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 2004 and 2003 earnings on June 23, 2005 and June 24, 2004, respectively, as follows:

| | Appropriation of Earnings | | Dividends Per | |
|--------------------|----------------------------------|-------------|------------------------|-------------|
| | (Thousands) | | Share (Dollars) | |
| | 2004 | 2003 | 2004 | 2003 |
| Legal reserve | \$ 979,726 | \$ 664,910 | | |
| Special reserve | 7,416 | - | | |
| Bonus to employees | 101,680 | 71,717 | | |
| Cash dividends | 6,828,310 | 4,716,781 | \$ 3.00 | \$ 2.30 |
| Stock dividends | - | 1,025,387 | - | 0.50 |

Because of the conversion of the 2003 Convertible Bonds and the 1997 Convertible Bonds, the actual cash dividends per share in 2004 was NT\$2.98203 and the actual cash dividends and stock dividends per share in 2003 were NT\$2.28697 and NT\$0.49716, respectively.

The above appropriation of the earnings resolved by stockholders did not differ from the appropriation of the earnings resolved by board of directors on April 22, 2005 and April 6, 2004. Had the Corporation recognized bonus to employees as expense in 2004 and 2003, the primary and diluted earnings in 2004 would have declined from NT\$4.57 to NT\$4.52 and NT\$4.34 to NT\$4.29, and in 2003 would have declined from NT\$3.52 to NT\$3.49 and from NT\$3.09 to NT\$3.05, respectively.

As of March 1, 2006, the Corporation's board of directors had not decided the appropriation of the 2005 earnings. Information on the appropriation of the Corporation's earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange.

13. TREASURY STOCKS

| Reason for Repurchase | Outstanding Shares (Thousands) | | | End of the Year |
|--|--------------------------------|--------------|---------------|-----------------|
| | Beginning of the Year | Increase | Decrease | |
| <u>2005</u> | | | | |
| Stocks of the Corporation held by subsidiaries | <u>32,607</u> | <u>12</u> | <u>10,371</u> | <u>22,248</u> |
| <u>2004</u> | | | | |
| Stocks of the Corporation held by subsidiaries | <u>54,384</u> | <u>2,704</u> | <u>24,481</u> | <u>32,607</u> |

The Corporation's shares held by subsidiaries in 2005 and 2004 were as follows:

| Subsidiaries | Shares (Thousands) | Carrying Values (Thousands) | Market Values (Thousands) |
|---------------------------------|--------------------|-----------------------------|---------------------------|
| <u>2005</u> | | | |
| Ching Ming Investment Co., Ltd. | 21,778 | \$ 400,748 | \$ 454,950 |
| Kuang Ming Shipping Corp. | 470 | <u>9,030</u> | <u>9,813</u> |
| | | <u>\$ 409,778</u> | <u>\$ 464,763</u> |
| <u>2004</u> | | | |
| Ching Ming Investment Co., Ltd. | 31,309 | \$ 576,131 | \$ 937,981 |
| Kuang Ming Shipping Corp. | 1,310 | <u>25,150</u> | <u>39,239</u> |
| | | <u>\$ 601,281</u> | <u>\$ 977,220</u> |

On January 1, 2002, the Corporation reclassified the shares of the Corporation held by subsidiaries from investments into treasury stocks. The proceeds from the subsidiaries' disposal of these shares were \$220,489 thousand in 2005 and \$737,867 thousand in 2004. As of December 31, 2005 and 2004, the carrying values of the Corporation's shares held by subsidiaries were \$164,701 thousand and \$241,357 thousand, respectively.

The increases in the stocks of the Corporation held by subsidiaries in 2005 and 2004 were due to the Corporation's increasing the subsidiaries' holdings of its shares and the appropriation of 2003 earnings as stock dividends, respectively.

Although the Corporation'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 effective on June 22, 2005 and the right to subscribe for new shares issued by the Corporation.

14. INCOME TAX

- a. Computation of tax expense and current income tax payable in accordance with statutory tax rate (25%):

| | 2005 | 2004 |
|--|-------------------|---------------------|
| Tax on pretax income at statutory rate | \$ 2,506,265 | \$ 2,974,919 |
| Add (deduct) tax effects of: | | |
| Permanent differences | (1,568,873) | (768,211) |
| Deferred income tax | (249,973) | (612,105) |
| Investment tax credit | <u>-</u> | <u>(1,963)</u> |
| Current tax payable | <u>\$ 687,419</u> | <u>\$ 1,592,640</u> |

As of December 31, 2005, the balance of income tax payable included an income tax payable of \$5,470 thousand for the return examined by the authorities and was net of the creditable income tax of \$647,419 thousand. The balance of income tax payable as of December 31, 2004 was net of creditable income tax of \$467,261 thousand and the accrued income tax payable of \$1,279 thousand for the returns not yet examined by authorities.

- b. Income tax expense consisted of:

| | 2005 | 2004 |
|-----------------------------------|-------------------|---------------------|
| Income tax expense - current | \$ 687,419 | \$ 1,592,640 |
| Income tax expense - deferred | 97,518 | 608,430 |
| Overseas tax credit exceeded | 30,273 | - |
| Adjustments of prior years' taxes | <u>(53,105)</u> | <u>(98,657)</u> |
| | <u>\$ 762,105</u> | <u>\$ 2,102,413</u> |

- c. Deferred income tax assets (liabilities) consisted of:

| | December 31 | |
|---|-----------------------|-----------------------|
| | 2005 | 2004 |
| Current | | |
| Unrealized foreign exchange loss | \$ 36,846 | \$ 35,994 |
| Unrealized loss on allowance for shipping fuel valuation losses | 16,575 | 24,938 |
| Others | <u>10,116</u> | <u>7,095</u> |
| Deferred income tax assets (included in other current assets) | <u>\$ 63,537</u> | <u>\$ 68,027</u> |
| Noncurrent | | |
| Cumulative equity in net income of investee | \$ (2,015,449) | \$ (1,758,409) |
| Differences in estimated service lives of containers | (261,735) | (213,271) |
| Deferred pension cost | <u>110,195</u> | <u>101,294</u> |
| Deferred income tax liabilities | <u>\$ (2,166,989)</u> | <u>\$ (1,870,386)</u> |

The above deferred income taxes were computed at the 25% income tax rate.

d. Integrated income tax system information was as follows:

| | <u>December 31</u> | |
|--|--------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| Balance of the imputation credit account (ICA) | \$ <u>709,062</u> | \$ <u>40,914</u> |

The estimated creditable tax ratio for the 2005 earnings was 6.13%. The actual creditable tax ratio for distributing the 2004 earnings was 13.55%.

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 2005, for which income tax payable had been taken into account, might differ from the actual ratio on the dividend distribution date.

- e. As of December 31, 2005 and 2004, the balances of the special reserve and unappropriated retained earnings generated before June 30, 1998 aggregated \$2,064,438 thousand.
- f. Income tax returns through 2003 had been examined and cleared by the tax authorities.

15. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| | <u>2005</u> | | |
|--------------------|----------------------------|-------------------------------|---------------------|
| | <u>Operating Costs</u> | <u>Operating Expenses</u> | <u>Total</u> |
| Personnel expenses | | | |
| Salary | \$ 529,188 | \$ 1,119,222 | \$ 1,648,410 |
| Insurance | 22,439 | 50,461 | 72,900 |
| Pension | 57,526 | 79,526 | 137,052 |
| Others | 44,881 | 81,765 | 126,646 |
| Depreciation | 2,065,382 | 64,968 | 2,130,350 |
| Amortization | <u>22,310</u> | <u>15,739</u> | <u>38,049</u> |
| | <u>\$ 2,741,726</u> | <u>\$ 1,411,681</u> | <u>\$ 4,153,407</u> |
| | | | |
| | <u>2004</u> | | |
| | <u>Operating Costs</u> | <u>Operating Expenses</u> | <u>Total</u> |
| Personnel expenses | | | |
| Salary | \$ 558,414 | \$ 1,348,166 | \$ 1,906,580 |
| Insurance | 24,036 | 45,257 | 69,293 |
| Pension | 64,589 | 56,464 | 121,053 |
| Others | 42,166 | 79,001 | 121,167 |
| Depreciation | 1,856,403 | 57,072 | 1,913,475 |
| Amortization | <u>23,477</u> | <u>24,660</u> | <u>48,137</u> |
| | <u>\$ 2,569,085</u> | <u>\$ 1,610,620</u> | <u>\$ 4,179,705</u> |

16. EARNINGS PER SHARE

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

| | <u>Amount (Numerator)</u> | | Capital Stock (Denominator) (in Thousand Shares) | <u>Earnings Per Share (Dollars)</u> | |
|---|-----------------------------------|---------------------|---|-------------------------------------|----------------|
| | Income Before Income Tax | Net Income | | Income Before Income Tax | Net Income |
| <u>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> |
| <u>2004</u> | | | | | |
| Basic EPS | \$ 11,899,677 | \$ 9,797,264 | 2,143,187 | <u>\$ 5.55</u> | <u>\$ 4.57</u> |
| Impact of dilutive potential common shares | | | | | |
| Domestic unsecured convertible bonds | <u>9,750</u> | <u>7,313</u> | <u>116,318</u> | | |
| Diluted EPS | <u>\$ 11,909,427</u> | <u>\$ 9,804,577</u> | <u>2,259,505</u> | <u>\$ 5.27</u> | <u>\$ 4.34</u> |

The calculation of pro forma net income per share, assuming that the stocks of the Corporation held by subsidiaries are treated as investments rather than as treasury stocks, is as follows:

| | <u>Amount (Numerator)</u> | | Capital Stock (Denominator) (in Thousand Shares) | <u>Earnings Per Share (Dollars)</u> | |
|---|-----------------------------------|---------------------|---|-------------------------------------|----------------|
| | Income Before Income Tax | Net Income | | Income Before Income Tax | Net Income |
| <u>2005</u> | | | | | |
| Pro forma basic EPS | \$ 10,033,191 | \$ 9,271,086 | 2,283,795 | <u>\$ 4.39</u> | <u>\$ 4.06</u> |
| Impact of dilutive potential common shares | | | | | |
| Domestic unsecured convertible bonds | <u>1,680</u> | <u>1,260</u> | <u>29,385</u> | | |
| Pro forma diluted EPS | <u>\$ 10,034,871</u> | <u>\$ 9,272,346</u> | <u>2,313,180</u> | <u>\$ 4.34</u> | <u>\$ 4.01</u> |

(Continued)

| | <u>Amount (Numerator)</u> | | <u>Capital Stock (Denominator) (in Thousand Shares)</u> | <u>Earnings Per Share (Dollars)</u> | |
|--|---|-----------------------|---|---|-----------------------|
| | <u>Income Before Income Tax</u> | <u>Net Income</u> | | <u>Income Before Income Tax</u> | <u>Net Income</u> |
| <u>2004</u> | | | | | |
| Pro forma basic EPS | \$ 12,186,424 | \$ 10,084,011 | 2,195,408 | <u>\$ 5.55</u> | <u>\$ 4.59</u> |
| Impact of dilutive potential common shares | | | | | |
| Domestic unsecured convertible bonds | <u>9,750</u> | <u>7,313</u> | <u>116,318</u> | | |
| Pro forma diluted EPS | <u>\$ 12,196,174</u> | <u>\$ 10,091,324</u> | <u>2,311,726</u> | <u>\$ 5.28</u> | <u>\$ 4.37</u> |

17. PENSION PLAN

The Corporation 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 entered 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 the Corporation contributes amounts equal to 13% and 9% of salaries every month in 2005 and 2004, respectively, is administered by each company's pension reserve fund supervisory committee and deposited in each company's committee's name 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, the Corporation makes monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries every month. The pension cost under the defined contribution plan was \$7,116 thousand from July to December in 2005.

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

Before the Corporation's privatization, qualified employees received pension payments for service six months ended before the start of the privatization. The service years of the employees who received pre-privatization pension payments and continued to work in the Corporation after privatization will be excluded from the calculation of pension payments after privatization.

Under SFAS No. 18, "Accounting for Pensions," defined benefit pension cost should be recognized using the actuarial method. Other pension information is as follows:

| | 2005 | 2004 |
|---|--------------------------------|-------------------|
| a. Components of net pension costs: | | |
| Service cost | \$ 142,883 | \$ 134,703 |
| Interest cost | 36,913 | 29,645 |
| Expected return on plan assets | (7,216) | (5,979) |
| Amortization of net transition assets | (328) | (7,249) |
| Amortization of prior service cost | 436 | 436 |
| Amortization of net loss | <u>10,773</u> | <u>4,259</u> |
| Actuarial pension cost | 183,461 | 155,815 |
| Less: Pension costs included in other receivables from related parties | <u>(53,525)</u> | <u>(34,762)</u> |
| Net pension cost | <u>\$ 129,936</u> | <u>\$ 121,053</u> |
| | December 31 | |
| | 2005 | 2004 |
| b. Reconciliation of funded status of the pension plan to accrued pension cost at end of year | | |
| Benefit obligation: | | |
| Vested benefit obligation | \$ 355,803 | \$ 251,324 |
| Non-vested benefit obligation | <u>575,639</u> | <u>513,220</u> |
| Accumulated benefit obligation | 931,442 | 764,544 |
| Additional benefits based on future salaries | <u>335,416</u> | <u>292,802</u> |
| Projected benefit obligation | 1,266,858 | 1,057,346 |
| Fair value of plan assets | <u>(264,517)</u> | <u>(198,291)</u> |
| Funded status | 1,002,341 | 859,055 |
| Unrecognized net transition assets | 2,330 | 2,658 |
| Unrecognized prior service cost | (4,363) | (4,799) |
| Unrecognized net loss | (243,041) | (187,949) |
| Additional liability | <u>38,914</u> | <u>30,450</u> |
| Accrued pension cost | <u>\$ 796,181</u> | <u>\$ 699,415</u> |
| c. Vested benefits | <u>\$ 455,866</u> | <u>\$ 339,322</u> |
| | Years Ended December 31 | |
| | 2005 | 2004 |
| d. Assumptions used | | |
| Discount rate | 3.00% | 3.50% |
| Rate of increase in compensation | 2.75% | 2.75% |
| Expected rate of return on plan assets | 3.00% | 3.25% |
| e. Changes in pension fund | | |
| Contributions | <u>\$ 75,620</u> | <u>\$ 50,209</u> |
| Payment of benefits | <u>\$ 32,160</u> | <u>\$ 22,633</u> |

18. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2005 and 2004 and the related balances, in addition to those mentioned in Notes 20, 21, Schedule E and Schedule F, are summarized in the accompanying schedules C and D.

The transactions with related parties were conducted under contract terms.

19. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged as collaterals for bonds, other liabilities and credit lines:

| | <u>December 31</u> | |
|---|--------------------|-------------------|
| | <u>2005</u> | <u>2004</u> |
| Properties, net | \$ 736,825 | \$ 800,272 |
| Nonoperating assets, net | 89,230 | 89,230 |
| Pledged certificate of deposit (included in other assets - miscellaneous) | <u>10,184</u> | <u>-</u> |
| | <u>\$ 836,239</u> | <u>\$ 889,502</u> |

20. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 21, commitments and contingent liability as of December 31, 2005 were as follows:

- a. Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts expiring on various dates by October 2006. The daily compensation under the contracts is \$273 thousand for all the crews.
- b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until April 2014. The total rents for the year ended December 31, 2005 were \$16,380,956 thousand, and future minimum rentals are as follows:

| Fiscal Year | Amount |
|--------------------|---------------|
| 2006 | \$ 11,670,939 |
| 2007 | 2,602,434 |
| 2008 | 2,040,476 |
| 2009 | 1,334,568 |
| 2010 | 992,354 |

Rentals after 2011 amount to \$2,111,772 thousand. The present value of those rentals, computed at an annual interest rate of 1.99%, is \$2,028,137 thousand.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Rentals for the year ended December 31, 2005 were about \$134,497 thousand (deducted from leases payable). Future minimum rentals are as follows:

| Fiscal Year | Amount |
|-------------|------------|
| 2006 | \$ 233,820 |
| 2007 | 137,099 |
| 2008 | 95,202 |
| 2009 | 20,323 |
| 2010 | 20,323 |

Rentals after 2011 amount to \$6,682 thousand. The present value of those rentals, computed at an annual interest rate of 1.99%, is \$5,937 thousand.

- d. Guarantee of loans obtained by three subsidiaries, Yang Ming Line (B.V.I.) Holding Co., Ltd. (US\$5,000,000), All Oceans Transportation Inc. (US\$61,100,000) and Yang Ming (Liberia) Corp. (US\$245,520,000); Yang Ming (America) Corp., an indirect subsidiary (US\$1,500,000); three investees of a subsidiary, United Terminal Leasing LLC (US\$5,577,000), West Basin Container Terminal LLC (US\$12,180,000) and Olympic Container Terminal LLC (US\$4,700,000).
- e. Agreement between the Corporation and China Shipbuilding Corp. (CSBC) for CSBC to construct 8 vessels for US\$179,120,000 for delivery by 2007. As of December 31, 2005, the Corporation had paid US\$26,868,000 to CSBC.
- f. Claim against the Corporation. The buyer of one vessel sold in June 2003 alleged that the Corporation knowingly did not comply with vessel specifications and demanded that the Corporation pay damages of US\$2,800,000. The certificate deposit of US\$310,000 was pledged as arbitration guarantee. No liability was accrued since management and appointed lawyers believed the Corporation's work was in line with buyer's specifications.
- g. Claim against the Corporation. One vessel leased by the Corporation to a third party was alleged to have fuel oil leaks, which caused water pollution. As of December 31, 2005, the Corporation 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, the Corporation had accrued a loss of US\$1,000,000.
- h. Purchase contract. On April 22, 2005, the board of directors resolved to buy two vessels at carrying value from All Oceans Transportation Inc. (a subsidiary). The vessels had not been delivered as of December 31, 2005.
- i. Agreement to acquire containers. As of December 31, 2005, the Corporation had not yet received the containers and thus had not paid made the related payment of US\$42,420,000. The Corporation was granted an option to buy 7,400 units containers US\$22,134,000.
- j. An agreement entered into on October 8, 2004 for the Corporation to build the second logistics center in Kaohsiung jointly with the MOTC Harbor Bureau. The center, to be used to package, store, process, transfer and distribute goods, will be built by April 2006. The estimate investment for the logistics center is around \$200,000 thousand. As of December 31, 2005, the Corporation had paid \$9,568 thousand for this center.

21. SUBSEQUENT EVENT

On January 20, 2006, the board of directors resolved to sell eight vessels at carrying value to two subsidiaries, All Oceans Transportation Inc. and Yang Ming (Liberia) Corp. One of these vessels, with a carrying value of \$748,507 thousand, was delivered on February 7, 2006.

22. FINANCIAL INSTRUMENTS

As required by Statement of Financial Accounting Standards No. 27, "Disclosure of Financial Instruments," information on the Corporation's financial instruments is shown as follows:

- a. The Corporation and two subsidiaries (Yang Ming Line (B.V.I.) Holding Co., Ltd., Yes Logistics Corp.) used derivative instruments for trading and nontrading purposes for the year ended December 31, 2005 and 2004. Nontrading purposes refer to the Corporation's and subsidiaries' hedging of interest rate fluctuations on liabilities and exchange rate fluctuations on net assets or liabilities denominated in foreign currencies. Trading purposes refer to the Corporation's and subsidiaries intent to earn profit from derivative transactions.

1) Open contracts and credit risk

Information on unsettled contracts entered into by the Corporation and three subsidiaries is as follows:

a) Nontrading purposes

| Type of Transaction | December 31, 2005 | | | | | | |
|---|-------------------|-------------|-------------|-----------------|---------------------------------|-------------|----------------------|
| | Notional Amount | Fixed Rate | Market Rate | Settlement Date | Maturity Date | Credit Risk | Place of Transaction |
| Yang Ming Marine Transport Corporation Interest rate swap | \$1,000,000 | 2.46%-2.47% | 0%-4.5% | Annually | June 18, 2004- June 18, 2011 | \$ - | Overseas |

| Type of Transaction | December 31, 2004 | | | | | | |
|---|-------------------|-------------|-------------|-----------------|---------------------------------|-------------|----------------------|
| | Notional Amount | Fixed Rate | Market Rate | Settlement Date | Maturity Date | Credit Risk | Place of Transaction |
| Yang Ming Marine Transport Corporation Interest rate swap | \$1,000,000 | 2.46%-2.47% | 4.40%-4.50% | Annually | June 18, 2004- June 18, 2011 | \$13,381 | Overseas |

b) Trading purposes

i. Type of transaction

| Type of Transaction | December 31, 2005 | | |
|---|-------------------|-----------------|-------------|
| | Carrying Value | Notional Amount | Credit Risk |
| Yang Ming Maring Transport Corporation | | | |
| Credit-linked notes | \$ 99,263 | US\$ 3,000,000 | \$ 99,230 |
| Credit-linked structured time deposit | 232,429 | US\$ 7,000,000 | 230,241 |
| | 50,129 | \$ 50,000 | 50,032 |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | | | |
| Credit-linked notes | 98,664 | US\$ 3,000,000 | 97,436 |

(Continued)

| Type of Transaction | December 31, 2004 | | |
|--|-------------------|-----------------|-------------|
| | Carrying Value | Notional Amount | Credit Risk |
| Yang Ming Maring Transport Corporation Equity-linked notes | \$ 38,630 | \$ 40,000 | \$ 39,876 |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. Credit-linked notes | 95,760 | US\$ 3,000,000 | 95,760 |
| Interest-linked notes | 31,920 | US\$ 1,000,000 | 32,006 |
| Credit linked structured time deposit | 63,840 | US\$ 2,000,000 | 64,002 |
| Yes Logistics Corp. Credit-linked notes | 17,441 | US\$ 550,000 | 17,462 |

ii. Place of transaction

| Place of Transaction | December 31, 2005 | | |
|---|-------------------|-----------------|-------------|
| | Carrying Value | Notional Amount | Credit Risk |
| Taiwan | \$ 50,129 | \$ 50,000 | \$ 50,032 |
| Overseas (including foreign institutions in Taiwan) | 430,356 | US\$ 13,000,000 | 426,907 |

| Place of Transaction | December 31, 2004 | | |
|---|-------------------|-----------------|-------------|
| | Carrying Value | Notional Amount | Credit Risk |
| Taiwan | \$ 38,630 | \$ 40,000 | \$ 39,876 |
| Overseas (including foreign institutions in Taiwan) | 208,961 | US\$ 6,550,000 | 209,230 |

The Corporation is exposed to credit risks from counter-parties' default on contracts or from underlying securities' credit events. The credit risk on the above contracts is the positive net fair value of open contracts as of balance date, which represents the Corporation's possible losses from defaults or credit events. To manage credit risks, the Corporation transacts only with selected financial institutions, securities firms and underlying securities with good credit ratings. Thus, management does not anticipate any significant losses resulting from defaults or credit events. The underlying securities were summarized in Schedule G.

2) Market risk

The Corporation is exposed to market risk arising from adverse exchange rate fluctuations on the forward exchange contracts, foreign currency option contracts, interest rate swap and cross-currency swap contract. The Corporation and two subsidiaries entered into these contracts to hedge the effects of adverse exchange rate fluctuations on foreign-currency assets or liabilities. In addition, the contracts will be settled at net or nominal amounts. Thus, the market risk is not material. Further, the Corporation'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.

The Corporation and subsidiaries set control activities for trading in equity- and credit-linked deposit and notes. Thus, the market risk is not significant.

3) Liquidity risk, cash-flow risk and future cash demand

The interest rate swap contracts are settled at net amounts, and the expected cash demand is not significant. The cross-currency swap contracts, forward exchange contracts and the currency option contracts are settled at net or nominal amounts based on the Corporation's preference, and the exchange rate is fixed for currency options. As a result, the expected cash demand is not material. In addition, for cross-currency swap contracts, there is simultaneous cash inflow and outflow; thus, the aggregate net cash outflow is expected to be insignificant. Management believes that the Corporation has sufficient operating capital to meet its cash demand.

For all its derivative contracts, the Corporation and subsidiaries have paid the total principal on the contract dates; thus, there is no material cash demand in the future. In addition, based on the Corporation's budget, limits are set on the amounts used for derivative transactions.

The Corporation can pre-terminate some of contracts but it has to compensate counter-parties for losses and charges.

4) The purpose of derivative financial instruments held or issued and the strategies to meet the purpose

As of December 31, 2005, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation 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, the Corporation and subsidiaries hedges most of the risks in the market. The interest rates on the contracts are fixed. In addition, the Corporation and subsidiaries evaluate the hedging effectiveness of the contracts periodically.

The Corporation and subsidiaries use cross-currency swap contracts, forward contracts and currency options with gains or losses that offset the gains or losses on foreign-currency net assets and liabilities. Through these contracts, the Corporation hedges most of the risks in the market. The exchange rates on the contracts are fixed. In addition, the Corporation evaluates the hedging effectiveness of the contracts periodically.

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

The Corporation and subsidiaries use interest-linked notes and credit-linked structured time deposit for trading purposes to earn higher interest income. The Corporation and subsidiaries choose commodities highly correlated to interest rates.

5) Presentation method of derivative instruments in the financial statements

On the interest rate swap, related payables (included in accrued expenses) was \$7,592 thousand in 2005 and related receivables (included in other current assets) was \$10,699 thousand in 2004. Losses and gains were \$5,853 thousand and \$10,699 thousand in 2005 and 2004, respectively.

Related receivables, payables and gains on equity- and credit-linked contracts used by the Corporation and two subsidiaries were as follows:

| | <u>December 31</u> | |
|---|--------------------|-------------|
| | 2005 | 2004 |
| Yang Ming Marine Transport Corporation | | |
| Other financial instruments - current (included in other current assets) | \$ 259,950 | \$ 38,630 |
| Other financial instruments - noncurrent (included in other assets - miscellaneous) | 118,550 | - |
| Interest receivables (included in other current assets) | 3,321 | - |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | | |
| Other financial instruments - current | 98,550 | 31,920 |
| Other financial instruments - noncurrent | - | 159,600 |
| Interest receivables | 114 | - |
| Yes Logistics Corp. | | |
| Other financial instruments - current | - | 17,441 |
| | 2005 | 2004 |
| Yang Ming Marine Transport Corporation | | |
| Investment income (loss), net - equity linked notes | \$ 18,361 | \$ (3,102) |
| Interest income - credit linked notes | 14,509 | - |
| Interest income - credit linked structured time deposit | 1,314 | 12,878 |
| Foreign exchange income (loss), net - credit linked structured time deposit | 6,733 | (4,707) |
| Yes Logistics Corp. | | |
| Investment gain, net | - | 84 |
| Interest income | 377 | 973 |

The above investment loss - net of the Corporation included settlement gains of \$23,171 thousand; loss of \$18,505 thousand on the conversion to beneficiary certificates; and disposal gains of \$13,695 thousand on beneficiary certificates.

Net gains of the Corporation and two subsidiaries (included in foreign exchange gain) on various derivative instruments in 2005 and 2004 are summarized as follows:

| | 2005 | 2004 |
|---|-----------------|-----------------|
| a) Trading purposes | | |
| Yang Ming Marine Transport Corporation | | |
| Currency options | \$ 3,614 | \$ 4,278 |
| Forward exchange contracts | <u>(263)</u> | <u>-</u> |
| | <u>\$ 3,351</u> | <u>\$ 4,278</u> |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | | |
| Forward exchange contracts | <u>\$ -</u> | <u>\$ 326</u> |
| b) Nontrading purposes | | |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | | |
| Cross-currency swaps | <u>\$ -</u> | <u>\$ 264</u> |

b. The fair values of the Corporation's financial instruments were as follows:

| | December 31 | | | |
|--|---------------------------|-------------------|---------------------------|-------------------|
| | 2005 | | 2004 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| <u>Nonderivative instruments</u> | | | | |
| Assets | | | | |
| Short-term financial instruments | | | | |
| Cash and cash equivalents | \$ 9,725,245 | \$ 9,725,245 | \$ 10,223,922 | \$ 10,223,922 |
| Short-term investments | 8,142,095 | 8,142,095 | 15,625,880 | 15,625,880 |
| Accounts receivable | 770,061 | 770,061 | 769,083 | 769,083 |
| Accounts receivable from related parties | 1,511,173 | 1,511,173 | 1,741,438 | 1,741,438 |
| Other receivables from related parties | 8,271,880 | 8,271,880 | 9,282,259 | 9,282,259 |
| Advances to shipping agents | 229,274 | 229,274 | 226,343 | 226,343 |
| Investments in shares of stock | 16,784,797 | 17,196,983 | 13,354,483 | 13,354,483 |
| Long-term receivables from related parties | 15,368,741 | 15,368,741 | 3,946,328 | 3,946,328 |
| Liabilities | | | | |
| Payables to related parties | 1,301,446 | 1,301,446 | 1,822,601 | 1,822,601 |
| Accrued expenses | 4,603,548 | 4,603,548 | 3,105,449 | 3,105,449 |
| Payables to shipping agents | 2,091,656 | 2,091,656 | 2,241,445 | 2,241,445 |
| Bank loans | - | - | 233,470 | 233,470 |
| Bonds | 18,735,178 | 19,273,522 | 19,639,235 | 20,477,994 |
| <u>Derivative instruments</u> | | | | |
| Yang Ming Marine Transport Corporation | | | | |
| Interest rate swap | (7,592) | (43,412) | 10,699 | 13,381 |
| Credit-linked notes | 99,263 | 99,230 | - | - |
| Credit-linked structured time deposit | 282,558 | 280,273 | - | - |
| Equity-linked notes | - | - | 38,630 | 39,876 |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | | | | |
| Credit-linked notes | 98,664 | 97,436 | 95,760 | 95,760 |
| Interest-linked notes | - | - | 31,920 | 32,006 |
| Credit-linked structured time deposit | - | - | 63,840 | 64,002 |
| Yes Logistics Corp. | | | | |
| Credit-linked notes | - | - | 17,441 | 17,462 |

The methods and assumptions applied in estimating fair values are as follows:

- 1) The carrying values of short-term financial instruments, except for short-term investments, approximate fair values because of the short maturities of these instruments.
- 2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, on the Corporation's equity in the equity-method investee's net assets or on investment costs of stocks with no quoted market prices.

- 3) Fair values of long-term receivable from related parties, bank loans and bonds are based on market prices or, if market prices are unavailable, on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on the interest rate for bank loans that the Corporation can obtain under similar conditions.
- 4) Fair values of derivatives are calculated at exchange rates quoted from the Reuter's New Agency and market value quoted by banks. The Corporation entered into the interest rate swap contracts with foreign institutions in order to hedge future cashflow risk, and the fair value fluctuation arising from exchange rate fluctuations would not cause additional risk to the Corporation.

23. ADDITIONAL DISCLOSURES

Aside from those mentioned in Note 22 and Schedules E to K, no additional disclosures are required by the Securities and Futures Bureau for the Corporation and its investees.

24. SEGMENT INFORMATION

- a. The Corporation operates in a single business, namely, ocean freight transport.
- b. The Corporation has no revenue-generating unit (branch or office) outside Taiwan.
- c. Cargo transport revenues

| Line Service | 2005 | | 2004 | |
|-------------------------|---------------|----|---------------|----|
| | Amount | % | Amount | % |
| U.S. Western coast line | \$ 28,278,352 | 34 | \$ 26,905,522 | 34 |
| Asia line | 14,985,960 | 18 | 14,161,544 | 18 |
| U.S. Eastern coast line | 12,680,091 | 15 | 10,297,828 | 13 |
| Northwest European line | 9,732,304 | 12 | 9,039,916 | 12 |

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

SCHEDULE A**YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS
DECEMBER 31, 2005**

| Country | Currency | Foreign Currency Amount (Thousands) | New Taiwan Dollar Exchange Rate | New Taiwan Dollar Amount (Thousands) |
|----------------|-----------------|--|--|---|
| 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 |
| | IDR | 5,227 | 0.0033 | 17 |
| Malaysia | USD | (Note) | 32.8500 | 12 |
| | MYR | 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 |
| | PHP | 23,775 | 0.6205 | 14,753 |
| Singapore | USD | 84 | 32.8500 | 2,758 |
| | SGD | 457 | 19.7594 | 9,030 |
| India | INR | 31,270 | 0.7290 | 22,797 |
| Thailand | THB | 138,837 | 0.7991 | 110,941 |
| Korea | USD | (Note) | 32.8500 | 1 |
| | KRW | 281,435 | 0.0327 | 9,208 |

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

SCHEDULE B**YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS
DECEMBER 31, 2004**

| Country | Currency | Foreign Currency Amount (Thousands) | New Taiwan Dollar Exchange Rate | New Taiwan Dollar Amount (Thousands) |
|----------------|-----------------|--|--|---|
| Japan | USD | (Note) | 31.9200 | \$ 3 |
| | JPY | \$ 2,944,651 | 0.3113 | 916,670 |
| Hong Kong | USD | 145 | 31.9200 | 4,642 |
| | HKD | 1,509 | 4.1058 | 6,196 |
| United States | USD | 2,269 | 31.9200 | 72,427 |
| France | EUR | 22 | 43.5352 | 950 |
| Belgium | EUR | 148 | 43.5352 | 6,425 |
| Netherlands | EUR | 49 | 43.5352 | 2,150 |
| | DKK | 796 | 5.8539 | 4,661 |
| Indonesia | USD | 221 | 31.9200 | 7,041 |
| | IDR | 6,176 | 0.0034 | 21 |
| Malaysia | USD | 3 | 31.9200 | 107 |
| | MYR | (Note) | 8.4011 | 11 |
| Britain | USD | 2 | 31.9200 | 62 |
| | GBP | 48 | 61.5147 | 2,934 |
| Germany | USD | (Note) | 31.9200 | 2 |
| | EUR | 38 | 43.5352 | 1,674 |
| Italy | USD | 373 | 31.9200 | 11,912 |
| | EUR | 124 | 43.5352 | 5,399 |
| Philippines | USD | 11 | 31.9200 | 352 |
| | PHP | 2,758 | 0.5677 | 1,566 |
| Singapore | USD | 33 | 31.9200 | 1,060 |
| | SGD | 349 | 19.5600 | 6,835 |
| India | INR | 22,853 | 0.7335 | 16,763 |
| Thailand | THB | 155,043 | 0.8214 | 127,352 |
| Korea | USD | 30 | 31.9200 | 959 |
| | KRW | 777,013 | 0.0308 | 23,932 |

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

YANG MING MARINE TRANSPORT CORPORATION

RELATED-PARTY ACCOUNT BALANCES
 DECEMBER 31, 2005 AND 2004
 (In Thousands of New Taiwan Dollars)

| Related Party | Nature of Relationship (See Notes Below) | Receivables from Related Parties | | | | | | Advances to Shipping Agents | Prepaid Expense | Long-term Receivable from Related Parties | Payables to Related Parties | | | | | | | | | |
|---|--|----------------------------------|-----------|---------------------|-----------|---------------------|------------|-----------------------------|-----------------|---|-----------------------------|---------------------|------------|------------------|-----------------------------|------------------------|-----------|-------------|---------------------|------------|
| | | Accounts Receivables | | Other Receivables | | Total | Amount | | | | % | Amount | % | Accrued Expense | Payables to Shipping Agents | Receipts under Custody | | Total | | |
| | | Amount | % | Amount | % | Amount | | | | | | | | | | Amount | % | | Amount | % |
| 2005 | | | | | | | | | | | | | | | | | | | | |
| Kuang Ming Shipping Corp. | A | \$ - | - | \$ 595 | - | \$ 595 | - | \$ - | - | \$ - | - | \$ - | - | \$ - | - | \$ - | - | | | |
| All Oceans Transportation Inc. | A | - | - | 6,511,749 | D 67 | 6,511,749 | 67 | - | - | - | - | 11,531,330 | F 75 | - | - | - | - | | | |
| Jing Ming Transportation Co., Ltd. | A | - | - | - | - | - | - | - | - | - | - | - | - | 84,296 | 7 | - | - | | | |
| Yangming (Japan) Co., Ltd. | A | 663 | - | - | - | 663 | - | - | - | - | - | - | - | - | - | 121,726 | 9 | | | |
| Young-Carrier Company Ltd. | A | 688,351 | 7 | - | - | 688,351 | 7 | - | - | - | - | - | - | - | - | 427,277 | 33 | | | |
| Yangming (U.K.) Ltd. | A | 158,647 | 2 | 1,714,485 | H 18 | 1,873,132 | 20 | 24,770 | 11 | - | - | - | - | - | - | - | - | | | |
| Yang Ming Shipping Europe GmbH | A | 127,148 | 1 | - | - | 127,148 | 1 | - | - | - | - | - | - | - | - | 42,476 | 3 | | | |
| Yang Ming Line (Hong Kong) Ltd. | A | 64,071 | 1 | - | - | 64,071 | 1 | - | - | - | - | - | - | - | - | 307,174 | 23 | | | |
| Yangming Shipping (Singapore) Pte. Ltd. | A | 11,551 | - | - | - | 11,551 | - | - | - | - | - | - | - | - | - | 36,658 | 3 | | | |
| Kuang Ming Shipping Corp. (Panama) | A | - | - | 297 | - | 297 | - | - | - | 1,825 | 1 | - | - | - | - | - | - | | | |
| Yang MingLine (M) Sdn. Bhd. | A | 52,117 | 1 | - | - | 52,117 | 1 | - | - | - | - | - | - | - | - | 47,275 | 4 | | | |
| Yang Ming (America) Corp. | A | 33,920 | - | - | - | 33,920 | - | 166,093 | 72 | - | - | - | - | - | - | - | - | | | |
| Yang Ming (Netherlands) B.V. | B | 50,847 | 1 | - | - | 50,847 | 1 | - | - | - | - | - | - | - | - | 23,101 | 2 | | | |
| Yes Logistics Corp. | A | 32,197 | - | 5,780 | - | 37,977 | - | - | - | - | - | 1,100 | - | - | - | - | - | | | |
| Yang Ming Italy S.p.A. | B | 224,302 | 2 | - | - | 224,302 | 2 | - | - | - | - | - | - | 71,699 | 5 | - | - | | | |
| Yang Ming Line Holding Co. | A | - | - | 20,370 | - | 20,370 | - | - | - | - | - | - | - | - | - | - | - | | | |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | A | - | - | - | - | - | - | - | - | - | - | 1,479,635 | E 10 | - | - | - | - | | | |
| Yang Ming Cultural Foundation | C | - | - | 3,215 | - | 3,215 | - | - | - | - | - | - | - | - | - | - | - | | | |
| Yangming (Cayman) Ltd. | A | - | - | - | - | - | - | - | - | 2,312 | 1 | - | - | - | - | - | - | | | |
| Yang Ming Line (India) Pvt. Ltd. | A | 25,305 | - | - | - | 25,305 | - | - | - | - | - | - | - | 24,584 | 2 | - | - | | | |
| Yang Ming (Vietnam) Corp. | B | 42,054 | - | - | - | 42,054 | - | 3,245 | 1 | - | - | - | - | 114,080 | 9 | - | - | | | |
| Yang Ming (Liberia) Corp. | A | - | - | 12,302 | - | 12,302 | - | - | - | - | - | 2,357,776 | G 15 | - | - | - | - | | | |
| Other | I | - | - | 3,087 | - | 3,087 | - | - | - | - | - | - | - | - | - | - | - | | | |
| | | <u>\$ 1,511,173</u> | <u>15</u> | <u>\$ 8,271,880</u> | <u>85</u> | <u>\$ 9,783,053</u> | <u>100</u> | <u>\$ 194,108</u> | <u>84</u> | <u>\$ 4,137</u> | <u>2</u> | <u>\$15,368,741</u> | <u>100</u> | <u>\$ 85,396</u> | <u>7</u> | <u>\$ 1,216,050</u> | <u>93</u> | <u>\$ -</u> | <u>\$ 1,301,446</u> | <u>100</u> |
| 2004 | | | | | | | | | | | | | | | | | | | | |
| All Oceans Transportation Inc. | A | \$ - | - | \$ 8,091,072 | D 73 | \$ 8,091,072 | 73 | \$ - | - | \$ 3,946,328 | F 100 | \$ - | - | \$ - | - | \$ - | - | | | |
| Jing Ming Transportation | A | - | - | - | - | - | - | - | - | - | - | 16,901 | 1 | - | - | - | - | | | |
| Yangming (Japan) Co., Ltd. | A | - | - | - | - | - | - | - | - | - | - | - | - | 184,811 | 10 | - | - | | | |
| Yang Ming Line Holding Co. | A | - | - | 71,290 | 1 | 71,290 | 1 | - | - | - | - | - | - | - | - | - | - | | | |
| Young-Carrier Company Ltd. | A | 959,998 | 9 | - | - | 959,998 | 9 | - | - | - | - | - | - | 331,189 | 18 | - | - | | | |
| Yangming (Cayman) Ltd. | A | - | - | - | - | - | - | 2,893 | 1 | - | - | - | - | - | - | - | - | | | |
| Yangming (U.K.) Ltd. | A | 180,768 | 2 | - | - | 180,768 | 2 | - | - | - | - | - | - | 100,014 | 6 | 558,556 | I 31 | | | |
| Yang Ming Shipping Europe GmbH | A | 95,312 | 1 | 4,155 | - | 99,467 | 1 | - | - | - | - | - | - | 67,254 | 4 | - | - | | | |
| Yang Ming Line (Hong Kong) Ltd. | A | 38,976 | - | - | - | 38,976 | - | - | - | - | - | - | - | 294,159 | 16 | - | - | | | |
| Yangming Shipping (Singapore) Pte. Ltd. | A | 5,841 | - | - | - | 5,841 | - | - | - | - | - | - | - | 39,102 | 2 | - | - | | | |
| Yang MingLine (M) Sdn. Bhd. | A | 39,891 | - | - | - | 39,891 | - | - | - | - | - | - | - | 23,172 | 1 | - | - | | | |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | A | - | - | 866,947 | E 8 | 866,947 | 8 | - | - | - | - | - | - | - | - | - | - | | | |
| Yang Ming Line (Singapore) Pte. Ltd. | A | - | - | 236,208 | E 2 | 236,208 | 2 | - | - | - | - | - | - | - | - | - | - | | | |
| Yes Logistics Corp. | A | 10,091 | - | - | - | 10,091 | - | - | - | - | - | - | - | - | - | - | - | | | |
| Yang Ming Line B.V. | A | - | - | 494 | - | 494 | - | - | - | - | - | - | - | - | - | - | - | | | |
| Ching Ming Investment Corp. | A | - | - | 2,337 | - | 2,337 | - | - | - | - | - | - | - | - | - | - | - | | | |
| Kuang Ming Shipping Corp. | A | 29,690 | - | 375 | - | 30,065 | - | - | - | - | - | - | - | - | - | - | - | | | |
| Yang Ming (America) Corp. | A | 85,759 | 1 | 5,193 | - | 90,952 | 1 | 166,946 | 74 | - | - | - | - | - | - | - | - | | | |
| Kuang Ming Shipping Corp. (Panama) | A | - | - | - | - | - | - | 531 | - | - | - | - | - | - | - | 22,827 | 1 | | | |

(Continued)

| Related Party | Nature of Relationship (See Notes Below) | Receivables from Related Parties | | | | | | | | | | Payables to Related Parties | | | | | | | | | |
|---|---|----------------------------------|-----------|---------------------|-----------|----------------------|------------|-----------------------------|-----------|-----------------|----------|---|------------|------------------|----------|-----------------------------|-----------|------------------------|-----------|---------------------|------------|
| | | Accounts Receivables | | Other Receivables | | Total | | Advances to Shipping Agents | | Prepaid Expense | | Long-term Receivable from Related Parties | | Accrued Expense | | Payables to Shipping Agents | | Receipts under Custody | | Total | |
| | | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Yang Ming Italy S.p.A. | B | \$ 215,376 | 2 | \$ - | - | \$ 215,376 | 2 | \$ - | - | \$ - | - | \$ - | - | \$ - | - | \$ 122,399 | 7 | \$ - | - | \$ 122,399 | 7 |
| Yang Ming (Netherlands) B.V. | B | 56,441 | 1 | - | - | 56,441 | 1 | 213 | - | - | - | - | - | - | 62,217 | 3 | - | - | 62,217 | 3 | |
| Hongming Terminal & Stevedoring Co., Ltd. | A | - | - | 4,188 | - | 4,188 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Yang Ming Line (India) Pvt. Ltd. | A | 23,295 | - | - | - | 23,295 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | <u>\$ 1,741,438</u> | <u>16</u> | <u>\$ 9,282,259</u> | <u>84</u> | <u>\$ 11,023,697</u> | <u>100</u> | <u>\$ 167,159</u> | <u>74</u> | <u>\$ 3,424</u> | <u>1</u> | <u>\$ 3,946,328</u> | <u>100</u> | <u>\$ 16,901</u> | <u>1</u> | <u>\$ 1,224,317</u> | <u>67</u> | <u>\$ 581,383</u> | <u>32</u> | <u>\$ 1,822,601</u> | <u>100</u> |

- Notes:
- A. Subsidiary of the Corporation.
 - B. An equity-method investee of subsidiary of the Corporation.
 - C. The Corporation's donation is equal to the foundation's capital.
 - D. Including dividends receivable and the amount of proceeds from disposal of ships.
 - E. Dividends receivable.
 - F. The amount of proceeds from disposal of ships.
 - G. Including the amount of proceeds from disposal of ships and financing provided (Schedule E).
 - H. Represents freight expense paid and held on behalf of Yangming (UK) Ltd.
 - I. Represents freight revenue received and held on behalf of Yangming (UK) Ltd.
 - J. Other related parties with individual balances less than 5% of the total of their respective accounts, including those of Ching Ming Investment Corp. (a subsidiary) and Yang Ming Line B.V. (a subsidiary).
 - K. The receivables for proceeds from disposal of ships from All Oceans Transportation Inc. (a subsidiary) will be offset by rentals payable periodically.
 - L. Other related parties, with which the Corporation had no transactions in the year ended December 31, 2005 and 2004, are listed in Schedule J.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

FINANCING PROVIDED

DECEMBER 31, 2005

(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 | | |
| 1 | Yang Ming Marine Transport Corporation | Yang Ming (Liberia) Corp. | Long-term receivables | \$ 260,172 (US\$ 7,920,000) | \$ 260,172 (US\$ 7,920,000) | 4.27% | 2 | \$ - | Acquisition of ships | \$ - | - | \$ - | \$ 9,439,596 (Note C) | \$ 18,879,192 (Note B) |
| 2 | Yang Ming (America) Corp. | Olympic Container Terminal LLC | Other receivables | 197,100 (US\$ 6,000,000) | 197,100 (US\$ 6,000,000) | 4.00% | 2 | - | Obtain working capital | - | - | - | 335,070 (Note G) | 394,200 |
| 3 | Yang Ming Shipping (B.V.I.) Inc. | Karman Properties Limited | Other receivables | 103,046 (HK\$ 24,321,000) | 102,893 (HK\$ 24,285,000) | - | 2 | - | Acquisition of office building | - | - | - | 398,038 (Note E) | 497,548 (Note D) |
| 4 | Yang Ming Line (Singapore) Pte. Ltd. | Yang Ming Line (India) Pvt. Ltd. | Other receivables | 7,884 (US\$ 240,000) | 7,884 (US\$ 240,000) | 2.80% | 2 | - | Obtain working capital | - | - | - | 939,692 (Note F) | 1,879,384 (Note D) |
| 5 | Yang Ming Line (B.V.I.) Holding Co., Ltd. | Yang Ming Line B.V. | Other receivables | 37,312 (Note H) | \$ 33,922 (Note H) | 1.50% | 2 | - | Investment in Yang Ming Italy S.p.A., Yangming (UK) Ltd. and Yang Ming Shipping Europe GmbH | - | - | - | 3,146,986 (Note E) | 3,933,733 (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 EUR547,000 translated into New Taiwan dollars at the exchange rate of GBP1=NT\$56.7064 and EUR1=NT\$38.9680 on December 31, 2005.

I. United States dollars and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.85 and HK\$1=NT\$4.2369 on December 31, 2005.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED

DECEMBER 31, 2005

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

| No. | Guarantor | Counter-party | | Maximum Amount of Guarantee to Individual Counter-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 Line (B.V.I.) Holding Co., Ltd. | Subsidiary | \$ 18,318,534 (Note B) | \$ 2,420,454 (US\$ 73,682,000) | \$ 164,250 (US\$ 5,000,000) | \$ - | 0.35% | \$ 22,898,167 (Note A) |
| | | All Oceans Transportation, Inc. | Subsidiary | 18,318,534 (Note B) | 2,481,284 (US\$ 75,534,000) | 2,007,139 (US\$ 61,100,000) | - | 4.25% | 22,898,167 (Note A) |
| | | Yang Ming (America) Corp. | Subsidiary | 18,318,534 (Note B) | 49,275 (US\$ 1,500,000) | 49,275 (US\$ 1,500,000) | - | 0.10% | 22,898,167 (Note A) |
| | | Yang Ming (Liberia) Corp. | Subsidiary | 18,318,534 (Note B) | 8,325,504 (US\$253,440,000) | 8,065,232 (US\$245,520,000) | - | 17.09% | 22,898,167 (Note A) |
| | | United Terminal Leasing LLC | Equity-method investee of subsidiary | 18,318,534 (Note B) | 210,501 (US\$ 6,408,000) | 183,190 (US\$ 5,577,000) | - | 0.39% | 22,898,167 (Note A) |
| | | West Basin Container Terminal LLC | Equity-method investee of subsidiary | 18,318,534 (Note B) | 438,249 (US\$ 13,341,000) | 400,099 (US\$ 12,180,000) | - | 0.85% | 22,898,167 (Note A) |
| | | Olympic Container Terminal LLC | Subsidiary | 18,318,534 (Note B) | 154,395 (US\$ 4,700,000) | 154,395 (US\$ 4,700,000) | - | 0.33% | 22,898,167 (Note A) |
| | | | | | | | | | |
| 1 | Yang Mine Line Holding Co. | West Basin Container Terminal LLC | Equity-method investee of subsidiary | 473,040 (Note D) | 12,866 (US\$ 392,000) | 9,990 (US\$ 304,000) | - | 0.02% | 591,300 (Note C) |
| 2 | Yes Logistics Corp. | Yes Logistic (UK) Ltd. | Subsidiary | 350,000 (Note F) | 8,505 (GBP 150,000) | 8,505 (GBP 150,000) | - | 0.02% | 700,000 (Note E) |
| 3 | Yang Ming Line (Hong Kong) Ltd. | Karman Properties Limited | Subsidiary | 67,790 (Note H) | 48,343 (HK\$11,410,000) | 47,455 (HK\$11,200,000) | - | 0.10% | 84,738 (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\$32.85, GBP1=56.7064 and HK1=4.2369 on December 31, 2005.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(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, 2005 | | | Market Value or Net Asset Value (Note A) | Note |
|--|--|---------------------------------------|--------------------------------|-------------------|----------------|----------------|--|----------|
| | | | | Shares/Units | Carrying Value | % of Ownership | | |
| Yang Ming Marine Transport Corporation | <u>Common stock</u> | | | | | | | |
| | Evergreen Marine Corp. (Taiwan) Ltd. | - | Short-term investments | 5,500,641 | \$ 132,869 | 0.20 | \$ 124,094 | |
| | Taishin Financial Holding Co., Ltd. | - | Short-term investments | 5,216,640 | 129,894 | 0.10 | 93,065 | |
| | Gemtek Technology Co., Ltd | - | Short-term investments | 2,078,605 | 125,351 | 1.13 | 99,149 | |
| | China Steel Corporation | - | Short-term investments | 2,902,800 | 82,130 | 0.03 | 70,741 | |
| | Oriental Union Chemical Corp., | - | Short-term investments | 2,354,000 | 69,047 | 0.32 | 51,082 | |
| | Nanya Technology Corporation | - | Short-term investments | 2,480,000 | 59,175 | 0.06 | 45,657 | |
| | First Financial Holding Co. Ltd. | - | Short-term investments | 1,491,000 | 35,385 | 0.03 | 35,366 | |
| | China Airlines Ltd. | - | Short-term investments | 2,062,000 | 31,887 | 0.06 | 32,043 | |
| | Cathay Financial Holding Co., Ltd. | - | Short-term investments | 485,000 | 29,005 | 0.01 | 29,216 | |
| | Ta Chong Bank Ltd. | - | Short-term investments | 2,207,538 | 23,839 | 0.12 | 20,199 | |
| | Simplo Technology Co., Ltd. | - | Short-term investments | 104,000 | 7,634 | 0.09 | 8,102 | |
| | Taiwan Green Point Enterprises Co., Ltd. | - | Short-term investments | 100,999 | 6,413 | 0.04 | 8,090 | |
| | All Ocean Transportation, Inc. | Subsidiary | Investments in shares of stock | 1,000 | 6,668,028 | 100.00 | 6,668,028 | |
| | Yang Ming Line (B.V.I.) Holding Co., Ltd. | Subsidiary | Investments in shares of stock | 103,505,031 | 3,933,733 | 100.00 | 3,933,733 | |
| | Yang Ming Line (Singapore) Pte. Ltd. | Subsidiary | Investments in shares of stock | 60,130,000 | 1,879,384 | 100.00 | 1,879,384 | |
| | Ching Ming Investment Corp. | Subsidiary | Investments in shares of stock | 150,000,000 | 1,217,936 | 100.00 | 1,618,685 | (Note G) |
| | Yes Logistics Corp. | Subsidiary | Investments in shares of stock | 55,251,100 | 484,153 | 78.93 | 484,153 | |
| | Hongming Terminal & Stevedoring Co., Ltd. | Subsidiary | Investments in shares of stock | 31,667,630 | 357,371 | 79.17 | 357,371 | |
| | Kuang Ming Shipping Corp. | Subsidiary | Investments in shares of stock | 24,000,000 | 269,281 | 100.00 | 279,646 | (Note G) |
| | Yang Ming Line Holding Co. | Subsidiary | Investments in shares of stock | 10,500 | 259,178 | 100.00 | 259,178 | |
| | Jing Ming Transportation Co., Ltd. | Subsidiary | Investments in shares of stock | 6,248,903 | 84,522 | 50.96 | 84,522 | (Note V) |
| | Yang Ming (Liberia) Corp. | Subsidiary | Investments in shares of stock | 500 | (18,620) | 100.00 | (18,620) | (Note V) |
| | Chunghwa Investment Co., Ltd. | Equity-method investee | Investments in shares of stock | 80,000,000 | 775,554 | 40.00 | 775,554 | |
| | Transyang Shipping Pte. Ltd. | Equity-method investee | Investments in shares of stock | 686 | 51,511 | 24.99 | 51,511 | (Note H) |
| | Taipei Port Container Terminal Co., Ltd. | - | Investments in shares of stock | 8,000,000 | 76,640 | 10.00 | 76,640 | |
| | Antwerp International Terminal | - | Investments in shares of stock | 1,486,030 | 57,906 | 16.33 | 58,978 | |
| | <u>Preferred stock</u> | | | | | | | |
| | New Century Infocomm Co., Ltd. | - | Investments in shares of stock | 80,000,000 | 669,600 | 1.68 | 669,600 | |
| | <u>Mutual fund</u> | | | | | | | |
| | AIG Taiwan Bond Fund | - | Short-term investments | 121,147,437 | 1,523,696 | - | 1,523,756 | |
| | Fubon Ju-I II Fund | - | Short-term investments | 92,892,887 | 1,335,112 | - | 1,335,159 | |
| | NITC Taiwan Bond Fund | - | Short-term investments | 80,921,766 | 1,124,772 | - | 1,124,813 | |
| | ABN AMRO Bond Fund | - | Short-term investments | 61,751,030 | 917,626 | - | 917,694 | |
| | Mega Diamond Bond Fund | - | Short-term investments | 62,646,490 | 711,088 | - | 711,144 | |
| | NITC Bond Fund | - | Short-term investments | 3,705,443 | 601,304 | - | 601,327 | |
| | Fuhwa Bond Fund | - | Short-term investments | 38,969,860 | 491,765 | - | 491,804 | |
| | Shinkong NT High Yield Fund | - | Short-term investments | 28,980,738 | 475,417 | - | 475,452 | |
| | Fubon Ju-I Iii Fund | - | Short-term investments | 24,086,379 | 290,829 | - | 290,848 | |
| | Yuanta Asset Management Ltd. - Certificate Tcbank | - | Short-term investments | 2,853,720 | 30,820 | - | 26,112 | |
| | Yuanta Asset Management Ltd. - Certificate Wintek | - | Short-term investments | 150,000 | 6,698 | - | 7,688 | |
| | <u>Convertible bonds</u> | | | | | | | |
| | Jihsun FHC domestic first unsecured convertible bond | - | Short-term investments | 200,000 | 20,000 | - | 19,494 | |

(Continued)

| Holding Company Name | Marketable Securities Type and Name | Relationship with the Holding Company | Financial Statement Account | December 31, 2005 | | | | Note |
|--|--|---------------------------------------|-------------------------------------|-------------------|----------------|----------------|--|----------|
| | | | | Shares/Units | Carrying Value | % of Ownership | Market Value or Net Asset Value (Note A) | |
| Ching Ming Investment Co., Ltd. | <u>Credit-linked notes</u> | | | | | | | |
| | Jin Sun Holding, Quanta Display, Formosa Plastics First-to-Default Credit-Linked Deposit | - | Other financial assets - current | (Note T) | \$ 30,078 | - | \$ 29,985 | |
| | TECO Credit-Linked Deposit | - | Other financial assets - current | (Note Q) | 66,451 | - | 65,991 | |
| | Nanya Tech. Corp. Credit-Linked Note | - | Other financial assets - current | (Note R) | 99,263 | - | 99,230 | |
| | China Trust Credit-Linked Note | - | Other financial assets - current | (Note Q) | 66,216 | - | 65,700 | |
| | Quanta Display Inc. Credit-Linked Deposit | - | Other financial assets - noncurrent | (Note R) | 99,762 | - | 98,550 | |
| | China Airlines Credit-Linked Deposit | - | Other financial assets - noncurrent | (Note S) | 20,051 | - | 20,047 | |
| | <u>Common stock</u> | | | | | | | |
| | Yang Ming Marine Transport Corporation | Parent company | Short-term investments | 21,778,356 | 400,748 | 0.95 | 454,950 | |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | - | Short-term investments | 100,000 | 5,472 | - | 6,215 | |
| | Gemtek Technology Co., Ltd. | - | Short-term investments | 109,953 | 6,676 | 0.06 | 5,245 | |
| | U-Ming Marine Transport Corp. | - | Short-term investments | 532,000 | 23,092 | 0.06 | 18,301 | |
| | Delta Electronics, Inc. | - | Short-term investments | 25,000 | 1,412 | - | 1,680 | |
| | Powertech Technology Inc. | - | Short-term investments | 611,000 | 56,338 | 0.15 | 63,605 | |
| | Radiant Opto-Electronics Corp. | - | Short-term investments | 644,382 | 55,446 | 0.20 | 51,898 | |
| | Kinsus Interconnect Technology Corp. | - | Short-term investments | 25,000 | 1,930 | 0.01 | 2,433 | |
| | Yes Logistics Corp. | Subsidiary | Investments in shares of stock | 9,437,090 | 82,695 | 13.48 | 82,686 | |
| | Honming Terminal & Stevedoring Co., Ltd. | Subsidiary | Investments in shares of stock | 3,950,000 | 44,576 | 9.88 | 44,576 | |
| | TYtech Co., Ltd. | - | Investments in shares of stock | 150,000 | 1,500 | 1.11 | 1,787 | |
| | SF Technology Venture Capital Investment Corp. | - | Investments in shares of stock | 4,000,000 | 25,668 | 7.24 | 25,668 | |
| | United Venture Capital Corp. | - | Investments in shares of stock | 8,000,000 | 65,440 | 9.04 | 67,040 | |
| | Ascentek Venture Capital Corp. | - | Investments in shares of stock | 2,000,000 | 20,080 | 2.14 | 20,940 | |
| | China Technology Venture Capital Corporation | - | Investments in shares of stock | 3,000,000 | 30,000 | 8.96 | 32,400 | |
| | Kingmax Technology Corp. | - | Investments in shares of stock | 1,644,231 | 21,835 | 1.38 | 21,835 | |
| | <u>Mutual fund</u> | | | | | | | |
| | Fuh-Hwa Bond Fund | - | Short-term investments | 5,165,635 | 67,939 | - | 67,939 | |
| | Truwell Yi Li Shi | - | Short-term investments | 12,104,156 | 152,569 | - | 152,569 | |
| Cathay Bond Fund | - | Short-term investments | 6,588,106 | 74,989 | - | 74,989 | | |
| The First Global Investment Trust Duo Li Bond Fund | - | Short-term investments | 3,046,830 | 50,000 | - | 50,007 | | |
| The First Global Investment Trust Duo Li-2 Bond Fund | - | Short-term investments | 6,950,671 | 100,275 | - | 100,275 | | |
| CITC Cash Reserves | - | Short-term investments | 12,985,365 | 150,184 | - | 150,184 | | |
| Capital Income Fund | - | Short-term investments | 2,730,692 | 40,035 | - | 40,035 | | |
| Yes Logistics Corp. | <u>Common stock</u> | | | | | | | |
| | Honming Terminal & Stevedoring Co., Ltd. | Subsidiary | Investments in shares of stock | 4,382,370 | 48,993 | 10.96 | 48,993 | |
| | Yes Logistics Corp. (USA) | Subsidiary | Investments in shares of stock | 800,000 | 15,189 | 100.00 | 15,189 | |
| | Yes Yangming Logistics (Singapore) Pte. Ltd. | Subsidiary | Investments in shares of stock | 340,000 | (6,026) | 100.00 | (6,026) | (Note D) |
| | Nexus International Express Inc. | Equity-method investee | Investments in shares of stock | 328,000 | 9,760 | 49.00 | 9,760 | |
| | B2B. Com Holdings Ltd. | - | Investments in shares of stock | 800,000 | 5,043 | 8.00 | 5,043 | |
| | United Raw Material Solutions Inc. | - | Investments in shares of stock | 800,000 | 5,898 | 2.76 | 5,898 | |
| | Chongqing Changming Terminal Stevedoring Co., Ltd. | - | Deposit on subscription | (Note U) | 45,990 | 49.00 | 45,990 | |
| | <u>Mutual fund</u> | | | | | | | |
| | Tiim High Yield Fund | - | Short-term investments | 621,758 | 7,600 | - | 7,600 | |
| | Fuh-Hwa Bond Fund | - | Short-term investments | 539,098 | 7,090 | - | 7,090 | |
| | Fuh-Hwa Global Bond Fund | - | Short-term investments | 1,437,572 | 15,345 | - | 15,339 | |
| | CITC High Yield | - | Short-term investments | 1,297,026 | 17,425 | - | 17,432 | |
| | CITC Cash Reserves | - | Short-term investments | 174,330 | 2,016 | - | 2,016 | |
| | Capital Income Fund | - | Short-term investments | 1,910,157 | 28,002 | - | 28,005 | |
| | Mega Diamond Bond Fund | - | Short-term investments | 1,762,115 | 20,000 | - | 20,005 | |
| | Fubon Chi-Hsiang I Fund | - | Short-term investments | 1,548,515 | 20,000 | - | 20,001 | |
| | Fuhwa Apex Bond Fund | - | Short-term investments | 858,811 | 10,000 | - | 10,006 | |
| | The Rsit Enhanced Bond Fund | - | Short-term investments | 2,757,353 | 30,000 | - | 30,009 | |
| | Fuh Hwa Total Return Fund 3 | - | Short-term investments | 2,000,000 | 20,000 | - | 20,120 | |
| | Nam Short Term Fixed Income Fund | - | Short-term investments | 16,120 | 7,231 | - | 7,227 | |

(Continued)

| Holding Company Name | Marketable Securities Type and Name | Relationship with the Holding Company | Financial Statement Account | December 31, 2005 | | | | Note |
|---|---|---------------------------------------|----------------------------------|-------------------|----------------|----------------|--|----------|
| | | | | Shares/Units | Carrying Value | % of Ownership | Market Value or Net Asset Value (Note A) | |
| Yes Yangming Logistics (Singapore) (Note L) | <u>Common stock</u> Yes Logistics U.K. Ltd. Yes Logistics Company Ltd. Yes Logistics (Netherlands) B.V. | Subsidiary | Investments in shares of stock | 200 | \$ (2,106) | 100.00 | \$ (2,106) | (Note D) |
| | | Subsidiary | Investments in shares of stock | 1,000,000 | (4,963) | 100.00 | (4,963) | (Note D) |
| | | Subsidiary | Investments in shares of stock | (Note X) | 782 | 100.00 | 782 | |
| Yes Logistics Corp. (USA) | <u>Common stock</u> Golden Logistics Corporation | Equity-method investee | Investments in shares of stock | (Note O) | 13,205 | 70.00 | 13,205 | |
| Yang Ming Line (Singapore) Pte. Ltd. | <u>Common stock</u> Young-Carrier Company Limited Yang Ming Shipping (B.V.I.) Inc. Yangming Shipping (Singapore) Pte. Ltd. Yangming (Japan) Co., Ltd. Yang Ming Line (M) Sdn. Bhd. Yangming (Cayman) Ltd. Yang Ming Line (Hong Kong) Ltd. Yang Ming Line (India) Pvt. Ltd. Yang Ming (Vietnam) Corp. Yangtze River Express Airlines Company Limited | Subsidiary | Investments in shares of stock | 910,000 | 396,069 | 91.00 | 396,069 | |
| | | Subsidiary | Investments in shares of stock | 510 | 253,415 | 51.00 | 253,415 | |
| | | Subsidiary | Investments in shares of stock | 1,000,000 | 33,234 | 100.00 | 33,234 | |
| | | Subsidiary | Investments in shares of stock | 3,000 | 31,799 | 100.00 | 31,799 | |
| | | Subsidiary | Investments in shares of stock | 1,000,000 | 18,560 | 100.00 | 18,560 | |
| | | Subsidiary | Investments in shares of stock | 20,000 | (423) | 100.00 | (423) | (Note D) |
| | | Subsidiary | Investments in shares of stock | 510,000 | (75,103) | 51.00 | (75,103) | (Note M) |
| | | Subsidiary | Investments in shares of stock | 300,000 | 2,888 | 60.00 | 2,888 | |
| | | Equity-method investee | Investments in shares of stock | (Note J) | 3,055 | 49.00 | 3,055 | |
| | | - | Investments in shares of stock | (Note W) | 560,369 | 12.00 | 560,369 | |
| | <u>Global depositary receipt</u> Via Source Policy Fund | - | Short-term investments | 5 | 11,169 | - | 11,169 | |
| Yangming (Japan) Co., Ltd. | <u>Common stock</u> Manwa & Co., Ltd. | Subsidiary | Investments in shares of stock | 200 | 2,540 | 100.00 | 2,540 | |
| Yang Ming Shipping (B.V.I.) Inc. | <u>Common stock</u> Karman Properties Limited | Subsidiary | Investments in shares of stock | 1,000 | (4,954) | 100.00 | (4,954) | (Note D) |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | <u>Common stock</u> Yang Ming Line N.V. | Subsidiary | Investments in shares of stock | 1,500,000 | 74,079 | 100.00 | 74,079 | |
| | | - | Long-term investments in bonds | (Note I) | 32,850 | - | 30,393 | |
| | | - | Other financial assets - current | (Note S) | 98,664 | - | 97,436 | |
| | <u>Credit-linked notes</u> International Bank of Taipei credit - linked note | - | | | | | | |
| Yang Ming Line N.V. | <u>Common stock</u> Yang Ming Line B.V. | Subsidiary | Investments in shares of stock | 2,500 | 71,027 | 100.00 | 71,027 | |
| Yang Ming Line B.V. | <u>Common stock</u> Yangming (UK) Ltd. Yang Ming Shipping Europe GmbH Yang Ming Italy S. p. A. Yang Ming (Netherlands) B.V. | Subsidiary | Investments in shares of stock | 900,000 | 32,972 | 100.00 | 32,972 | |
| | | Subsidiary | Investments in shares of stock | (Note B) | 58,925 | 100.00 | 58,925 | |
| | | Equity-method investee | Investments in shares of stock | 125,000 | 14,679 | 50.00 | 14,679 | |
| | | Equity-method investee | Investments in shares of stock | (Note K) | 3,207 | 70.00 | 3,207 | |
| Yangming (UK) Ltd. | <u>Common stock</u> Corstor Ltd. | Subsidiary | Investments in shares of stock | (Note C) | 1,676 | 50.00 | 1,676 | |
| Yang Ming Shipping Europe GmbH | <u>Common stock</u> Yes Logistics Europe GmbH | Subsidiary | Investments in shares of stock | (Note L) | 932 | 100.00 | 932 | |
| Yang Ming Italy S.p.A. | <u>Common stock</u> Yang Ming (Naples) S.r.l. | Equity-method investee | Investments in shares of stock | (Note N) | 1,128 | 60.00 | 1,128 | |

(Continued)

| Holding Company Name | Marketable Securities Type and Name | Relationship with the Holding Company | Financial Statement Account | December 31, 2005 | | | | Note |
|--|--|---------------------------------------|--------------------------------|-------------------|----------------|----------------|--|----------|
| | | | | Shares/Units | Carrying Value | % of Ownership | Market Value or Net Asset Value (Note A) | |
| Yang Ming Line Holding Co. | <u>Common stock</u> | | | | | | | |
| | Yang Ming (America) Co. | Subsidiary | Investments in shares of stock | 5,000 | \$ 79,314 | 100.00 | \$ 79,314 | (Note D) |
| | Triumph Logistics Inc. | Subsidiary | Investments in shares of stock | 50 | (5,272) | 100.00 | (5,272) | (Note D) |
| | Olympic Container Terminal LLC | Subsidiary | Investments in shares of stock | (Note P) | (44,143) | 100.00 | (44,143) | (Note D) |
| | West Basin Container Terminal LLC | Equity-method investee | Investments in shares of stock | (Note E) | 334,962 | 40.00 | 334,962 | |
| | United Terminal Leasing LLC | Equity-method investee | Investments in shares of stock | (Note F) | 37,551 | 40.00 | 37,551 | |
| Kuang Ming Shipping Corp. | <u>Common stock</u> | | | | | | | |
| | Yang Ming Marine Transport Corporation | Parent company | Short-term investments | 469,760 | 9,030 | - | 9,813 | |
| | Kuang Ming Shipping Corp. (Panama) | Subsidiary | Investments in shares of stock | 49,500 | (1,955) | 100.00 | (1,955) | (Note D) |
| | China Steel Corporation | - | Short-term investments | 782,500 | 23,166 | - | 19,070 | |
| Honming Terminal & Stevedoring Co., Ltd. | <u>Common stock</u> | | | | | | | |
| | Yes Logistics Corp. | Subsidiary | Investments in shares of stock | 1,068,800 | 9,347 | 1.53 | 9,385 | |
| | <u>Mutual fund</u> | | | | | | | |
| | Mega Diamond Bond Fund | - | Short-term investments | 4,405,752 | 50,000 | - | 50,000 | |
| | The Wan Pao Fund | - | Short-term investments | 3,337,939 | 50,001 | - | 50,001 | |

Notes:

- A. Market values were based on average closing prices in December 2005 or the net asset value of the fund on December 31, 2005, 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\$1,520,000, and no shares were issued.
- F. This is equivalent to US\$400,000, and no shares were issued.
- G. Reclassified from investment in shares of stock to treasury stock in proportion to subsidiaries' stockholdings.
- H. 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. However, 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. in the current year. As a result, the equity in the Corporation for the year ended December 31, 2005 included the accounts of audited financial statement as of and for the years ended December 31, 2005 and 2004.
- I. There were 1,000 units, and each unit represented one thousand U.S. dollar.
- J. This is equivalent to US\$94,000, and no shares were issued.
- K. This is equivalent to EUR13,000, and no shares were issued.
- L. This is equivalent to EUR25,000, and no shares were issued.
- M. Because the minority interest commits to share in the investees' losses, the cumulative equity of the Corporation in the investee's net loss excess of the related investments is not charged against the Corporation.
- N. This is equivalent to EUR6,000, and no shares were issued.
- O. This is equivalent to US\$700,000, and no shares were issued.
- P. This is equivalent to US\$1,000,000, and no shares were issued.
- Q. The principal amount was US\$2,000,000.
- R. The principal amount was US\$3,000,000.
- S. The principal amount was NT\$20,000,000.
- T. The principal amount was NT\$30,000,000.
- U. This is equivalent to US\$1,400,000, and no shares were issued.
- V. Reclassified from investment in shares of stock to long-term receivables from related parties.
- W. This is equivalent to US\$17,058,000, and no shares were issued.
- X. This is equivalent to EUR30,000, and no shares were issued.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

**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, 2005
(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> | | | | | | | | | | | | | |
| | Ritek Corporation | Short-term investments | - | - | 9,700,000 | \$ 714,326 | - | \$ - | 9,700,000 | \$ 109,877 | \$ 714,326 | \$ (604,449) | - | \$ - |
| | China Steel Corporation | Short-term investments | - | - | - | - | 7,952,800 | 244,701 | 5,050,000 | 165,673 | 162,571 | 3,102 | 2,902,800 | 82,130 |
| | Formosa Chemicals & Fibre Corporation | Short-term investments | - | - | - | - | 2,536,000 | 138,822 | 2,536,000 | 143,519 | 138,822 | 4,697 | - | - |
| | Taiwan Semiconductor Manufacturing Co., Ltd. | Short-term investments | - | - | - | - | 2,243,000 | 118,648 | 2,243,000 | 120,520 | 118,648 | 1,872 | - | - |
| | Formosa Plastics Corporation | Short-term investments | - | - | - | - | 2,059,000 | 102,789 | 2,059,000 | 104,944 | 102,789 | 2,155 | - | - |
| | Evergreen Marine Corp. (Taiwan) Ltd. | Short-term investments | - | - | - | - | 6,400,641 | 158,519 | 900,000 | 25,803 | 25,650 | 153 | 5,500,641 | 132,869 |
| | Taishin Financial Holding Co., Ltd. | Short-term investments | - | - | - | - | 6,016,640 | 153,075 | 800,000 | 23,603 | 23,181 | 422 | 5,216,640 | 129,894 |
| | Gemtek Technology Co., Ltd. | Short-term investments | - | - | - | - | 2,201,605 | 135,187 | 123,000 | 10,108 | 9,836 | 272 | 2,078,605 | 125,351 |
| | Yang Ming Line (Singapore) Pte. Ltd. | Investments in shares of stock | - | Subsidiary | 28,400,000 | 1,094,306 | 31,730,000 | 785,078 | - | - | - | - | 60,130,000 | 1,879,384 |
| | Yang Ming Line (B.V.I.) Holding Co., Ltd. | Investments in shares of stock | - | Subsidiary | 67,505,031 | 2,857,464 | 36,000,000 | 1,076,269 | - | - | - | - | 103,505,031 | 3,933,733 |
| | Yes Logistics Corp. | Investments in shares of stock | - | Subsidiary | 45,251,100 | 429,012 | 10,000,000 | 55,141 | - | - | - | - | 55,251,100 | 484,153 |
| | | <u>Mutual fund</u> | | | | | | | | | | | | |
| | Mega Diamond Bond Fund | Short-term investments | - | - | 116,508,621 | 1,302,625 | 269,251,222 | 3,042,908 | 323,113,353 | 3,650,967 | 3,634,445 | 16,522 | 62,646,490 | 711,088 |
| | ABN AMRO Bond Fund | Short-term investments | - | - | 101,399,370 | 1,486,829 | 197,960,021 | 2,928,386 | 237,608,361 | 3,513,386 | 3,497,589 | 15,797 | 61,751,030 | 917,626 |
| | AIG Taiwan Bond Fund | Short-term investments | - | - | 121,147,437 | 1,501,841 | 242,294,875 | 3,036,233 | 242,294,875 | 3,036,233 | 3,014,378 | 21,855 | 121,147,437 | 1,523,696 |
| | NITC Taiwan Bond Fund | Short-term investments | - | - | 71,398,879 | 978,871 | 216,115,879 | 2,991,481 | 206,592,992 | 2,861,465 | 2,845,580 | 15,885 | 80,921,766 | 1,124,772 |
| | Hua Nan Phoenix Bond Fund | Short-term investments | - | - | 75,067,221 | 1,102,084 | 102,208,130 | 1,510,508 | 177,275,351 | 2,625,163 | 2,612,592 | 12,571 | - | - |
| | NITC Bond Fund | Short-term investments | - | - | - | - | 19,457,067 | 3,136,613 | 15,751,624 | 2,545,493 | 2,535,309 | 10,184 | 3,705,443 | 601,304 |
| Fubon Ju-I II Fund | Short-term investments | - | - | 71,311,822 | 1,011,309 | 192,796,921 | 2,762,515 | 171,215,856 | 2,452,526 | 2,438,712 | 13,814 | 92,892,887 | 1,335,112 | |
| Fuhwa Bond Fund | Short-term investments | - | - | 77,545,229 | 965,218 | 139,929,923 | 1,758,647 | 178,505,292 | 2,242,647 | 2,232,100 | 10,547 | 38,969,860 | 491,765 | |
| Fu-Hwa Bond Fund | Short-term investments | - | - | 46,777,151 | 606,325 | 108,467,646 | 1,417,200 | 155,244,797 | 2,031,119 | 2,023,525 | 7,594 | - | - | |
| Sheng Hua 1699 Bond Fund | Short-term investments | - | - | 75,941,227 | 917,780 | 89,195,377 | 1,084,913 | 165,136,604 | 2,012,586 | 2,002,693 | 9,893 | - | - | |
| Shinkong NT High Yield Fund | Short-term investments | - | - | 57,248,702 | 926,519 | 61,023,888 | 997,627 | 89,291,852 | 1,457,628 | 1,448,729 | 8,899 | 28,980,738 | 475,417 | |
| Capital Income Fund | Short-term investments | - | - | 30,605,999 | 441,372 | 61,211,998 | 890,708 | 91,817,997 | 1,337,650 | 1,332,080 | 5,570 | - | - | |
| Upamc Home Run Bond Fund | Short-term investments | - | - | 42,910,669 | 586,459 | 52,463,813 | 720,000 | 95,374,482 | 1,310,002 | 1,306,459 | 3,543 | - | - | |
| Ta Chong Bond Fund | Short-term investments | - | - | 7,913,771 | 100,258 | 91,393,539 | 1,162,808 | 99,307,310 | 1,267,125 | 1,263,066 | 4,059 | - | - | |
| Jih Sun Bond Fund | Short-term investments | - | - | 59,849,797 | 795,314 | 22,540,119 | 300,000 | 82,389,916 | 1,101,191 | 1,095,314 | 5,877 | - | - | |
| PCA Bond Fund | Short-term investments | - | - | 69,477,733 | 1,052,817 | - | - | 69,477,733 | 1,055,313 | 1,052,817 | 2,496 | - | - | |
| CITC Cash Reserves | Short-term investments | - | - | 25,689,146 | 292,823 | 51,378,291 | 590,419 | 77,067,437 | 886,525 | 883,242 | 3,283 | - | - | |
| PCA Well Pool Fund | Short-term investments | - | - | 67,392,564 | 823,153 | - | - | 67,392,564 | 825,083 | 823,153 | 1,930 | - | - | |
| The First Global Investment Trust Duo Li-2 Bond Fund | Short-term investments | - | - | 21,002,000 | 299,157 | 28,756,018 | 410,000 | 49,758,018 | 711,386 | 709,157 | 2,229 | - | - | |
| Shinkong Chi-Shun Fund | Short-term investments | - | - | 12,654,888 | 181,319 | 13,876,218 | 200,000 | 26,531,106 | 382,597 | 381,319 | 1,278 | - | - | |
| Fubon Ju-I Iii Fund | Short-term investments | - | - | - | - | 48,172,757 | 580,829 | 24,086,378 | 290,829 | 290,000 | 829 | 24,086,379 | 290,829 | |
| Polaris Taiwan Stock Exchange Capitalization Weighted Stock Index Fund | Short-term investments | - | - | - | - | 15,211,173 | 160,000 | 15,211,173 | 165,104 | 160,000 | 5,104 | - | - | |
| Cathay Bond Fund | Short-term investments | - | - | - | - | 13,260,841 | 150,000 | 13,260,841 | 150,151 | 150,000 | 151 | - | - | |
| Polaris Taiwan Top 50 Tracker Fund | Short-term investments | - | - | - | - | 3,802,000 | 179,236 | 3,802,000 | 178,666 | 179,236 | (570) | - | - | |

(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 |
| Ching Ming Investment Co., Ltd. | <u>Common stock</u> | | | | | | | | | | | | | |
| | Yang Ming Marine Transport Corporation | Short-term investments | - | Parent company | 31,309,356 | \$ 576,131 | - | \$ - | 9,531,000 | \$ 198,764 | \$ 175,382 | \$ 23,382 | 21,778,356 | \$ 400,748 |
| | Ritek Corporation | Short-term investments | - | - | 5,600,000 | 358,522 | - | - | 5,600,000 | 61,980 | 358,522 | (296,543) | - | - |
| | Cathay Financial Holding Co., Ltd. | Short-term investments | - | - | - | - | 2,883,000 | 171,820 | 2,883,000 | 172,043 | 171,820 | 223 | - | - |
| | <u>Mutual fund</u> | | | | | | | | | | | | | |
| | Shinkong NT High Yield Fund | Short-term investments | - | - | 11,904,485 | 100,000 | 6,161,429 | 100,000 | 18,065,915 | 293,883 | 292,014 | 1,869 | - | - |
| | Truwell Yi Li Shi | Short-term investments | - | - | 16,080,014 | 232,569 | 18,518,319 | 232,569 | 22,494,177 | 282,569 | 280,000 | 2,569 | 12,104,156 | 152,569 |
| | CITC Cash Reserves | Short-term investments | - | - | 25,970,730 | 300,184 | 25,970,730 | 300,184 | 12,985,365 | 150,184 | 150,000 | 184 | 12,985,365 | 150,184 |
| | Cathay Bond Fund | Short-term investments | - | - | 18,477,830 | 209,699 | 18,477,830 | 209,699 | 11,889,724 | 134,989 | 134,710 | 279 | 6,588,106 | 74,989 |
| | The First Global Investment Trust Duo Li-2 Bond Fund | Short-term investments | - | - | 13,901,342 | 200,275 | 13,901,342 | 200,275 | 6,950,671 | 100,275 | 100,000 | 275 | 6,950,671 | 100,275 |
| | Polaris Taiwan Top 50 Tracker Fund | Short-term investments | - | - | - | - | 2,607,000 | 121,475 | 2,607,000 | 123,819 | 121,475 | 2,344 | - | - |
| Yang Ming Line (Singapore) Pte. Ltd. | Yangtze River Express Airlines Company Limited | Investments in shares of stock | - | - | - | - | - | 560,369 | - | - | - | - | - | 560,369 |

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

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

DECEMBER 31, 2005

(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 | \$ 18,043,079 (Note E) | - | \$ - | - | \$ 1,297,351 | \$ - |
| | Yang Ming (Liberia) Corp. | A | 2,370,078 (Note F) | - | - | - | - | - |
| | Yangming (U.K.) Ltd. | A | 1,873,132 (Note G) | - | - | - | 48,821 | - |
| | Yang Ming Line (B.V.I.) Holding Co., Ltd. | A | 1,479,635 (Note H) | - | - | - | - | - |
| | Young-Carrier Company Ltd. | A | 688,351 | - | - | - | 553,672 | - |
| | Yang Ming Italy S.p.A. | B | 224,302 | - | - | - | 224,302 | - |
| | Yang Ming Shipping Europe GmbH | A | 127,148 | - | - | - | 112,501 | - |
| All Oceans Transportation, Inc. | Kuang Ming Shipping Corp. | C | 249,714 | - | - | - | 5,758 | - |
| Young-Carrier Company Ltd. | Yang Ming Marine Transport Corporation | D | 427,277 | - | - | - | 427,277 | - |
| Yang Ming Line (Hong Kong) Ltd. | Yang Ming Marine Transport Corporation | D | 307,174 | - | - | - | 307,174 | - |
| Yangming (Japan) Co., Ltd. | Yang Ming Marine Transport Corporation | D | 121,726 | - | - | - | 121,726 | - |
| Yangming (Vietnam) Corp. | Yang Ming Marine Transport Corporation | D | 114,080 | - | - | - | 51,410 | - |

Notes:

- A. Subsidiary.
- B. Investee of subsidiary.
- C. The same parent company.
- D. Parent company.
- E. Dividend receivables and proceeds from sale of ships.
- F. Proceeds from sale of ships and financing provided.
- G. Receivables, net of agency collections and payments.
- H. Dividends receivable.
- I. Collections between related parties have been made according to "Agency Accounting Procedure" by the Corporation and local business conventions.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 YEAR ENDED DECEMBER 31, 2005
 (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, 2005 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|---|---|--|---|----------------------------|-------------------|---------------------------------|-------------------------|---------------------|-----------------------------------|------------------------|------------------------|
| | | | | December 31, 2005 | December 31, 2004 | Shares | Percentage of Ownership | Carrying Value | | | |
| Yang Ming Marine Transport Corporation | All Oceans Transportation, Inc. | Monrovia, Republic of Liberia | Shipping agency, forwarding agency and shipping managers | \$ 3,235 | \$ 3,235 | 1,000 | 100.00 | \$ 6,668,028 | \$ 6,589,468 | \$ 6,589,468 | Subsidiary |
| | Yang Ming Line (B.V.I.) Holding Co., Ltd. | British Virgin Islands | Investment, shipping agency, forwarding agency and shipping managers | 3,272,005 | 2,136,925 | 103,505,031 | 100.00 | 3,933,733 | 561,996 | 561,996 | Subsidiary |
| | Yang Ming Line (Singapore) Pte. Ltd. | Singapore | Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency | 1,113,356 | 482,746 | 60,130,000 | 100.00 | 1,879,384 | 126,439 | 126,439 | Subsidiary |
| | Ching Ming Investment Corp. | Taipei, Taiwan | Investment | 1,500,013 | 1,499,468 | 150,000,000 | 100.00 | 1,217,936 | 121,073 | 15,168 | Subsidiary |
| | Chunghwa Investment Co., Ltd | Taipei, Taiwan | Investment | 800,000 | 800,000 | 80,000,000 | 40.00 | 775,554 | 37,613 | 14,800 | Equity-method investee |
| | Yes Logistics Corp. | Taipei, Taiwan | Warehouse operation and forwarding agency | 551,944 | 451,944 | 55,251,100 | 78.93 | 484,153 | (68,578) | (56,932) | Subsidiary |
| | Honming Terminal & Stevedoring Co., Ltd. | Kaohsiung, Taiwan | Terminal operation and stevedoring | 316,780 | 316,000 | 31,667,630 | 79.17 | 357,371 | 24,892 | 19,764 | Subsidiary |
| | Kuang Ming Shipping Corp. | Taipei, Taiwan | Shipping service, shipping agency and forwarding agency | 143,168 | 145,085 | 24,000,000 | 100.00 | 269,281 | 34,023 | 24,752 | Subsidiary |
| | Yang Ming Line Holding Co. | Wilmington, USA | Investment, shipping agency, forwarding agency and shipping managers | 111,400 | 79,870 | 10,500 | 100.00 | 259,178 | 25,539 | 25,539 | Subsidiary |
| Transyang Shipping Pte. Ltd. | Singapore | Shipping services; chartering, sale and purchase of ships; forwarding agency and shipping agency | 24,842 | 24,842 | 686 | 24.99 | 51,511 | 19,198 | 13,980 | Equity-method investee | |
| Jing Ming Transportation Co., Ltd. | Kaohsiung, Taiwan | Container transportation | 35,809 | 35,560 | 6,248,903 | 50.96 | 84,522 | 21,084 | 10,299 | Subsidiary | |
| Yang Ming (Liberia) Corp. | Liberia | Investment | 3,378 | 3,378 | 500 | 100.00 | (18,620) (Note P) | (21,442) | (21,442) | Subsidiary | |
| Ching Ming Investment Corp. | Yes Logistics Corp. | Taipei, Taiwan | Warehouse operation and forwarding agency | 94,371 | - | 9,437,090 | 13.48 | 82,695 | (68,578) | - | Subsidiary |
| | Honming Terminal & Stevedoring Co., Ltd. | Kaohsiung, Taiwan | Terminal operation and stevedoring | 39,500 | 39,500 | 3,950,000 | 9.88 | 44,576 | 24,892 | - | Subsidiary |
| Yang Ming Line Holding Co. | Yang Ming (America) Corp. | New Jersey, U.S.A. | Shipping agency, forwarding agency and shipping managers | 17,305 | 17,305 | 5,000 | 100.00 | 79,314 | 19,833 | - | Subsidiary |
| | West Basin Container Terminal LLC | Los Angeles, USA | Terminal operation and stevedoring | 132,050 | 132,050 | (Note F) | 40.00 | 334,962 | 339,271 | - | Equity-method investee |
| | United Terminal Leasing LLC | Los Angeles, USA | Terminal operation machine lease | 34,750 | 34,750 | (Note G) | 40.00 | 37,551 | 8,888 | - | Equity-method investee |
| | Triumph Logistics INC. | U.S.A. | Container transportation | 1,699 | 1,699 | 50 | 100.00 | (5,272) (Note E) | (6,280) | - | Subsidiary |
| Olympic Container Terminal LLC | U.S.A. | Terminal operation and stevedoring | 31,530 | - | (Note M) | 100.00 | (44,143) (Note E) | (75,446) | - | 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 | 74,079 | 63,960 | - | 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 | 71,027 | 28,420 | - | Subsidiary |
| Yang Ming Line B.V. | Yangming (UK) Ltd. | London, U.K. | Investment, shipping agency, forwarding agency and shipping managers | 42,408 | 42,408 | 900,000 | 100.00 | 32,972 | 10,901 | - | Subsidiary |
| | Yang Ming Shipping Europe GmbH | Hamburg, Germany | Investment, shipping agency, forwarding agency and shipping managers | 29,697 | 29,697 | (Note B) | 100.00 | 58,925 | 5,800 | - | Subsidiary |
| | Yang Ming Italy S.p.A. | Genova, Italy | Shipping agency | 4,319 | 4,319 | 125,000 | 50.00 | 14,679 | 5,617 | - | Equity-method investee |
| Yang Ming (Netherlands) B.V. | Amsterdam, The Netherlands | Shipping agency | 540 | 540 | (Note I) | 70.00 | 3,207 | 2,576 | - | Equity-method investee | |
| Yangming (UK) Ltd. | Corstor Ltd. | U.K. | Forwarding agency and shipping management | 25 | 25 | (Note C) | 50.00 | 1,676 | 401 | - | Equity-method investee |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount (Note A) | | Balance as of December 31, 2005 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note | |
|--|--|------------------------------------|--|--|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------------------------|------------|
| | | | | December 31, 2005 | December 31, 2004 | Shares | Percentage of Ownership | Carrying Value | | | | |
| Yang Ming Shipping Europe GmbH | Yes Logistics Europe GmbH | Hamburg, Germany | Shipping agency | \$ 945 | \$ 945 | (Note H) | 100.00 | \$ 932 | \$ (19) | \$ - | Subsidiary | |
| Yang Ming Italy S.p.A. | Yang Ming Naples S.r.l. | Naples, Italy | Shipping agency | 238 | 238 | (Note K) | 60.00 | 1,128 | 50 | - | Equity-method investee | |
| 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 | 396,069 | 98,556 | - | Subsidiary | |
| | Yang Ming Shipping (B.V.I) Inc. | British Virgin Islands | Forwarding agency and shipping agency | 16 | 16 | 510 | 51.00 | 253,415 | 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 | 31,799 | (2,410) | - | Subsidiary | |
| | Yang Ming Line (Hong Kong) Ltd. | Hong Kong | Forwarding agency and shipping agency | 2,138 | 2,138 | 510,000 | 51.00 | (75,103) | (18,882) | - | Subsidiary | |
| | Yangming Shipping (Singapore) Pte Ltd. | Singapore | Shipping agency, forwarding agency and shipping managers | 18,851 | 18,851 | 1,000,000 | 100.00 | 33,234 | 1,930 | - | Subsidiary | |
| | Yang Ming Line (M) Sdn. Bhd. | Malaysia | Shipping agency, forwarding agency and shipping managers | 10,727 | 5,784 | 1,000,000 | 100.00 | 18,560 | 619 | - | Subsidiary | |
| | Yangming (Cayman) Ltd. | Cayman Island | Shipping lease | 629 | 629 | 20,000 | 100.00 | (423) | (140) | - | Subsidiary | |
| | Yang Ming Line (India) Pvt. Ltd. | India | Shipping agency, forwarding agency and shipping managers | 2,228 | 2,228 | 300,000 | 60.00 | 2,888 | 1,172 | - | Subsidiary | |
| | Yang Ming (Vietnam) Corp. | Vietnam | Shipping agency, forwarding agency and shipping managers | 3,197 | 3,197 | (Note J) | 49.00 | 3,055 | (33) | - | Equity-method investee | |
| Yangming (Japan) Co., Ltd. | Manwa & Co., Ltd. | Tokyo, Japan | Forwarding agency and shipping agency | 2,666 | 2,666 | 200 | 100.00 | 2,540 | (45) | - | Subsidiary | |
| Yang Ming Shipping (B.V.I) Inc. | Karman Properties Limited | Hong Kong | Property agency | 4 | 4 | 1,000 | 51.00 | (4,954) | (116) | - | Subsidiary | |
| Kuang Ming Shipping Corp. | Kuang Ming Shipping Corp. (Panama) | Panama | Forwarding agency | 30,887 | 30,887 | 49,500 | 100.00 | (1,955) | 26,669 | - | Subsidiary | |
| Honming Terminal & Stevedoring Co., Ltd. | Yes Logistics Corp. | Taipei, Taiwan | Warehouse operation and forwarding agency | 10,610 | 10,610 | 1,068,800 | 1.53 | 9,347 | (68,578) | - | Subsidiary | |
| | Yes Logistics Corp. | Yes Logistics Corp. (USA) | Auckland, USA | Shipping agency, forwarding agency and shipping managers | 26,035 | 26,035 | 800,000 | 100.00 | 15,189 | (10,114) | - | Subsidiary |
| | Yes Yangming Logistics (Singapore) Pte. Ltd. | Singapore | Investment and subsidiaries management | 6,608 | 6,608 | 340,000 | 100.00 | (6,026) | (10,775) | - | Subsidiary | |
| | Honming Terminal & Stevedoring Co., Ltd. | Kaohsiung, Taiwan | Terminal operation and stevedoring | 43,824 | 43,824 | 4,382,370 | 10.96 | 48,993 | 24,892 | - | Subsidiary | |
| | Nexus International Express Inc. | California, USA | Terminal operation and stevedoring | 10,283 | - | 328,000 | 49.00 | 9,760 | (1,571) | - | Equity-method investee | |
| Chongqing Changming Terminal Stevedoring Co.,Ltd | Chongqing, China | Terminal operation and stevedoring | 46,466 | - | (Note D) | 49.00 | 45,990 | (Note D) | - | Equity-method investee | | |
| Yes Logistics Corp. (U.S.A.) | Golden Logistics Corporation | Shanghai, China | Forwarding agency | 22,722 | - | (Note L) | 70.00 | 13,205 | (13,985) | - | Subsidiary | |
| Yes Yangming Logistics (Singapore) Pte. Ltd. | Yes Logistic UK Ltd. | U.K. | Shipping agency | 344 | 344 | 200 | 100.00 | (2,106) | (2,478) | - | Subsidiary | |
| | Yes Logistics Company Ltd. | Hong Kong | Shipping agency | 4,304 | 4,304 | 1,000,000 | 100.00 | (4,963) | (6,186) | - | Subsidiary | |
| | Yes Logistics (Netherlands) B.V. | The Netherlands | Shipping agency | 1,216 | - | (Note O) | 100.00 | 782 | (398) | - | 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\$1,400,000, 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\$1,520,000, and no shares were issued since the Company was not established.

- G. This is equivalent to US\$400,000, 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\$700,000, and no shares were issued.
- M. This is equivalent to US\$1,000,000, and no shares were issued.
- N. This equivalent to US\$17,058,000, and no shares were issued.
- O. This is equivalent to EUR30,000, and no shares were issued.
- P. Reclassified from investment in shares of stock to long-term receivables from related parties.

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
 YEAR ENDED DECEMBER 31, 2005
 (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, 2005 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2005 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Value as of December 31, 2005 | Accumulated Inward Remittance of Earnings as of December 31, 2005 | Accumulated Investment in Mainland China as of December 31, 2005 | Investment Amounts Authorized by Investment Commission, MOEA | Net Asset Value x 40% |
|--|---|------------------------------|---------------------------------|---|--|---------------------------------|--------|---|--|------------------------|--|---|--|--|-----------------------|
| | | | | | | Outflow | Inflow | | | | | | | | |
| Yang Ming Marine Transport Corporation | Yangtze River Express Airlines Company Limited (Note A) | Aviation shipping in China | RMB500,000,000 | Indirect investment through Singapore - based subsidiary's direct investment in Mainland China. | - | \$ 560,369 (US\$ 17,058,000) | - | \$ 560,369 (US\$ 17,058,000) | 12% | \$ - | \$ 560,369 (US\$ 17,058,000) | - | \$ 560,355 (US\$ 17,058,000) | \$ 630,720 (US\$ 19,200,000) | \$ 10,939,596 |
| Yes Logistics Corp. | Golden Logistics Corporation (Note B) | Shipping agency | US\$1,000,000 | Indirect investment through U.S.- based subsidiary's direct investment in Mainland China. | - | 22,995 (US\$ 700,000) | - | 22,995 (US\$ 700,000) | 70% | (9,790) | 13,205 | - | 68,985 (US\$ 2,100,000) | 68,985 (US\$ 2,100,000) | 245,358 (Note F) |
| | Chongqing Changming Terminal Stevedoring Co., Ltd. (Note C) | Shipping agency | Note D | Investee's direct investment in Mainland China. | - | 45,990 (US\$ 1,400,000) | - | 45,990 (US\$ 1,400,000) | 49% (Note E) | - | 45,990 (US\$ 1,400,000) | - | - | - | - |

Notes:

- A. The Corporation was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on November 23, 2005.
- B. Yes Logistics Corp. (a subsidiary) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on June 3, 2004.
- C. Yes Logistics Corp. (a subsidiary) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on April 11, 2005.
- D. Investee was not established.
- E. The investment amount, not up to the joint operation percentage (49%), achieved the limit of authorized amount, and have been applied to Investment Commission, MOEA.
- F. It represents 40% (\$613,395 thousand) of the net assets of Yes Logistics Corp. as of December 31, 2005.
- G. U.S. dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.85.