

# **Yang Ming Marine Transport Corporation**

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

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of December 31, 2006 and 2005, 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 years ended December 31, 2006 and 2005 in which the Corporation has long-term investments accounted for using equity method. As shown in the accompanying balance sheets, the carrying values of these investments were 2.7% (NT\$2,254,202 thousand) and 2.7% (NT\$2,138,562 thousand) of the Corporation's total assets as of December 31, 2006 and 2005, respectively. The equity in these investees' net income was 5.0% (NT\$82,188 thousand) and 1.5% (NT\$151,978 thousand) of the Corporation's income before income tax in 2006 and 2005, 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, 2006 and 2005, 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, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

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, 2006 and 2005 and have issued a modified unqualified opinion thereon in our report dated March 1, 2007.

March 1, 2007

Notice to Readers

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

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

# YANG MING MARINE TRANSPORT CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

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

| ASSETS  | 2006                 |            | 2005                 |            | LIABILITIES AND STOCKHOLDERS' EQUITY  | 2006                 |            | 2005                 |            |
|---|----------------------|------------|----------------------|------------|---|----------------------|------------|----------------------|------------|
|   | Amount               | %          | Amount               | %          |   | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>   |                      |            |                      |            | <b>CURRENT LIABILITIES</b>  |                      |            |                      |            |
| Cash and cash equivalents (Notes 2 and 4)   | \$ 3,446,118         | 4          | \$ 9,610,270         | 12         | Payable to related parties (Note 22)  | \$ 964,258           | 1          | \$ 1,301,446         | 2          |
| Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 21)  | 363,355              | -          | 930,436              | 1          | Income tax payable (Notes 2 and 17)   | 236,928              | -          | 45,470               | -          |
| Available-for-sale financial assets - current (Notes 2, 3, 6 and 21)  | 7,410,950            | 9          | 7,471,609            | 9          | Accrued expenses  | 5,676,273            | 7          | 4,603,548            | 6          |
| Accounts receivable, net of allowance for doubtful accounts of \$25,443 thousand and \$45,828 thousand at December 31, 2006 and 2005 (Note 2) | 603,466              | 1          | 770,061              | 1          | Payable for equipment   | 1,547,845            | 2          | 678,792              | 1          |
| Accounts receivable from related parties (Notes 2 and 22)   | 2,415,004            | 3          | 1,511,173            | 2          | Advances from customers   | 1,309,267            | 2          | 1,005,435            | 1          |
| Other receivable from related parties (Note 22)   | 6,980,450            | 9          | 8,271,880            | 10         | Current portion of long-term interest-bearing debts (Notes 2, 9, 12 and 23)             | 4,460,232            | 5          | 1,397,151            | 2          |
| Shipping fuel, net (Note 2)   | 1,967,934            | 2          | 1,676,704            | 2          | Payable to shipping agents  | 1,561,060            | 2          | 2,091,656            | 2          |
| Prepaid expenses (Note 22)  | 367,793              | -          | 285,381              | 1          | Other current liabilities   | 82,434               | -          | 125,183              | -          |
| Advances to shipping agents (Note 22)   | 236,485              | -          | 229,274              | -          |   |                      |            |                      |            |
| Other current assets (Notes 2, 17, 22 and 23)   | 391,607              | 1          | 378,144              | 1          | Total current liabilities   | 15,838,297           | 19         | 11,248,681           | 14         |
| Total current assets  | 24,183,162           | 29         | 31,134,932           | 39         |   |                      |            |                      |            |
| <b>LONG-TERM INVESTMENTS (Notes 2, 3, 5, 7, 8 and 21)</b>   |                      |            |                      |            | <b>LONG-TERM DEBTS, NET OF CURRENT PORTION</b>  |                      |            |                      |            |
| Financial assets at fair value through profit or loss - noncurrent  | -                    | -          | 118,550              | -          | Hedging derivative financial liability - noncurrent (Notes 2, 3 and 21)                 | 47,871               | -          | -                    | -          |
| Financial assets measured at cost - noncurrent  | 794,818              | 1          | 804,146              | 1          | Bonds (Notes 2, 12 and 23)  | 19,740,000           | 24         | 17,588,000           | 22         |
| Investments accounted for using equity method   | 18,006,087           | 22         | 15,980,651           | 20         | Capital lease obligations (Notes 2, 9 and 12)   | 294,705              | -          | 392,304              | -          |
| Total long-term investments   | 18,800,905           | 23         | 16,903,347           | 21         | Total long-term debts   | 20,082,576           | 24         | 17,980,304           | 22         |
| <b>PROPERTIES (Notes 2, 9, 22 and 23)</b>   |                      |            |                      |            | <b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 13)</b>                                   | 479,639              | 1          | 479,639              | 1          |
| Cost  |                      |            |                      |            | <b>OTHER LIABILITIES</b>  |                      |            |                      |            |
| Land  | 158,624              | -          | 133,014              | -          | Accrued pension liabilities (Notes 2 and 20)  | 927,286              | 1          | 796,181              | 1          |
| Buildings   | 626,004              | 1          | 572,029              | 1          | Deferred income tax liabilities - noncurrent (Notes 2 and 17)                           | 2,212,975            | 3          | 2,166,989            | 3          |
| Containers and chassis  | 21,975,330           | 27         | 18,336,402           | 23         | Others (Notes 2, 14 and 23)   | 166,641              | -          | 169,060              | -          |
| Ships   | 6,227,717            | 8          | 5,564,775            | 7          | Total other liabilities   | 3,306,902            | 4          | 3,132,230            | 4          |
| Leased containers and chassis   | 2,041,688            | 2          | 2,041,688            | 3          | Total liabilities   | 39,707,414           | 48         | 32,840,854           | 41         |
| Leasehold improvements  | 209,070              | -          | 209,070              | -          |   |                      |            |                      |            |
| Miscellaneous equipment   | 2,011,434            | 2          | 2,024,620            | 2          | <b>STOCKHOLDERS' EQUITY</b>   |                      |            |                      |            |
| Total cost  | 33,249,867           | 40         | 28,881,598           | 36         | Capital stock - \$10 par value  |                      |            |                      |            |
| Accumulated depreciation  | 18,674,678           | 22         | 16,925,281           | 21         | Authorized - 2,400,000 thousand shares  |                      |            |                      |            |
| Construction in progress  | 14,575,189           | 18         | 11,956,317           | 15         | Issued - 2,289,835 thousand and 2,289,817 thousand shares at December 31, 2006 and 2005 | 22,898,344           | 28         | 22,898,167           | 28         |
| Net properties  | 15,363,071           | 19         | 12,886,377           | 16         | Capital surplus   |                      |            |                      |            |
|   |                      |            |                      |            | Paid-in capital in excess of par value  | 7,286,090            | 9          | 7,285,865            | 9          |
| <b>OTHER ASSETS</b>   |                      |            |                      |            | Treasury stock transactions   | 1,480,009            | 2          | 1,199,572            | 2          |
| Assets leased to others, net (Notes 2 and 10)   | 2,836,788            | 4          | 2,879,254            | 4          | From long-term equity-method investment   | 8,876                | -          | 11,036               | -          |
| Nonoperating assets, net (Notes 2, 11 and 23)   | 260,386              | -          | 307,829              | -          | Total capital surplus   | 8,774,975            | 11         | 8,496,473            | 11         |
| Advances on long-term rent agreements   | 297,718              | -          | 309,548              | 1          | Retained earnings   |                      |            |                      |            |
| Deferred charges, net (Note 2)  | 87,027               | -          | 67,971               | -          | Legal reserve   | 3,098,505            | 4          | 2,172,931            | 3          |
| Long-term receivables from related parties (Note 22)  | 20,564,098           | 25         | 15,368,741           | 19         | Special reserve   | 2,074,929            | 2          | 1,149,355            | 1          |
| Miscellaneous (Notes 22 and 23)   | 152,071              | -          | 180,835              | -          | Unappropriated earnings   | 5,954,764            | 7          | 12,493,769           | 16         |
| Total other assets  | 24,198,088           | 29         | 19,114,178           | 24         | Total retained earnings   | 11,128,198           | 13         | 15,816,055           | 20         |
|   |                      |            |                      |            | Other items of stockholders' equity   |                      |            |                      |            |
| <b>TOTAL</b>  | <b>\$ 82,545,226</b> | <b>100</b> | <b>\$ 80,038,834</b> | <b>100</b> | Cumulative translation adjustments  | 168,626              | -          | 191,616              | -          |
|   |                      |            |                      |            | Net loss not recognized as pension cost   | (96,743)             | -          | (39,630)             | -          |
|   |                      |            |                      |            | Unrealized loss on financial instruments  | (35,588)             | -          | -                    | -          |
|   |                      |            |                      |            | Total other items of stockholders' equity   | 36,295               | -          | 151,986              | -          |
|   |                      |            |                      |            | Treasury stocks - 22,248 thousand shares at December 31, 2005                           | -                    | -          | (164,701)            | -          |
|   |                      |            |                      |            | Total stockholders' equity  | 42,837,812           | 52         | 47,197,980           | 59         |
|   |                      |            |                      |            | <b>TOTAL</b>  | <b>\$ 82,545,226</b> | <b>100</b> | <b>\$ 80,038,834</b> | <b>100</b> |

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

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

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

|   | 2006               |            | 2005              |           |
|---|--------------------|------------|-------------------|-----------|
|   | Amount             | %          | Amount            | %         |
| OPERATING REVENUES (Notes 2 and 22)                             | \$92,039,885       | 100        | \$84,155,941      | 100       |
| OPERATING COSTS (Notes 2, 18 and 22)                            | <u>92,013,928</u>  | <u>100</u> | <u>79,195,158</u> | <u>94</u> |
| GROSS INCOME  | <u>25,957</u>      | <u>-</u>   | <u>4,960,783</u>  | <u>6</u>  |
| OPERATING EXPENSES (Note 18)                                    |                    |            |                   |           |
| Selling   | 1,170,437          | 1          | 1,585,666         | 2         |
| General and administrative                                      | <u>294,526</u>     | <u>-</u>   | <u>343,181</u>    | <u>-</u>  |
| Total operating expenses  | <u>1,464,963</u>   | <u>1</u>   | <u>1,928,847</u>  | <u>2</u>  |
| OPERATING INCOME (LOSS)   | <u>(1,439,006)</u> | <u>(1)</u> | <u>3,031,936</u>  | <u>4</u>  |
| NONOPERATING INCOME AND GAINS                                   |                    |            |                   |           |
| Equity in investees' net income (Notes 2 and 8)                 | 2,309,650          | 3          | 7,323,831         | 9         |
| Interest (Note 22)  | 1,009,543          | 1          | 505,215           | -         |
| Foreign exchange gain, net                                      | 205,652            | -          | -                 | -         |
| Gain on disposal of financial instruments                       | 140,268            | -          | -                 | -         |
| Rent (Note 22)  | 117,891            | -          | 112,611           | -         |
| Gain on disposal of properties                                  | 79,311             | -          | 46,698            | -         |
| Valuation gain on financial instruments, net (Notes 2, 3 and 4) | 54,364             | -          | 556,400           | 1         |
| Others  | <u>100,711</u>     | <u>-</u>   | <u>154,989</u>    | <u>-</u>  |
| Total nonoperating income and gains                             | <u>4,017,390</u>   | <u>4</u>   | <u>8,699,744</u>  | <u>10</u> |
| NONOPERATING EXPENSES AND LOSSES                                |                    |            |                   |           |
| Interest  | 789,766            | 1          | 793,760           | 1         |
| Loss on disposal of financial instruments                       | -                  | -          | 386,807           | -         |
| Foreign exchange loss, net                                      | -                  | -          | 397,600           | 1         |
| Others  | <u>159,623</u>     | <u>-</u>   | <u>128,454</u>    | <u>-</u>  |
| Total nonoperating expenses and losses                          | <u>949,389</u>     | <u>1</u>   | <u>1,706,621</u>  | <u>2</u>  |

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2006 AND 2005

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

|   | 2006                |          | 2005                |           |
|---|---------------------|----------|---------------------|-----------|
|   | Amount              | %        | Amount              | %         |
| INCOME BEFORE INCOME TAX AND<br>CUMULATIVE EFFECT OF CHANGES IN<br>ACCOUNTING PRINCIPLES                            | \$ 1,628,995        | 2        | \$ 10,025,059       | 12        |
| INCOME TAX EXPENSE (Notes 2 and 17)   | <u>502,736</u>      | <u>1</u> | <u>762,105</u>      | <u>1</u>  |
| NET INCOME BEFORE CUMULATIVE EFFECT<br>OF CHANGES IN ACCOUNTING PRINCIPLES  | 1,126,259           | 1        | 9,262,954           | 11        |
| CUMULATIVE EFFECT OF CHANGES IN<br>ACCOUNTING PRINCIPLES, NET OF INCOME<br>TAX EXPENSE OF \$2,222 THOUSAND (Note 3) | <u>16,896</u>       | <u>-</u> | <u>-</u>            | <u>-</u>  |
| NET INCOME  | <u>\$ 1,143,155</u> | <u>1</u> | <u>\$ 9,262,954</u> | <u>11</u> |

|                                      | 2006                              |                | 2005                              |                |
|--------------------------------------|-----------------------------------|----------------|-----------------------------------|----------------|
|                                      | Income<br>Before<br>Income<br>Tax | Net<br>Income  | Income<br>Before<br>Income<br>Tax | Net<br>Income  |
| BASIC EARNINGS PER SHARE (Note 19)   | <u>\$ 0.72</u>                    | <u>\$ 0.50</u> | <u>\$ 4.45</u>                    | <u>\$ 4.11</u> |
| DILUTED EARNINGS PER SHARE (Note 19) | <u>\$ 0.71</u>                    | <u>\$ 0.50</u> | <u>\$ 4.39</u>                    | <u>\$ 4.06</u> |

Pro forma information assuming that the stocks of the Corporation held by subsidiaries are accounted for as investments rather than as treasury stocks (Notes 2, 16 and 19) is as follows:

|                                   | 2006                | 2005                |
|-----------------------------------|---------------------|---------------------|
| INCOME FROM CONTINUING OPERATIONS | <u>\$ 1,161,628</u> | <u>\$ 9,271,086</u> |
| NET INCOME                        | <u>\$ 1,178,524</u> | <u>\$ 9,271,086</u> |
| BASIC EARNINGS PER SHARE          | <u>\$0.51</u>       | <u>\$4.06</u>       |
| DILUTED EARNINGS PER SHARE        | <u>\$0.51</u>       | <u>\$4.01</u>       |

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

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

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION**

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

|  | Capital Stock                    |                      | Capital Surplus (Notes 2 and 15)       |                             |   | Retained Earnings (Notes 2 and 15) |                     |                         | Other Items of Stockholders' Equity (Notes 2, 3 and 15) |   |  | Total Stockholders' Equity |                                  |
|--|----------------------------------|----------------------|--|-----------------------------|---|------------------------------------|---------------------|-------------------------|---|---|--|----------------------------|----------------------------------|
|  | (\$10 Par Value, Notes 2 and 15) |                      | Paid-in Capital in Excess of Par Value | Treasury Stock Transactions | From Long-term Equity-method Investment | Legal Reserve                      | Special Reserve     | Unappropriated Earnings | Cumulative Translation Adjustments                      | Net Loss Not Recognized as Pension Cost | Unrealized Gain or Loss on Financial Instruments |                            | Treasury Stocks (Notes 2 and 16) |
|  | Shares (Thousands)               | Amount               |  |                             |   |                                    |                     |                         |   |   |  |                            |                                  |
| BALANCE, JANUARY 1, 2005   | 2,268,755                        | \$ 22,687,545        | \$ 6,986,846                           | \$ 915,830                  | \$ 5,816                                | \$ 1,193,205                       | \$ 1,141,939        | \$ 11,155,161           | \$ 28,301   | \$ (35,717)                             | \$ (1)   | \$ (241,357)               | \$ 43,837,568                    |
| Appropriation of 2004 earnings   |                                  |                      |  |                             |   |                                    |                     |                         |   |   |  |                            |                                  |
| Legal reserve  | -                                | -                    | -                                      | -                           | -                                       | 979,726                            | -                   | (979,726)               | -   | -                                       | -  | -                          | -                                |
| Special reserve  | -                                | -                    | -                                      | -                           | -                                       | -                                  | 7,416               | (7,416)                 | -   | -                                       | -  | -                          | -                                |
| Bonus to employees   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | (101,680)               | -   | -                                       | -  | -                          | (101,680)                        |
| Cash dividends - \$2.98203 per share   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | (6,828,310)             | -   | -                                       | -  | -                          | (6,828,310)                      |
| Cash dividends received by subsidiaries  | -                                | -                    | -                                      | 139,909                     | -                                       | -                                  | -                   | -                       | -   | -                                       | -  | -                          | 139,909                          |
| Disposal of the Corporation's stocks held by subsidiaries  | -                                | -                    | -                                      | 143,833                     | -                                       | -                                  | -                   | -                       | -   | -                                       | -  | 76,656                     | 220,489                          |
| Net income for the year ended December 31, 2005  | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | 9,262,954               | -   | -                                       | -  | -                          | 9,262,954                        |
| Reversal of unrealized loss on long-term investments accounted for using equity method   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | -   | -                                       | 1  | -                          | 1                                |
| Translation adjustments on long-term investments accounted for using equity method   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | 163,315   | -                                       | -  | -                          | 163,315                          |
| Increase in the equity in the net assets of equity-method investees resulting from not subscribing proportionally to the additional shares issued by the investees | -                                | -                    | -                                      | -                           | 5,220                                   | -                                  | -                   | (7,214)                 | -   | -                                       | -  | -                          | (1,994)                          |
| Equity-method investees' recognition of net loss not recognized as pension cost  | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | -   | 4,551                                   | -  | -                          | 4,551                            |
| Recognition of minimum accrued pension liability   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | -   | (8,464)                                 | -  | -                          | (8,464)                          |
| Domestic convertible bonds converted into capital stocks and capital surplus   | <u>21,062</u>                    | <u>210,622</u>       | <u>299,019</u>                         | <u>-</u>                    | <u>-</u>                                | <u>-</u>                           | <u>-</u>            | <u>-</u>                | <u>-</u>  | <u>-</u>                                | <u>-</u>   | <u>-</u>                   | <u>509,641</u>                   |
| BALANCE, DECEMBER 31, 2005   | 2,289,817                        | 22,898,167           | 7,285,865                              | 1,199,572                   | 11,036                                  | 2,172,931                          | 1,149,355           | 12,493,769              | 191,616   | (39,630)                                | -  | (164,701)                  | 47,197,980                       |
| Adjustment of adopting newly released and revised statements of financial accounting standards   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | 1,073   | -                                       | (32,559)   | -                          | (31,486)                         |
| Appropriation of 2005 earnings   |                                  |                      |  |                             |   |                                    |                     |                         |   |   |  |                            |                                  |
| Legal reserve  | -                                | -                    | -                                      | -                           | -                                       | 925,574                            | -                   | (925,574)               | -   | -                                       | -  | -                          | -                                |
| Special reserve  | -                                | -                    | -                                      | -                           | -                                       | -                                  | 925,574             | (925,574)               | -   | -                                       | -  | -                          | -                                |
| Bonus to employees   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | (106,426)               | -   | -                                       | -  | -                          | (106,426)                        |
| Cash dividends - \$2.5 per share   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | (5,724,586)             | -   | -                                       | -  | -                          | (5,724,586)                      |
| Disposal of the Corporation's stocks held by subsidiaries  | -                                | -                    | -                                      | 280,437                     | -                                       | -                                  | -                   | -                       | -   | -                                       | -  | 164,701                    | 445,138                          |
| Net income for the year ended December 31, 2006  | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | 1,143,155               | -   | -                                       | -  | -                          | 1,143,155                        |
| Translation adjustments on long-term investments accounted for using equity method   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | (24,063)  | -                                       | -  | -                          | (24,063)                         |
| Increase in the equity in the net assets of equity-method investees resulting from not subscribing proportionally to the additional shares issued by the investees | -                                | -                    | -                                      | -                           | 27,787                                  | -                                  | -                   | -                       | -   | -                                       | -  | -                          | 27,787                           |
| Changes in stockholders' equity accounted for using equity method  | -                                | -                    | -                                      | -                           | (29,947)                                | -                                  | -                   | -                       | -   | 716                                     | 4  | -                          | (29,227)                         |
| Changes in unrealized gain on available-for-sale financial assets  | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | -   | -                                       | 311  | -                          | 311                              |
| Changes in unrealized loss on cash flow hedging derivative   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | -   | -                                       | (3,344)  | -                          | (3,344)                          |
| Recognition of minimum accrued pension liability   | -                                | -                    | -                                      | -                           | -                                       | -                                  | -                   | -                       | -   | (57,829)                                | -  | -                          | (57,829)                         |
| Domestic convertible bonds converted into capital stocks and capital surplus   | <u>18</u>                        | <u>177</u>           | <u>225</u>                             | <u>-</u>                    | <u>-</u>                                | <u>-</u>                           | <u>-</u>            | <u>-</u>                | <u>-</u>  | <u>-</u>                                | <u>-</u>   | <u>-</u>                   | <u>402</u>                       |
| BALANCE, DECEMBER 31, 2006   | <u>2,289,835</u>                 | <u>\$ 22,898,344</u> | <u>\$ 7,286,090</u>                    | <u>\$ 1,480,009</u>         | <u>\$ 8,876</u>                         | <u>\$ 3,098,505</u>                | <u>\$ 2,074,929</u> | <u>\$ 5,954,764</u>     | <u>\$ 168,626</u>                                       | <u>\$ (96,743)</u>                      | <u>\$ (35,588)</u>                               | <u>\$ -</u>                | <u>\$ 42,837,812</u>             |

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

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

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

|   | 2006             | 2005             |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                  |
| Net income  | \$ 1,143,155     | \$ 9,262,954     |
| Cumulative effect of changes in accounting principles   | <u>(16,896)</u>  | <u>-</u>         |
| Income before cumulative effect of changes in accounting principles                           | 1,126,259        | 9,262,954        |
| Depreciation  | 2,288,860        | 2,146,827        |
| Amortization  | 42,606           | 43,130           |
| Loss (gain) on disposal of financial instruments  | (107,669)        | 464,702          |
| Gain on disposal of properties, net   | (79,311)         | (46,698)         |
| Provision for pension cost  | 34,032           | 34,777           |
| Equity in investees' net income   | (2,309,650)      | (7,323,831)      |
| Cash dividends received on equity-method investee companies                                   | 2,079,144        | 5,916,427        |
| Valuation gain on financial instruments   | (54,364)         | (556,400)        |
| Deferred income taxes   | 107,777          | 301,093          |
| Others  | 96               | 16,696           |
| Net changes in operating assets and liabilities   |                  |                  |
| Financial assets held for trading   | 593,425          | (166,256)        |
| Accounts receivable   | 159,700          | (11,820)         |
| Accounts receivable from related parties  | (903,831)        | 230,265          |
| Other receivable from related parties   | (1,705,617)      | (1,617,869)      |
| Shipping fuel   | (281,705)        | (813,260)        |
| Prepaid expenses  | (82,412)         | 35,736           |
| Advances to shipping agents   | (7,211)          | (2,931)          |
| Other current assets  | (104,148)        | 116,174          |
| Income tax payable  | 191,458          | (1,081,188)      |
| Payable to related parties  | (337,188)        | (521,155)        |
| Accrued expenses  | 1,072,725        | 1,499,779        |
| Payable to shipping agents  | (530,596)        | (149,789)        |
| Advances from customers   | 303,832          | 103,535          |
| Other current liabilities   | (42,767)         | (77,740)         |
| Advances on long-term rent agreements   | <u>11,830</u>    | <u>11,829</u>    |
| Net cash provided by operating activities   | <u>1,465,275</u> | <u>7,814,987</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                  |
| Acquisition of designated as financial assets at fair value through profit or loss            | (32,600)         | (378,500)        |
| Proceeds from disposal of designated as financial assets at fair value through profit or loss | 366,997          | 38,630           |
| Acquisition of available-for-sale financial assets  | (36,384,068)     | (29,701,795)     |
| Proceeds from disposal of available-for-sale financial assets                                 | 36,547,019       | 37,777,097       |
| Acquisition of investments accounted for using equity method                                  | (297,156)        | (1,957,775)      |
| Proceeds from disposal of long-term investments   | 542              | 33,415           |
| Proceeds from capital reduction of investments in shares of stock                             | -                | 1,917            |
| Acquisition of properties and assets leased to others   | (7,681,275)      | (5,776,085)      |
| Proceeds from disposal of properties and nonoperating assets                                  | 523,015          | 49,104           |

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

|   | 2006                | 2005                |
|---|---------------------|---------------------|
| Decrease (increase) in long-term receivable from related parties                            | \$ 193,775          | \$ (559,715)        |
| Increase in deferred charges  | (61,670)            | (63,991)            |
| Increase in other assets  | (96,395)            | (38,229)            |
| Decrease (increase) in restricted assets  | <u>236</u>          | <u>(114,975)</u>    |
| Net cash used in investing activities   | <u>(6,921,580)</u>  | <u>(690,902)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Proceeds from issuance of bonds   | 6,000,000           | -                   |
| Repayments of principal of long-term debts  | -                   | (233,470)           |
| Repayments of principal of bonds  | (678,681)           | (396,000)           |
| Payments of capital lease obligations   | (204,682)           | (177,600)           |
| Increase in other liabilities   | 6,511               | 311                 |
| Cash dividend and employees' bonus paid   | <u>(5,830,995)</u>  | <u>(6,930,978)</u>  |
| Net cash used in financing activities   | <u>(707,847)</u>    | <u>(7,737,737)</u>  |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | (6,164,152)         | (613,652)           |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | <u>9,610,270</u>    | <u>10,223,922</u>   |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | <u>\$ 3,446,118</u> | <u>\$ 9,610,270</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                     |                     |                     |
| Interest paid (excluding capitalized interest)  | <u>\$ 781,050</u>   | <u>\$ 624,776</u>   |
| Income tax paid   | <u>\$ 271,895</u>   | <u>\$ 1,542,100</u> |
| <b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>   |                     |                     |
| Reclassification of nonoperating assets into assets leased to others                        | <u>\$ 47,443</u>    | <u>\$ -</u>         |
| Reclassification of assets leased to others into properties                                 | <u>\$ 71,065</u>    | <u>\$ -</u>         |
| Reclassification of investment into deduction to long-term receivables from related parties | <u>\$ 64,801</u>    | <u>\$ 18,620</u>    |
| Reclassification of properties into assets leased to others                                 | <u>\$ -</u>         | <u>\$ 74,872</u>    |
| Current portion of interest-bearing long-term debts   | <u>\$ 4,460,233</u> | <u>\$ 1,397,151</u> |
| Domestic unsecured convertible bonds converted into capital stock and capital surplus       | <u>\$ 402</u>       | <u>\$ 509,641</u>   |
| <b>CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS</b>                   |                     |                     |
| Increase in properties and assets leased to others  | \$ 9,201,776        | \$ 5,831,819        |
| Increase in payables for equipment  | (869,053)           | (55,734)            |
| Decrease in payables to related parties   | <u>(651,448)</u>    | <u>-</u>            |
|   | <u>\$ 7,681,275</u> | <u>\$ 5,776,085</u> |

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

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|  | 2006              | 2005             |
|--|-------------------|------------------|
| PROCEEDS FROM SALE OF PROPERTIES                       |                   |                  |
| Total contracted selling prices                        | \$ 4,605,444      | \$ 7,802,551     |
| Decrease in other receivables                          | -                 | 27,531           |
| Increase in long-term receivables from related parties | (5,930,806)       | (9,401,682)      |
| Decrease in other receivables from related parties     | <u>1,848,377</u>  | <u>1,620,704</u> |
|  | <u>\$ 523,015</u> | <u>\$ 49,104</u> |

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

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

(Concluded)

# **YANG MING MARINE TRANSPORT CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2006 AND 2005**

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

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### **1. ORGANIZATION AND OPERATIONS**

Yang Ming Marine Transport Corporation (the "Corporation"), established in December 1972, was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the Corporation's listing of its shares of stock on the ROC Taiwan Stock Exchange. To comply with the administration rule of the central government, MOTC transferred its holdings in the Corporation to the Ministry of Finance (MOF) of the Republic of China on March 8, 2005. Afterward, to comply with government policy, MOF returned its holdings to MOTC on June 26, 2006. Of the Corporation's outstanding capital stock, the MOTC owned 35.84% at December 31, 2006 and the MOF owned 35.84% at December 31, 2005.

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, 2006 and 2005, the Corporation had 1,313 and 1,223 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, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these laws, guidelines and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of the allowance for doubtful accounts, evaluation of financial assets and liabilities, provision for losses on shipping fuel, depreciation of properties, income tax, pension cost, unsettled litigation cost, and payables to shipping agents. Actual results could differ from these estimates.

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

### **Cash Equivalents**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of individual receivables. The Corporation's periodic review 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.

### **Financial Assets Measured at Cost**

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

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

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

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

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

Investments in companies in which the 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.

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

As required, however, by the revised ROC Statement of Financial Accounting Standards No. 5 - "Long Term Investments in Equity Securities," starting on January 1, 2006, the investment cost in excess of the fair value of identifiable net assets is recognized as goodwill. Goodwill is no longer amortized but instead tested annually for impairment. Starting on January 1, 2006, the unamortized balance of the investment

cost in excess of the equity in investee's net assets is no longer amortized and subject to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic life.

If an investee issues additional shares and the 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 credited to capital surplus. Any decrease in the Corporation's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings.

Starting on January 1, 2005 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.

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

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

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

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

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

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, 5 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 current income.

## **Nonoperating Assets**

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

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

## **Deferred Charges**

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

## **Convertible Bonds**

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

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

## **Pension**

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.

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

## **Income Tax**

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

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

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

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

## **Foreign Currency Transactions**

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

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

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

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

## **Cash Flow Hedge Accounting**

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

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

## **Reclassifications**

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



### 3. CHANGES IN ACCOUNTING PRINCIPLES

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

a. Effect of adopting the new and revised SFASs

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

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

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

|   | <b>As Cumulative<br/>Effect of<br/>Changes in<br/>Accounting<br/>Principles<br/>(After Tax)</b> | <b>As Adjustments<br/>to Stockholders'<br/>Equity<br/>(After Tax)</b> |
|---|---|---|
| Financial assets at fair value through profit or loss | \$ 16,896   | \$ -  |
| Financial assets measured at cost                     | -   | 1,073   |
| Hedging derivative financial liability                | <u>-</u>  | <u>(32,559)</u>   |
|   | <u>\$ 16,896</u>  | <u>\$ (31,486)</u>  |

The accounting change decreased income from continuing operations by \$19,337 thousand, decreased net income by \$2,441 thousand, and decreased earnings per share after tax by \$0.001 dollar for the year ended December 31, 2006.

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

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

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

1) Short-term investments

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

2) Long-term investments

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

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

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

4) Derivative financial instruments

a) Currency swaps

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

b) Interest rate swaps

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

c) Forward contract transactions

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



#### 4. CASH AND CASH EQUIVALENTS

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2006</u>         | <u>2005</u>         |
| Cash  |                     |                     |
| Petty cash and cash on hand   | \$ 2,441            | \$ 2,195            |
| Checking deposits   | 125,179             | 94,314              |
| Demand deposits   | 1,123,223           | 2,211,744           |
| Time deposits: Interest - 0.27% to 4.95% in 2006 and 1.35% to 4.38%<br>in 2005    | <u>2,195,275</u>    | <u>6,447,917</u>    |
|   | 3,446,118           | 8,756,170           |
| Cash equivalents  |                     |                     |
| Commercial paper purchased under resell agreements - interest of<br>4.62% in 2005 | <u>-</u>            | <u>854,100</u>      |
|   | <u>\$ 3,446,118</u> | <u>\$ 9,610,270</u> |

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

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

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

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | <u>2006</u>        | <u>2005</u>       |
| Financial assets held for trading                                   | \$ 330,735         | \$ 670,486        |
| Designated as financial assets at fair value through profit or loss | <u>32,620</u>      | <u>259,950</u>    |
|   | <u>\$ 363,355</u>  | <u>\$ 930,436</u> |
| a. <u>Financial assets held for trading</u>                         |                    |                   |
| Marketable equity securities  | \$ 193,926         | \$ 612,968        |
| Mutual funds  | 136,809            | 37,518            |
| Convertible bonds   | <u>-</u>           | <u>20,000</u>     |
|   | <u>\$ 330,735</u>  | <u>\$ 670,486</u> |

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

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

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

Net gains arising from financial assets held for trading were \$71,996 thousand (including realized settlement gains of \$16,649 thousand and valuation gains of \$55,347 thousand) for the year ended December 31, 2006; net gains were \$64,828 thousand (including realized settlement losses of \$491,245 thousand and valuation gains of \$556,073 thousand) for the year ended December 31, 2005.

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | 2006               | 2005              |
| b. <u>Designated as financial assets at fair value through profit or loss</u> |                    |                   |
| Credit-linked structured time deposit   | \$ 32,620          | \$ 98,550         |
| Credit-linked notes   | -                  | 279,950           |
| Less: Reclassified into noncurrent assets                                     | <u>-</u>           | <u>(118,550)</u>  |
|   | <u>\$ 32,620</u>   | <u>\$ 259,950</u> |

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

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

Net gains arising from designated as financial assets at fair value through profit or loss were \$727 thousand (including realized settlement losses of \$11,503 thousand, valuation losses of \$983 thousand and interest revenue of \$13,213 thousand) for the year ended December 31, 2006; net gains were \$16,998 thousand (including realized settlement gains of \$1,789 thousand and interest revenue of \$15,209 thousand) for the year ended December 31, 2005.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|           | <u>December 31</u>  |                     |
|-----------|---------------------|---------------------|
|           | 2006                | 2005                |
| Current   |                     |                     |
| Bond fund | <u>\$ 7,410,950</u> | <u>\$ 7,471,609</u> |

## 7. FINANCIAL ASSETS MEASURED AT COST

|  | <u>December 31</u> |                |                   |                |
|--|--------------------|----------------|-------------------|----------------|
|  | <u>2006</u>        |                | <u>2005</u>       |                |
|  | Carrying Value     | % of Ownership | Carrying Value    | % of Ownership |
| Common stock with no quoted market prices          |                    |                |                   |                |
| Taipei Port Container Terminal Co., Ltd.           | \$ 76,640          | 10.00          | \$ 76,640         | 10.00          |
| Preferred stock with no quoted market prices       |                    |                |                   |                |
| New Century Infocomm Co., Ltd.                     | 659,200            | 1.68           | 669,600           | 1.68           |
| Overseas common stock with no quoted market prices |                    |                |                   |                |
| Antwerp International Terminal                     | <u>58,978</u>      | 16.33          | <u>57,906</u>     | 16.33          |
|  | <u>\$ 794,818</u>  |                | <u>\$ 804,146</u> |                |

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

## 8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

|  | <b>December 31</b>    |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <b>2006</b>           |                       | <b>2005</b>           |                       |
|  | <b>Carrying Value</b> | <b>% of Ownership</b> | <b>Carrying Value</b> | <b>% of Ownership</b> |
| All Oceans Transportation, Inc.  | \$ 7,916,891          | 100.00                | \$ 6,668,028          | 100.00                |
| Yang Ming Line (B.V.I.) Holding Co., Ltd.                                | 3,901,236             | 100.00                | 3,933,733             | 100.00                |
| Yang Ming Line (Singapore) Pte. Ltd.                                     | 2,024,491             | 100.00                | 1,879,384             | 100.00                |
| Ching Ming Investment Co., Ltd.  | 1,576,459             | 100.00                | 1,217,936             | 100.00                |
| Chunghwa Investment Co., Ltd.  | 795,760               | 40.00                 | 775,554               | 40.00                 |
| Yes Logistics Corp.  | 514,181               | 46.04                 | 484,153               | 78.93                 |
| Honming Terminal & Stevedoring Co., Ltd.                                 | 348,092               | 79.17                 | 357,371               | 79.17                 |
| Kuang Ming Shipping Corp.  | 306,112               | 100.00                | 269,281               | 100.00                |
| Ming Giant (Shanghai) International Logistics Co., Ltd.                  | 228,200               | 100.00                | -                     | -                     |
| Yang Ming Line Holding Co.   | 229,711               | 100.00                | 259,178               | 100.00                |
| Jing Ming Transportation Co., Ltd.                                       | 97,009                | 50.98                 | 84,522                | 50.96                 |
| Transyang Shipping Pte. Ltd.   | 67,945                | 49.00                 | 51,511                | 24.99                 |
| Yang Ming (Liberia) Corp.  | <u>(64,801)</u>       | 100.00                | <u>(18,620)</u>       | 100.00                |
|  | 17,941,286            |                       | 15,962,031            |                       |
| Add: Investment deducted from long-term receivables from related parties | <u>64,801</u>         |                       | <u>18,620</u>         |                       |
|  | <u>\$ 18,006,087</u>  |                       | <u>\$ 15,980,651</u>  | (Concluded)           |

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

| <b>Investee</b>                           | <b>Years Ended December 31</b> |                     |
|---|--------------------------------|---------------------|
|   | <b>2006</b>                    | <b>2005</b>         |
| All Oceans Transportation, Inc.           | \$ 2,128,863                   | \$ 6,589,468        |
| Yang Ming Line (Singapore) Pte. Ltd.      | 142,131                        | 126,439             |
| Kuang Ming Shipping Corp.                 | 57,720                         | 24,752              |
| Ching Ming Investment Co., Ltd.           | 46,631                         | 15,168              |
| Chunghwa Investment Co., Ltd.             | 20,508                         | 14,800              |
| Honming Terminal & Stevedoring Co., Ltd.  | 13,050                         | 19,764              |
| Jing Ming Transportation Co., Ltd.        | 12,451                         | 10,299              |
| Transyang Shipping Pte. Ltd.              | 2,473                          | 13,980              |
| Yes Logistics Corp.                       | 1,780                          | (56,932)            |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | (9,808)                        | 561,996             |
| Yang Ming (Liberia) Corp.                 | (46,206)                       | (21,442)            |
| Yang Ming Line Holding Co.                | <u>(59,943)</u>                | <u>25,539</u>       |
|   | <u>\$ 2,309,650</u>            | <u>\$ 7,323,831</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, starting on January 1, 2005, under the revised ROC Statement of Financial Accounting Standards (SFAS) No. 5, "Long-term Investments in Equity Securities," the Corporation started to recognize its equity in the net income or net loss of Transyang Shipping Pte. Ltd. in 2005. 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.

Ming Giant (Shanghai) International Logistics Co., Ltd. was established in 2006 and had not yet started operations as of December 31, 2006. Except for the investee Ming Giant (Shanghai) International Logistics Co., the carrying amounts of the investments accounted for using the equity method and the related net income or losses of equity method investee were determined based on the audited financial statements of the investee as of and for the same periods as the Corporation.

Yang Ming (Liberia) Corp. incurred a loss of \$46,206 thousand for the year ended December 31, 2006, because of huge interest expense on bank loan, which was used to buy vessels and to start operations in 2006. The Corporation committed to support ship building plan of Yang Ming (Liberia) Corp. The credit balance of \$64,801 thousand and \$18,620 thousand on this investment was reclassified as deduction from long-term receivables from related parties as of December 31, 2006 and 2005.

Under the revised ROC SFAS No. 7, "Consolidated Financial Statements," control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless it can be clearly shown that such ownership does not constitute as a control interest. Thus, the consolidated financial statements as of and for the years ended December 31, 2006 and 2005 include 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 in consolidation.

## 9. PROPERTIES

|                               | <b>December 31</b>   |                      |
|-------------------------------|----------------------|----------------------|
|                               | <b>2006</b>          | <b>2005</b>          |
| Accumulated depreciation      |                      |                      |
| Buildings                     | \$ 92,481            | \$ 73,013            |
| Containers and chassis        | 10,732,084           | 9,422,989            |
| Ships                         | 4,892,014            | 4,819,263            |
| Leased containers and chassis | 1,739,048            | 1,531,974            |
| Leasehold improvements        | 158,862              | 143,680              |
| Miscellaneous equipment       | <u>1,060,189</u>     | <u>934,362</u>       |
|                               | <u>\$ 18,674,678</u> | <u>\$ 16,925,281</u> |

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 24. The terms of the leases were from five years to nine years for containers and from five years to eight years for chassis. The annual rent payable on leased containers under the agreements is US\$5,471 thousand. 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, 2006 and 2005 were as follows:

|  | <b>December 31</b>                      |   |   |   |
|--|---|---|---|---|
|  | <b>2006</b>                             |   | <b>2005</b>                             |   |
|  | <b>U.S.<br/>Dollars<br/>(Thousands)</b> | <b>New Taiwan<br/>Dollars<br/>(Thousands)</b> | <b>U.S.<br/>Dollars<br/>(Thousands)</b> | <b>New Taiwan<br/>Dollars<br/>(Thousands)</b> |
| Total capital lease obligations (undiscounted) | \$ 15,046                               | \$ 490,504                                    | \$ 21,272                               | \$ 698,771                                    |
| Less: Unamortized interest expense             | <u>(1,623)</u>                          | <u>(52,909)</u>                               | <u>(1,720)</u>                          | <u>(56,494)</u>                               |
|  | <u>\$ 13,423</u>                        | <u>\$ 437,595</u>                             | <u>\$ 19,552</u>                        | <u>\$ 642,277</u>                             |

Depreciation expenses for the years ended December 31, 2006 and 2005 were \$2,270,014 thousand and \$2,128,301 thousand, respectively.

#### 10. ASSETS LEASED TO OTHERS, NET

|                                      | <b>December 31</b>  |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | <b>2006</b>         | <b>2005</b>         |
| Cost                                 |                     |                     |
| Land                                 | \$ 2,061,639        | \$ 2,039,805        |
| Buildings                            | <u>867,023</u>      | <u>920,737</u>      |
|                                      | 2,928,662           | 2,960,542           |
| Accumulated depreciation - buildings | <u>91,874</u>       | <u>81,288</u>       |
|                                      | <u>\$ 2,836,788</u> | <u>\$ 2,879,254</u> |

Depreciation expenses for the years ended December 31, 2006 and 2005 were \$18,846 thousand and \$18,526 thousand, respectively.

#### 11. NONOPERATING ASSETS, NET

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



## 12. INTEREST-BEARING LONG-TERM DEBTS

|   | Current             | Long-term            | Total                |
|---|---------------------|----------------------|----------------------|
| <u>December 31, 2006</u>                                |                     |                      |                      |
| Domestic unsecured bonds                                | \$ 848,000          | \$ 19,740,000        | \$ 20,588,000        |
| Domestic secured bonds                                  | 3,000,000           | -                    | 3,000,000            |
| Domestic unsecured convertible bonds                    | 465,200             | -                    | 465,200              |
| Interest premium - domestic unsecured convertible bonds | 4,142               | -                    | 4,142                |
| Capital leases  | <u>142,890</u>      | <u>294,705</u>       | <u>437,595</u>       |
|   | <u>\$ 4,460,232</u> | <u>\$ 20,034,705</u> | <u>\$ 24,494,937</u> |
| <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  | <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> |

### 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"); \$2,500,000 thousand from December 8 to December 14 in 2004 (the "December 2004 Bonds") \$6,000,000 thousand on October 23, 2006 (the "October 2006 Bonds").

Other bond features and terms are as follows:

|                     |  |
|---------------------|--|
| June 2000 Bonds     | Type A - Aggregate face value: \$1,200,000 thousand; repayments: 33% - June 1, 2005, 33% - June 1, 2006, and 34% - June 1, 2007; 5.7% annual interest. The Corporation had repaid \$792,000 thousand as of December 31, 2006.  |
|                     | Type B - Aggregate face value: \$1,800,000 thousand; repayments: 33% - June 1, 2008, 33% - June 1, 2009, and 34% June 1, 2010; 6.09% annual interest.  |
| November 2000 Bonds | Repayments: 20% - November 20, 2010, 40% - November 20, 2011, and 40% - November 20, 2012; 6.02% annual interest.  |
| July 2001 bonds     | Repayments: 20% - July 2006, 40% - July 2007, and 40% - July 2008; 4.49% annual interest. The Corporation had repaid 220,000 thousand as of December 31, 2006.   |
| June 2004 bonds     | Type A - Aggregate face value of \$600,000 thousand and maturity on June 18, 2011; 2.46% annual interest.  |
|                     | Type B - Aggregate face value of \$500,000 thousand and maturity on June 18, 2011 at USD 6-month LIBOR rate (the target rate) when the target rate is smaller than 1.15%; at 4.4% when the target rate is between 1.15% and 3.5%; at 6% less the target rate when the target rate is greater than 3.5%. The interest rate should not be smaller than 0% and will be reset quarterly. |

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

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

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

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

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

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

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

#### **Domestic Secured Bonds**

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**

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\$19.90 per share as of December 31, 2006);
- 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, 2006, the 2003 Convertible Bonds with aggregate face value of \$7,472,400 thousand had been converted into 292,446 thousand common shares of the Corporation, and the aggregate face value of \$62,400 thousand, plus interest premium of \$281 thousand had been sold to the Corporation by the holders.

As of December 31, 2006, the Corporation had its credit lines available for long-term bank loans.

### 13. 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.

### 14. UNREALIZED GAIN ON SALE AND LEASEBACK

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

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

### 15. STOCKHOLDERS' EQUITY

#### a. Global depositary receipts

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 dollars 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 depositary bank to sell the shares represented by the GDRs. As of December 31 2006, there were 4,363,782 units outstanding, representing 43,637,877 shares, 1.91% of total issued shares.

The holders of the GDR retain stockholder's rights that are the same as those of 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 through the depositary bank.

#### b. Capital surplus

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

#### c. Appropriation of earnings and dividend policy

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

- 1) 10% as legal reserve;
- 2) 10% as special reserve, as needed; and

- 3) Dividends and at least 1% as bonus to employees and up to 2% as remuneration to directors and supervisors.

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

The Articles of Incorporation provide that the Corporation shall declare at least 50% of the distributable earnings as dividends. Further, at least 20% of the amount declared as dividends should be in the form of cash to enable 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). Special reserve should also be appropriated at percentage of ownership for the amount of the stock price less than the carrying value of the shares of 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 2005 and 2004 earnings on June 23, 2006 and June 23, 2005, respectively, as follows:

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

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

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

As of March 1, 2007, the Corporation's board of directors had not decided the appropriation of the 2006 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.

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

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

Cumulative translation adjustments for the year ended December 31, 2006 and 2005 consisted of the following:

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

## 16. TREASURY STOCKS

| <b>Reason for Repurchase</b>                   | <b>Outstanding Shares (Thousands)</b>  |                 |                 |                                  |
|--|--|-----------------|-----------------|----------------------------------|
|  | <b>Beginning<br/>of the<br/>Period</b> | <b>Increase</b> | <b>Decrease</b> | <b>End<br/>of the<br/>Period</b> |
| <u>Year ended December 31, 2006</u>            |  |                 |                 |                                  |
| Stocks of the Corporation held by subsidiaries | <u>22,248</u>                          | <u>-</u>        | <u>22,248</u>   | <u>-</u>                         |
| <u>Year ended December 31, 2005</u>            |  |                 |                 |                                  |
| Stocks of the Corporation held by subsidiaries | <u>32,607</u>                          | <u>12</u>       | <u>10,371</u>   | <u>22,248</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 \$445,138 thousand and \$220,489 thousand in 2006 and 2005. As of December 31, 2005, the carrying values of the Corporation's shares held by subsidiaries were \$164,701 thousand.

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

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 and the right to subscribe for new shares issued by the Corporation.

## 17. INCOME TAX

- a. The Income Basic Tax Act (the "IBT Act"), which took effect on January 1, 2006, requires that the income basic tax should be 10% of the sum of the taxable income as calculated in accordance with the Income Tax Act plus tax benefit regulated by the Income Tax Act or other laws. The tax payable of the current year would be the higher of the income basic tax and income tax payable calculated in accordance with the Income Tax Act. The IBT Act did not have material effect on Corporation's current income tax.
- b. Computation of current income tax was as follows:

|  | <u>Years Ended December 31</u> |                   |
|--|--------------------------------|-------------------|
|  | 2006                           | 2005              |
| Tax on pretax income at 25% statutory rate | \$ 407,249                     | \$ 2,506,265      |
| Add (deduct) tax effects of:               |                                |                   |
| Permanent differences                      | (300,237)                      | (1,568,873)       |
| Temporary differences                      | (357,909)                      | (249,973)         |
| Loss carryforward                          | 250,897                        | -                 |
| Income tax (10%) on undistributed earnings | <u>250,637</u>                 | <u>-</u>          |
| Current income tax                         | <u>\$ 250,637</u>              | <u>\$ 687,419</u> |

The balance of income tax payable as of December 31, 2006 was net of creditable income tax of \$13,709 thousand. As of December 31, 2005, the balance of income tax payable included an income tax payable of \$5,470 thousand for the tax return examined by the authorities and was net of the creditable income tax of \$647,419 thousand.

- c. Income tax expense consisted of:

|                                   | <u>Years Ended December 31</u> |                   |
|-----------------------------------|--------------------------------|-------------------|
|                                   | 2006                           | 2005              |
| Income tax expense - current      | \$ 250,637                     | \$ 687,419        |
| Overseas income tax               | 149,058                        | 30,273            |
| Income tax expense - deferred     |                                |                   |
| Temporary differences             | 357,910                        | 97,518            |
| Loss carryforward                 | (250,897)                      | -                 |
| Adjustments of prior years' taxes | <u>(3,972)</u>                 | <u>(53,105)</u>   |
|                                   | <u>\$ 502,736</u>              | <u>\$ 762,105</u> |

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

|  | <u>December 31</u> |               |
|--|--------------------|---------------|
|  | 2006               | 2005          |
| Current (included in other current assets)     |                    |               |
| Deferred income tax assets                     |                    |               |
| Unrealized loss shipping fuel valuation losses | \$ 14,193          | \$ 16,575     |
| Unrealized foreign exchange loss               | -                  | 36,846        |
| Others   | <u>2,267</u>       | <u>10,116</u> |
|  | <u>16,460</u>      | <u>63,537</u> |

(Continued)

|  | <b>December 31</b>    |                       |
|--|-----------------------|-----------------------|
|  | <b>2006</b>           | <b>2005</b>           |
| Deferred income tax liabilities                      |                       |                       |
| Unrealized foreign exchange gain                     | \$ (2,573)            | \$ -                  |
| Unrealized gain on financial instruments             | (2,222)               | -                     |
| Others   | (173)                 | -                     |
|  | <u>(4,968)</u>        | <u>-</u>              |
|  | <u>\$ 11,492</u>      | <u>\$ 63,537</u>      |
| Noncurrent   |                       |                       |
| Deferred income tax assets                           |                       |                       |
| Loss carryforward                                    | \$ 250,897            | \$ -                  |
| Deferred pension cost                                | 118,459               | 110,195               |
| Unrealized gain on financial instruments             | 11,967                | -                     |
| Cumulative equity in net loss of investee            | <u>16,920</u>         | <u>5,368</u>          |
|  | <u>398,243</u>        | <u>115,563</u>        |
| Deferred income tax liabilities                      |                       |                       |
| Cumulative equity in net income of investee          | (2,347,084)           | (2,020,817)           |
| Differences in estimated service lives of containers | <u>(264,134)</u>      | <u>(261,735)</u>      |
|  | <u>(2,611,218)</u>    | <u>(2,282,552)</u>    |
|  | <u>\$ (2,212,975)</u> | <u>\$ (2,166,989)</u> |
|  |                       | (Concluded)           |

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

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

| <b>Year of Loss Carryforwards</b> | <b>Total Income<br/>Tax Credit</b> | <b>Unused<br/>Income Tax<br/>Credit</b> | <b>Expiry Year</b> |
|-----------------------------------|------------------------------------|---|--------------------|
| 2006                              | <u>\$ 250,897</u>                  | <u>\$ 250,897</u>                       | 2011               |

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

e. Integrated income tax system information was as follows:

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2006</b>        | <b>2005</b> |
| Balance of the imputation credit account (ICA)        | \$ 354,976         | \$ 709,062  |
| Undistributed earnings generated before June 30, 1998 | 2,064,438          | 2,064,438   |

The estimated creditable tax ratio for the 2006 earnings is 9.12%. The actual creditable tax ratio for the 2005 earnings was 6.61%.

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

## 18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

|                    | <u>Year Ended December 31, 2006</u> |                       |                     |
|--------------------|-------------------------------------|-----------------------|---------------------|
|                    | Operating<br>Costs                  | Operating<br>Expenses | Total               |
| Personnel expenses |                                     |                       |                     |
| Salary             | \$ 453,415                          | \$ 685,193            | \$ 1,138,608        |
| Insurance          | 24,736                              | 54,511                | 79,247              |
| Pension            | 78,710                              | 79,432                | 158,142             |
| Others             | 48,742                              | 85,257                | 133,999             |
| Depreciation       | 2,183,181                           | 75,706                | 2,258,887           |
| Amortization       | <u>24,277</u>                       | <u>12,481</u>         | <u>36,758</u>       |
|                    | <u>\$ 2,813,061</u>                 | <u>\$ 992,580</u>     | <u>\$ 3,805,641</u> |
|                    |                                     |                       |                     |
|                    | <u>Year Ended December 31, 2005</u> |                       |                     |
|                    | Operating<br>Costs                  | Operating<br>Expenses | Total               |
| 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> |

## 19. EARNINGS PER SHARE

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



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

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

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>                   |                       | <u>Capital Stock<br/>(Denominator)<br/>(in Thousand<br/>Shares)</u> | <u>Earnings Per<br/>Share (Dollars)</u>     |                       |
|---|---|-----------------------|---|---|-----------------------|
|   | <u>Income<br/>Before<br/>Income<br/>Tax</u> | <u>Net<br/>Income</u> |   | <u>Income<br/>Before<br/>Income<br/>Tax</u> | <u>Net<br/>Income</u> |
| <u>Year ended December 31, 2006</u>           |   |                       |   |   |                       |
| Pro forma basic EPS                           | \$ 1,683,482                                | \$ 1,178,524          | 2,289,832   | \$ 0.74                                     | \$ 0.51               |
| Impact of dilutive potential common<br>shares |   |                       |   |   |                       |
| Domestic unsecured convertible<br>bonds       | <u>1,248</u>                                | <u>936</u>            | <u>23,379</u>   |   |                       |
| Pro forma diluted EPS                         | <u>\$ 1,684,730</u>                         | <u>\$ 1,179,460</u>   | <u>2,313,211</u>  | <u>\$ 0.73</u>                              | <u>\$ 0.51</u>        |
| <u>Year ended December 31, 2005</u>           |   |                       |   |   |                       |
| Pro forma basic EPS                           | \$ 10,033,191                               | \$ 9,271,086          | 2,283,795   | \$ 4.39                                     | \$ 4.06               |
| Impact of dilutive potential common<br>shares |   |                       |   |   |                       |
| Domestic unsecured convertible<br>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>        |

## 20. 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 hired after July 1, 2005 can only choose to be subject to the pension mechanism under the Act.

Pension plan under the Labor Standards Law for onshore employees is a defined benefit plan. Benefits are based on service years and average basic salary of the year before retirement. The pension fund, to which the Corporation contributes amounts equal to 13% of salaries every month in 2006 and 2005, respectively, is administered by the employees' pension reserve fund supervisory committee and deposited in the employees' 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 year 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 \$22,424 thousand and \$7,116 thousand for the year ended December 31, 2006 and from July to December in 2005, respectively.

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

Before the Corporation's privatization, qualified employees received pension payments for service years before the start of the privatization. The service years of the employees who received pre-privatization pension payments and continued to work in 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 (including the Corporation, All Oceans Transportation, Inc. and Yangming (UK) Ltd.) should be recognized using the actuarial method. Pension expense is recognized based on agreed upon ratio of their consolidated defined benefit pension cost. Other pension information is as follows:

a. Net periodic pension cost was as follows:

|  | <u>Years Ended December 31</u> |             |
|--|--------------------------------|-------------|
|  | <u>2006</u>                    | <u>2005</u> |
| Service cost                                       | \$ 135,633                     | \$ 142,883  |
| Interest cost                                      | 37,930                         | 36,913      |
| Projected return on plan assets                    | (9,031)                        | (7,216)     |
| Amortization of net transition asset or obligation | (328)                          | (328)       |

(Continued)

|  | <b>Years Ended December 31</b> |                   |
|--|--------------------------------|-------------------|
|  | <b>2006</b>                    | <b>2005</b>       |
| Amortization of prior service cost                                       | \$ 436                         | \$ 436            |
| Amortization of unrecognized pension cost                                | <u>10,322</u>                  | <u>10,773</u>     |
| Pension cost   | 174,962                        | 183,461           |
| Add: Investment deducted from long-term receivables from related parties | <u>(39,244)</u>                | <u>(53,525)</u>   |
| Net periodic pension cost  | <u>\$ 135,718</u>              | <u>\$ 129,936</u> |

b. Reconciliation of plan funded status to balance sheet amount were as follows:

|   | <b>Years Ended December 31</b> |                   |
|---|--------------------------------|-------------------|
|   | <b>2006</b>                    | <b>2005</b>       |
| Benefit obligation                          |                                |                   |
| Vested benefit obligation (VBO)             | \$ 505,444                     | \$ 355,803        |
| Non-vested benefit obligation               | <u>709,288</u>                 | <u>575,639</u>    |
| Accumulated benefit obligation (ABO)        | 1,214,732                      | 931,442           |
| Additional benefit based on future salaries | <u>431,439</u>                 | <u>335,416</u>    |
| Projected benefit obligation                | 1,646,171                      | 1,266,858         |
| Fair value of plan assets                   | <u>(347,504)</u>               | <u>(264,517)</u>  |
| Plan funded status                          | 1,298,667                      | 1,002,341         |
| Unrecognized net transition asset           | 2,002                          | 2,330             |
| Unrecognized prior service cost             | (3,927)                        | (4,363)           |
| Unrecognized pension cost                   | (466,199)                      | (243,041)         |
| Additional minimum pension liability        | <u>96,743</u>                  | <u>38,914</u>     |
| Accrued pension cost                        | <u>\$ 927,286</u>              | <u>\$ 796,181</u> |
| c. Vested benefit                           | <u>\$ 642,613</u>              | <u>\$ 455,866</u> |
| d. Actuarial assumptions                    |                                |                   |
| Discount rate                               | 2.75%                          | 3.00%             |
| Rate of increase in compensation            | 2.75%                          | 2.75%             |
| Expected return on plan assets              | 2.75%                          | 3.00%             |
| e. Contribution and benefits paid           |                                |                   |
| Contribution                                | <u>\$ 80,713</u>               | <u>\$ 75,620</u>  |
| Benefits paid                               | <u>\$ 25,846</u>               | <u>\$ 32,160</u>  |

## 21. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

|  | <b>December 31</b>    |                   |                       |                   |
|--|-----------------------|-------------------|-----------------------|-------------------|
|  | <b>2006</b>           |                   | <b>2005</b>           |                   |
|  | <b>Carrying Value</b> | <b>Fair Value</b> | <b>Carrying Value</b> | <b>Fair Value</b> |
| <b>Assets</b>  |                       |                   |                       |                   |
| Financial assets at fair value through profit or loss - current    | \$ 363,355            | \$ 363,355        | \$ 930,436            | \$ 931,005        |
| Available-for-sale financial assets - current                      | 7,410,950             | 7,410,950         | 7,471,609             | 7,471,996         |
| Financial assets at fair value through profit or loss - noncurrent | -                     | -                 | 118,550               | 118,597           |
| Financial assets measured at cost - noncurrent                     | 794,818               | -                 | 804,146               | -                 |
| Investments accounted for using equity method                      | 18,006,087            | -                 | 15,980,651            | -                 |
| Long-term receivables from related parties                         | 20,564,098            | 20,564,098        | 15,368,741            | 15,368,741        |
| <b>Liabilities</b>   |                       |                   |                       |                   |
| Hedging derivative financial liability - noncurrent                | 47,871                | 47,871            | -                     | 43,412            |
| Bonds  | 24,057,342            | 24,307,673        | 18,735,178            | 19,273,522        |
| Yang Ming Line (B.V.I.) Holding Co., Ltd.                          |                       |                   |                       |                   |
| Financial assets at fair value through profit or loss - current    | -                     | -                 | 98,664                | 97,436            |

Place of transaction:

| <b>Place of Transaction</b>                          | <b>December 31, 2006</b> |                   |
|--|--------------------------|-------------------|
|  | <b>Carrying Value</b>    | <b>Fair Value</b> |
| <u>Financial asset</u>                               |                          |                   |
| Overseas (including foreign institutions in Taiwan)  | \$ 32,620                | \$ 32,620         |
| <u>Financial liability</u>                           |                          |                   |
| Overseas (including foreign institutions in Taiwan ) | 47,871                   | 47,871            |
| <b>Place of Transaction</b>                          | <b>December 31, 2005</b> |                   |
|  | <b>Carrying Value</b>    | <b>Fair Value</b> |
| <u>Financial asset</u>                               |                          |                   |
| Taiwan   | \$ 50,000                | \$ 50,032         |
| Overseas (including foreign institutions in Taiwan ) | 427,164                  | 426,907           |
| <u>Financial liability</u>                           |                          |                   |
| Overseas (including foreign institutions in Taiwan ) | -                        | 43,412            |

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

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

- 1) Cash and cash equivalents, accounts receivable, accounts receivable from related parties, other receivable from related parties, advances to shipping agents, payable to related parties, accrued expenses and payables to shipping agents which are not shown among the financial instruments in the table above, are recorded at their carrying values because of the short maturities of these instruments.
- 2) If quoted market prices are available, these are used as market value of financial assets at fair value through profit or loss and available-for-sale financial assets. Otherwise, the market value is evaluated by the Corporation using the same estimates and assumptions used by other market participants to value the instruments. These estimation and assumptions are available to the Corporation.

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

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

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

c. The fair values of financial assets and financial liabilities, which were determined at their quoted prices in an active market or at estimated prices, were as follows:

|  | Quoted Price |             | Estimated Price |             |
|--|--------------|-------------|-----------------|-------------|
|  | December 31  | December 31 | December 31     | December 31 |
|  | 2006         | 2005        | 2006            | 2005        |
| <u>Assets</u>  |              |             |                 |             |
| Financial assets at fair value through profit or loss - current    | \$ 330,735   | \$ 670,099  | \$ 32,620       | \$ 260,906  |
| Available-for-sale financial assets - current                      | 7,410,950    | 7,471,996   | -               | -           |
| Financial assets at fair value through profit or loss - noncurrent | -            | -           | -               | 118,597     |
| <u>Liabilities</u>   |              |             |                 |             |
| Hedging derivative financial liability - noncurrent                | -            | -           | 47,871          | 43,412      |

- d. Net loss on changes of the fair value determined using valuation technique is \$983 thousand for the year ended December 31, 2006.
- e. Financial assets and liabilities affected by interest rate were as follows:

|                                     | <b>December 31</b>          |                                  |                             |                                  |
|-------------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
|                                     | <b>2006</b>                 |                                  | <b>2005</b>                 |                                  |
|                                     | <b>Financial<br/>Assets</b> | <b>Financial<br/>Liabilities</b> | <b>Financial<br/>Assets</b> | <b>Financial<br/>Liabilities</b> |
| <u>Risk of interest rate change</u> |                             |                                  |                             |                                  |
| Fair value risk                     | \$ 2,008,624                | \$ 23,057,342                    | \$ 7,542,876                | \$ 17,735,178                    |
| Cash flow risk                      | 1,467,844                   | 1,000,000                        | 2,474,544                   | 1,000,000                        |

- f. Information about financial risks

1) Market risk

For the years ended December 31, 2006 and 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 its 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 its subsidiaries hedges most of the risks in the market. In addition, the Corporation and its subsidiaries evaluate the hedging effectiveness of the contracts periodically.

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

The Corporation and its subsidiaries use equity-linked notes for trading purposes to earn investment income. The Corporation and its 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.

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 its subsidiaries use interest-linked notes and credit-linked structured time deposit for trading purposes to earn higher interest income. The Corporation and its subsidiaries choose commodities highly correlated to interest rates. 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's purpose for trading crude oil swap is to reduce the cost burden from oil price increase. Because the crude oil swap traded is basically based on the bunker consumption of the Corporation, the market risk is controllable.

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

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

2) Credit risk

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

3) Liquidity risk

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

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

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

4) Cash flow risk on interest rate

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

g. Cash flow hedge

The Corporation uses interest rate swap contracts to hedge future cash flows:

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

**22. RELATED-PARTY TRANSACTIONS**

The significant transactions with related parties for the years ended December 31, 2006 and 2005 and the related balances, in addition to those mentioned in Note 24 and Schedules E and F, are summarized in the accompanying schedules C and D.

The transactions with related parties were conducted under contract terms.

### 23. ASSETS PLEDGED OR MORTGAGED

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

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2006</u>        | <u>2005</u>       |
| Properties, net  | \$ 673,377         | \$ 736,825        |
| Nonoperating assets, net   | 89,230             | 89,230            |
| Restricted time deposits (included in other current assets)      | 124,923            | -                 |
| Pledged time deposits (included in other assets - miscellaneous) | <u>-</u>           | <u>125,159</u>    |
|  | <u>\$ 887,530</u>  | <u>\$ 951,214</u> |

### 24. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 21 and Schedule F, commitments and contingent liability as of December 31, 2006 were as follows:

- a. Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts expiring on various dates by October 2011. The daily compensation under the contracts is \$143 thousand for all the crews.
- b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until May 2030. The total rental for the year ended December 31, 2006 was \$13,883,506 thousand, and future minimum rentals are as follows:

| <b>Fiscal Year</b> | <b>Amount</b> |
|--------------------|---------------|
| 2007               | \$ 5,890,491  |
| 2008               | 2,922,866     |
| 2009               | 1,948,889     |
| 2010               | 1,147,175     |
| 2011               | 550,968       |

Rentals after 2012 amount to \$1,395,185 thousand. The present value of those rentals, computed at an annual interest rate of 2.20%, is \$1,187,006 thousand.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Rental for the year ended December 31, 2006 was about \$199,482 thousand (deducted from leases payable). Future minimum rentals are as follows:

| <b>Fiscal Year</b> | <b>Amount</b> |
|--------------------|---------------|
| 2007               | \$ 136,056    |
| 2008               | 94,477        |
| 2009               | 20,169        |
| 2010               | 20,169        |
| 2011               | 6,631         |



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

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

- e. Agreement between the Corporation and China Shipbuilding Corp. (CSBC) for CSBC to construct eight vessels for US\$44,780,000 for delivery by 2007. As of December 31, 2006, the Corporation had paid US\$11,195 to CSBC.
- f. 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, 2006, 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 conservatism principle, the Corporation had accrued a loss of US\$1,000,000.
- g. The Corporation signed an agreement to acquire containers. As of December 31, 2006, the Corporation has not yet received the containers and thus has not yet made the related payment of US\$39,738,000.
- h. An agreement was 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 is to be used to package, store, process, transfer and distribute goods. The estimated investment for the logistics center is around \$600,000 thousand. As of December 31, 2006, the Corporation had paid \$200,034 thousand for this center.

## 25. SUBSEQUENT EVENT

- a. On January 17, 2007, the board of directors resolved to sell one vessel at carrying value \$753,103 thousand to All Oceans Transportation Inc. (subsidiary).
- b. At the meetings of their respective boards of directors on February 9, 2007, Yang Ming Marine Transport Corporation and Taiwan Navigation Co., Ltd presented a proposal. Under the proposal, these two companies will enter a strategic alliance through a share swap and collaborate on pursuing new business opportunities. Shares will be exchanged at 1.35 shares of Yang Ming Marine Transport Corporation for every share of Taiwan Navigation Co., Ltd. Thus, Yang Ming Marine Transport Corporation will issue 69,627,226 shares in exchange for 51,575,723 shares of Taiwan Navigation Co., Ltd. The board of directors approved the share swap proposal with the expected date of share swap before June 30, 2007.

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

## 26. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Please see Schedule E attached;
- b. Endorsement/guarantee provided: Please see Schedule F attached;
- c. Marketable securities held: Please see Schedule G attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Schedule H attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Schedule I attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Schedule J attached;
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Please see Schedule K attached;
- j. Information about derivatives of investees over which the Corporation has a controlling interest: Please see Note 21;
- k. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Schedule L attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.

## 27. 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

| <b>Line Service</b>     | <b>2006</b>   |          | <b>2005</b>   |          |
|-------------------------|---------------|----------|---------------|----------|
|                         | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| U.S. Western coast line | \$ 32,864,911 | 36       | \$ 28,278,352 | 34       |
| U.S. Eastern coast line | 14,040,320    | 15       | 12,680,091    | 15       |
| Asia line               | 13,653,851    | 15       | 14,985,960    | 18       |
| Mediterranean line      | 10,133,086    | 11       | 7,872,781     | 9        |
| Northwest European line | 10,081,831    | 11       | 9,732,304     | 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, 2006**

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

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

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

| <b>Country</b> | <b>Currency</b> | <b>Foreign<br/>Currency<br/>Amount<br/>(Thousands)</b> | <b>New Taiwan<br/>Dollar<br/>Exchange<br/>Rate</b> | <b>New Taiwan<br/>Dollar<br/>Amount<br/>(Thousands)</b> |
|----------------|-----------------|--|--|---|
| Japan          | USD             | (Note)   | 32.8500  | \$ 11   |
|                | JPY             | \$ 5,607,896   | 0.2797   | 1,568,359   |
| Hong Kong      | USD             | 1,176  | 32.8500  | 38,648  |
|                | HKD             | 4,920  | 4.2369   | 20,845  |
| United States  | USD             | 4,541  | 32.8500  | 149,178   |
| Belgium        | EUR             | 243  | 38.9680  | 9,487   |
| Indonesia      | USD             | 650  | 32.8500  | 21,350  |
|                | 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.



- F. Lease of 34 ships from All Oceans Transportation Inc. under several agreements expiring on various dates until September 2009; rent is payable monthly.
- G. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement expiring on December 31, 2012; rent is payable quarterly.
- H. Lease of one ship from Kuang Ming Shipping Corp. (Panama) under an agreement expiring on December 31, 2006; rent is payable monthly.
- I. Lease of one ship from Kuang Ming Shipping Corp. (Panama) under an agreement expiring on December 31, 2005; rent is payable monthly.
- J. Lease of containers from Yangming (U.K.) Ltd. under several agreements expiring on various dates until December 2007; rent is payable monthly.
- K. Acquisition of two ships from All Ocean Transportation Inc. in December 2006 are at carrying value.
- L. Sale of six ships to All Oceans Transportation Inc. in February, April, July, August, October and November of 2006 are at carrying value.
- M. Sale of six ships to All Oceans Transportation Inc. in January, March, May, June and July of 2005 are at carrying value (deferred expenses included).
- N. Sale of four ships under construction to All Ocean Transportation Inc. in September of 2005 are at carrying value.
- O. Lease of 3 ships from Yang Ming (Liberia) Corp. under an agreement expiring on November 21, 2007; rent is payable monthly.
- P. Other related parties, with which the Corporation had no transactions for the year ended December 31, 2006, are listed in Schedule K.

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

RELATED-PARTY ACCOUNT BALANCES  
DECEMBER 31, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)

| Related Party                             | Nature of Relationship<br>(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 |                   | Total      |   |
|   |   | Amount                           | %         | Amount              | %         | Amount              | %          |                             |                 |   |                             |                      |            |                   | Amount          | %                 | Amount                      | %                 | Amount     | % |
| <u>2006</u>                               |   |                                  |           |                     |           |                     |            |                             |                 |   |                             |                      |            |                   |                 |                   |                             |                   |            |   |
| Kuang Ming Shipping Corp.                 | A   | \$ -                             | -         | \$ 30,823           | -         | \$ 30,823           | -          | \$ -                        | -               | \$ -                                      | -                           | \$ -                 | -          | \$ 756            | -               | \$ -              | -                           | \$ 756            | -          |   |
| All Oceans Transportation, Inc.           | A   | -                                | -         | 3,110,560           | D 33      | 3,110,560           | 33         | -                           | -               | -   | -                           | 17,227,394           | F 84       | -                 | -               | -                 | -                           | -                 | -          |   |
| Jing Ming Transportation Co., Ltd.        | A   | -                                | -         | -                   | -         | -                   | -          | -                           | -               | -   | -                           | -                    | -          | 105,675           | 11              | -                 | -                           | 105,675           | 11         |   |
| Yang Ming (America) Co.                   | A   | 527,683                          | 6         | -                   | -         | 527,683             | 6          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 28,865            | 3                           | 28,865            | 3          |   |
| Yangming (Japan) Co., Ltd.                | A   | 1,055                            | -         | -                   | -         | 1,055               | -          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 94,029            | 10                          | 94,029            | 10         |   |
| Yang Ming Line Holding Co.                | A   | -                                | -         | 10,453              | -         | 10,453              | -          | -                           | -               | 20,215                                    | -                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Young-Carrier Company Limited             | A   | 805,123                          | 9         | -                   | -         | 805,123             | 9          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 121,643           | 13                          | 121,643           | 13         |   |
| Yangming (UK) Ltd.                        | A   | 158,154                          | 2         | 2,614,125           | H 28      | 2,772,279           | 30         | 67,224                      | 28              | -   | -                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Yang Ming Shipping Europe GmbH            | A   | 132,385                          | 1         | -                   | -         | 132,385             | 1          | 15,344                      | 7               | -   | -                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Yang Ming Line (Hong Kong) Ltd.           | A   | 189,309                          | 2         | -                   | -         | 189,309             | 2          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 210,962           | 21                          | 210,962           | 21         |   |
| Yangming Shipping (Singapore) Pte. Ltd.   | A   | 13,927                           | -         | -                   | -         | 13,927              | -          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 27,440            | 3                           | 27,440            | 3          |   |
| Yang Ming Line (M) Sdn. Bhd.              | A   | 63,116                           | 1         | -                   | -         | 63,116              | 1          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 74,990            | 8                           | 74,990            | 8          |   |
| Yes Logistics Corp.                       | A   | 9,838                            | -         | -                   | -         | 9,838               | -          | -                           | -               | -   | -                           | -                    | -          | 669               | -               | -                 | -                           | 669               | -          |   |
| Yang Ming Italy S. p. A.                  | B   | 288,788                          | 3         | -                   | -         | 288,788             | 3          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 49,074            | 5                           | 49,074            | 5          |   |
| Yang Ming (Korea) Co., Ltd.               | A   | 103,900                          | 1         | -                   | -         | 103,900             | 1          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 79,638            | 8                           | 79,638            | 8          |   |
| Yang Ming (Netherlands) B.V.              | B   | 63,164                           | 1         | -                   | -         | 63,164              | 1          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 31,424            | 3                           | 31,424            | 3          |   |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | A   | -                                | -         | -                   | -         | -                   | -          | -                           | -               | 1,265,066                                 | E 6                         | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Yang Ming (Vietnam) Corp.                 | B   | 37,851                           | -         | -                   | -         | 37,851              | -          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 68,446            | 7                           | 68,446            | 7          |   |
| Yang Ming Line (India) Pvt. Ltd.          | A   | 20,711                           | -         | -                   | -         | 20,711              | -          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 56,598            | 6                           | 56,598            | 6          |   |
| Yang Ming (Liberia) Corp.                 | A   | -                                | -         | 1,211,552           | 13        | 1,211,552           | 13         | -                           | -               | 2,051,423                                 | G 10                        | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Kuang Ming Shipping Corp. (Panama)        | A   | -                                | -         | 457                 | -         | 457                 | -          | -                           | -               | 1,820                                     | -                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Yangming (Cayman) Ltd.                    | A   | -                                | -         | -                   | -         | -                   | -          | 2,070                       | 1               | -   | -                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Olympic Container Terminal LLC            | A   | -                                | -         | -                   | -         | -                   | -          | -                           | -               | -   | -                           | -                    | -          | 14,049            | 2               | -                 | -                           | 14,049            | 2          |   |
| Ching Ming Investment Corp.               | A   | -                                | -         | 2,480               | -         | 2,480               | -          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
|   |   | <u>\$ 2,415,004</u>              | <u>26</u> | <u>\$ 6,980,450</u> | <u>74</u> | <u>\$ 9,395,454</u> | <u>100</u> | <u>\$ 82,568</u>            | <u>35</u>       | <u>\$ 3,890</u>                           | <u>1</u>                    | <u>\$ 20,564,098</u> | <u>100</u> | <u>\$ 121,149</u> | <u>13</u>       | <u>\$ 843,109</u> | <u>87</u>                   | <u>\$ 964,258</u> | <u>100</u> |   |
| <u>2005</u>                               |   |                                  |           |                     |           |                     |            |                             |                 |   |                             |                      |            |                   |                 |                   |                             |                   |            |   |
| 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               | -                 | -                           | 84,296            | 7          |   |
| Yangming (Japan) Co., Ltd.                | A   | 663                              | -         | -                   | -         | 663                 | -          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 121,726           | 9                           | 121,726           | 9          |   |
| Young-Carrier Company Ltd.                | A   | 688,351                          | 7         | -                   | -         | 688,351             | 7          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 427,277           | 33                          | 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                           | 42,476            | 3          |   |
| Yang Ming Line (Hong Kong) Ltd.           | A   | 64,071                           | 1         | -                   | -         | 64,071              | 1          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 307,174           | 24                          | 307,174           | 24         |   |
| Yangming Shipping (Singapore) Pte. Ltd.   | A   | 11,551                           | -         | -                   | -         | 11,551              | -          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 36,658            | 3                           | 36,658            | 3          |   |
| Kuang Ming Shipping Corp. (Panama)        | A   | -                                | -         | 297                 | -         | 297                 | -          | -                           | -               | 1,825                                     | 1                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |
| Yang Ming Line (M) Sdn. Bhd               | A   | 52,117                           | 1         | -                   | -         | 52,117              | 1          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 47,275            | 4                           | 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                           | 23,101            | 2          |   |
| Yes Logistics Corp.                       | A   | 32,197                           | -         | 5,780               | -         | 37,977              | -          | -                           | -               | -   | -                           | -                    | -          | 1,100             | -               | -                 | -                           | 1,100             | -          |   |
| Yang Ming Italy S.p.A.                    | B   | 224,302                          | 2         | -                   | -         | 224,302             | 2          | -                           | -               | -   | -                           | -                    | -          | -                 | -               | 71,699            | 5                           | 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               | -   | -                           | -                    | -          | -                 | -               | -                 | -                           | -                 | -          |   |

(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 |           | Total               |            |
|                                  |  | Amount                           | %         | Amount              | %         | Amount              | %          | Amount                      | %         | Amount          | %        | Amount                                    | %          | Amount           | %        | Amount                      | %         | Amount              | %          |
| Yang Ming Line (India) Pvt. Ltd. | A  | \$ 25,305                        | -         | \$ -                | -         | \$ 25,305           | -          | \$ -                        | -         | \$ -            | -        | \$ -                                      | -          | \$ -             | -        | \$ 24,584                   | 2         | \$ 24,584           | 2          |
| Yang Ming (Vietnam) Corp.        | B  | 42,054                           | -         | -                   | -         | 42,054              | -          | 3,245                       | 1         | -               | -        | -   | -          | -                | -        | 114,080                     | 9         | 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>\$ 1,301,446</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. 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 of the Corporation) and Yang Ming Line B.V. (a subsidiary of the Corporation).  
J. The receivables for proceeds from disposal of ships from All Oceans Transportation Inc. (a subsidiary) will be offset by rentals payable periodically.  
K. Other related parties, with which the Corporation had no transactions for the year ended December 31, 2006, are listed in Schedule K.

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES**

**FINANCING PROVIDED**

**DECEMBER 31, 2006**

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

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

Notes:

A. Nature of Financing:

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

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

C. For borrowers with transactions with the Corporation, maximum financing is 50% of the amounts mentioned in Note B or of the total amount of transactions between the Corporation and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 50% of the amount mentioned in Note B.

D. Represents the lender's net asset value.

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

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

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

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

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

**YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES**

**ENDORSEMENT/GUARANTEE PROVIDED**

**DECEMBER 31, 2006**

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

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

Notes:

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

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

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

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

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

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

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

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

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

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2006

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

| Holding Company Name                   | Marketable Securities Type and Name                              | Relationship with the Holding Company | Financial Statement Account                                     | December 31, 2006 |                |                | Market Value or Net Asset Value (Note A) | Note   |
|--|--|---------------------------------------|---|-------------------|----------------|----------------|--|--------|
|  |  |                                       |   | Shares/Units      | Carrying Value | % of Ownership |  |        |
| Yang Ming Marine Transport Corporation | <u>Common stock</u><br>Yang Ming Line (B.V.I.) Holding Co., Ltd. | Subsidiary                            | Investments accounted for using equity method                   | 103,505,031       | \$ 3,901,236   | 100.00         | \$ 3,901,236                             |        |
|  | Yang Ming Line (Singapore) Pte. Ltd.                             | Subsidiary                            | Investments accounted for using equity method                   | 60,130,000        | 2,024,491      | 100.00         | 2,024,491                                |        |
|  | All Oceans Transportation, Inc.                                  | Subsidiary                            | Investments accounted for using equity method                   | 1,000             | 7,916,891      | 100.00         | 7,916,891                                |        |
|  | Kuang Ming Shipping Corp.  | Subsidiary                            | Investments accounted for using equity method                   | 24,000,000        | 306,112        | 100.00         | 306,753                                  |        |
|  | Yang Ming Line Holding Co.                                       | Subsidiary                            | Investments accounted for using equity method                   | 13,500            | 229,711        | 100.00         | 229,711                                  |        |
|  | Ching Ming Investment Corp.                                      | Subsidiary                            | Investments accounted for using equity method                   | 150,000,000       | 1,576,459      | 100.00         | 1,576,459                                |        |
|  | Honming Terminal & Stevedoring Co., Ltd.                         | Subsidiary                            | Investments accounted for using equity method                   | 31,667,630        | 348,092        | 79.17          | 348,092                                  |        |
|  | Jing Ming Transportation Co., Ltd.                               | Subsidiary                            | Investments accounted for using equity method                   | 7,126,629         | 97,009         | 50.98          | 97,009                                   |        |
|  | Yes Logistics Corp.  | Subsidiary                            | Investments accounted for using equity method                   | 55,251,100        | 514,181        | 46.04          | 514,181                                  |        |
|  | Yang Ming (Liberia) Corp.  | Subsidiary                            | Investments accounted for using equity method                   | 500               | (64,801)       | 100.00         | (64,801)                                 | Note N |
|  | Transyang Shipping Pte. Ltd.                                     | Equity-method investee                | Investments accounted for using equity method                   | 1,345             | 67,945         | 49.00          | 67,945                                   |        |
|  | Chunghwa Investment Co., Ltd.                                    | Equity-method investee                | Investments accounted for using equity method                   | 80,000,000        | 795,760        | 40.00          | 795,760                                  |        |
|  | Ming Giant (Shanghai) International Logistics Company Limited    | Subsidiary                            | Investments accounted for using equity method                   | (Note T)          | 228,200        | 100.00         | 228,200                                  |        |
|  | Taipei Port Container Terminal Corporation                       | -                                     | Financial asset measured at cost - noncurrent                   | 8,000,000         | 76,640         | 10.00          | -  |        |
|  | Antwerp International Terminal                                   | -                                     | Financial asset measured at cost - noncurrent                   | 1,486,030         | 58,978         | 16.33          | -  |        |
|  | Asustek Computer Inc.  | -                                     | Financial assets at fair value through profit or loss - current | 210,000           | 18,732         | 0.01           | 18,732                                   |        |
|  | Chipbond Technology Corporation                                  | -                                     | Financial assets at fair value through profit or loss - current | 310,062           | 9,038          | 0.10           | 9,038                                    |        |
|  | Chi Mei Optoelectronics Corporation                              | -                                     | Financial assets at fair value through profit or loss - current | 1,667,200         | 55,018         | 0.02           | 55,018                                   |        |
|  | Formosa Chemicals & Fibre Corporation                            | -                                     | Financial assets at fair value through profit or loss - current | 360,000           | 19,620         | 0.01           | 19,620                                   |        |
|  | Formosa Plastics Corporation                                     | -                                     | Financial assets at fair value through profit or loss - current | 390,000           | 21,099         | 0.01           | 21,099                                   |        |
|  | Motech Industries Inc  | -                                     | Financial assets at fair value through profit or loss - current | 9,084             | 3,652          | 0.01           | 3,652                                    |        |
|  | Novatek Microelectronics Corp.                                   | -                                     | Financial assets at fair value through profit or loss - current | 204,472           | 30,159         | 0.04           | 30,159                                   |        |
|  | Taiwan Cooperative Bank  | -                                     | Financial assets at fair value through profit or loss - current | 212,516           | 5,143          | -              | 5,143                                    |        |
|  | Tatung System Technologies Inc.                                  | -                                     | Financial assets at fair value through profit or loss - current | 100,800           | 3,488          | 0.17           | 3,488                                    |        |
|  | Walsin Technology Corporation                                    | -                                     | Financial assets at fair value through profit or loss - current | 150,000           | 4,635          | 0.03           | 4,635                                    |        |

(Continued)

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

(Continued)

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

(Continued)

| Holding Company Name      | Marketable Securities Type and Name                  | Relationship with the Holding Company                           | Financial Statement Account                                     | December 31, 2006 |                |                |  | Note   |
|---------------------------|--|---|---|-------------------|----------------|----------------|--|--------|
|                           |  |   |   | Shares/Units      | Carrying Value | % of Ownership | Market Value or Net Asset Value (Note A) |        |
| Yes Logistics Corp.       | <u>Mutual fund</u>                                   |   |   |                   |                |                |  |        |
|                           | Fuh-Hwa Bond Fund                                    | -   | Financial assets at fair value through profit or loss - current | 11,335,723        | \$ 151,105     | -              | \$ 151,105                               |        |
|                           | Truwell Yi Li Shi                                    | -   | Financial assets at fair value through profit or loss - current | 1,574,357         | 20,059         | -              | 20,059                                   |        |
|                           | The First Global Investment Trust Duo Li-2 Bond Fund | -   | Financial assets at fair value through profit or loss - current | 2,058,961         | 30,060         | -              | 30,060                                   |        |
|                           | CITC Cash Reserves                                   | -   | Financial assets at fair value through profit or loss - current | 2,562,307         | 30,031         | -              | 30,031                                   |        |
|                           | Capital Income Fund                                  | -   | Financial assets at fair value through profit or loss - current | 8,612,458         | 128,241        | -              | 128,241                                  |        |
|                           | Capital Money Market Fund                            | -   | Financial assets at fair value through profit or loss - current | 10,339,552        | 141,189        | -              | 141,189                                  |        |
|                           | Ta Chong North America Income Trust Fund             | -   | Financial assets at fair value through profit or loss - current | 500,000           | 4,870          | -              | 4,870                                    |        |
|                           | Prudential Financial First Fund                      | -   | Financial assets at fair value through profit or loss - current | 1,362,449         | 19,912         | -              | 19,912                                   |        |
|                           | Cathay Taiwan Bond Fund                              | -   | Financial assets at fair value through profit or loss - current | 1,341,693         | 19,874         | -              | 19,874                                   |        |
|                           | Fidelity European Growth Fund                        | -   | Financial assets at fair value through profit or loss - current | 5,136             | 6,033          | -              | 6,033                                    |        |
|                           | Templeton Developing Markets Fund                    | -   | Financial assets at fair value through profit or loss - current | 2,254             | 2,078          | -              | 2,078                                    |        |
|                           | Fidelity European Aggressive Fund                    | -   | Financial assets at fair value through profit or loss - current | 1,277             | 1,137          | -              | 1,137                                    |        |
|                           | Fidelity Emerging Markets Fund                       | -   | Financial assets at fair value through profit or loss - current | 2,477             | 1,487          | -              | 1,487                                    |        |
|                           | AIG Global Medallion Fund of Funds                   | -   | Financial assets at fair value through profit or loss - current | 1,779,107         | 20,887         | -              | 20,887                                   |        |
|                           | Capital Strategin Growth Fund                        | -   | Financial assets at fair value through profit or loss - current | 1,000,000         | 10,600         | -              | 10,600                                   |        |
|                           | AIG Latin America Fund                               | -   | Financial assets at fair value through profit or loss - current | 100,000           | 1,086          | -              | 1,086                                    |        |
|                           | JF (Taiwan) Japan Brilliance Fund                    | -   | Financial assets at fair value through profit or loss - current | 1,000,000         | 8,990          | -              | 8,990                                    |        |
|                           | <u>Common stock</u>                                  |   |   |                   |                |                |  |        |
|                           | Honming Terminal & Stevedoring Co., Ltd.             | Subsidiary  | Investments accounted for using equity method                   | 4,382,370         | 48,287         | 10.96          | 48,287                                   |        |
|                           | Yes Logistics Corp. (USA)                            | Subsidiary  | Investments accounted for using equity method                   | 1,100,000         | 14,587         | 100.00         | 14,587                                   |        |
|                           | Yes Yangming Logistics (Singapore) Pte. Ltd.         | Subsidiary  | Investments accounted for using equity method                   | 340,000           | (15,293)       | 100.00         | (15,293)                                 | Note D |
|                           | Nexus International Express Inc.                     | Equity-method investee  | Investments accounted for using equity method                   | 328,000           | -              | 49.00          | -  | Note V |
|                           | B2B. Com Holdings Ltd.                               | -   | Financial asset measured at cost - noncurrent                   | 800,000           | 5,043          | 8.00           | 5,043                                    |        |
|                           | United Raw Material Solutions Inc.                   | -   | Financial asset measured at cost - noncurrent                   | 800,000           | 5,899          | 2.76           | 5,899                                    |        |
|                           | Chongqing Changming Terminal Stevedoring Co., Ltd    | Equity-method investee  | Investments accounted for using equity method                   | (Note R)          | 212,986        | 49.00          | 212,986                                  |        |
|                           | <u>Mutual fund</u>                                   |   |   |                   |                |                |  |        |
| Tiim High Yield Fund      | -  | Financial assets at fair value through profit or loss - current | 621,758   | 7,720             | -              | 7,720          |  |        |
| Capital Money Market Fund | -  | Financial assets at fair value through profit or loss - current | 1,297,026   | 17,711            | -              | 17,711         |  |        |
| CITC Cash Reserves        | -  | Financial assets at fair value through profit or loss - current | 154,044   | 1,805             | -              | 1,805          |  |        |

(Continued)

| Holding Company Name                         | Marketable Securities Type and Name                     | Relationship with the Holding Company | Financial Statement Account                                     | December 31, 2006 |                |                |  | Note   |
|--|---|---------------------------------------|---|-------------------|----------------|----------------|--|--------|
|  |   |                                       |   | Shares/Units      | Carrying Value | % of Ownership | Market Value or Net Asset Value (Note A) |        |
|  | Capital Income Fund                                     | -                                     | Financial assets at fair value through profit or loss - current | 6,257,037         | \$ 93,168      | -              | \$ 93,168                                |        |
|  | Prudential Financial Return Fund                        | -                                     | Financial assets at fair value through profit or loss - current | 2,481,486         | 35,144         | -              | 35,144                                   |        |
|  | The RSIT Enhanced Bond Fund                             | -                                     | Financial assets at fair value through profit or loss - current | 545,479           | 6,016          | -              | 6,016                                    |        |
|  | ING CHB Global Fund of Bond Funds                       | -                                     | Financial assets at fair value through profit or loss - current | 1,977,555         | 20,475         | -              | 20,475                                   |        |
|  | Ta Chong Gallop Bond Fund                               | -                                     | Financial assets at fair value through profit or loss - current | 2,768,652         | 30,164         | -              | 30,164                                   |        |
|  | Ta Chong Bond Fund                                      | -                                     | Financial assets at fair value through profit or loss - current | 761,984           | 9,924          | -              | 9,924                                    |        |
|  | NITC Bond Fund  | -                                     | Financial assets at fair value through profit or loss - current | 308,559           | 50,770         | -              | 50,770                                   |        |
|  | NITC Bond Fund  | -                                     | Financial assets at fair value through profit or loss - current | 301,421           | 49,596         | -              | 49,596                                   |        |
|  | Mega Diamond Bond Fund                                  | -                                     | Financial assets at fair value through profit or loss - current | 350,980           | 4,038          | -              | 4,038                                    |        |
|  | Grand Cathay Stable Bond Fund                           | -                                     | Financial assets at fair value through profit or loss - current | 1,666,653         | 20,048         | -              | 20,048                                   |        |
|  | Fuh Hwa Bond Fund                                       | -                                     | Financial assets at fair value through profit or loss - current | 1,503,364         | 20,040         | -              | 20,040                                   |        |
|  | Fuh Hwa Total Return Fund 3                             | -                                     | Financial assets at fair value through profit or loss - current | 2,000,000         | 21,200         | -              | 21,200                                   |        |
|  | Sheng Hua 5599 Bond Fund                                | -                                     | Financial assets at fair value through profit or loss - current | 2,676,325         | 30,000         | -              | 30,000                                   |        |
|  | The Wan Pao Fund  | -                                     | Financial assets at fair value through profit or loss - current | 32,999            | 501            | -              | 501                                      |        |
| Yes Yangming Logistics (Singapore) Pte. Ltd. | <u>Common stock</u><br>Yes Logistics U.K. Limited       | Subsidiary                            | Investments accounted for using equity method                   | 200               | (2,583)        | 100.00         | (2,583)                                  | Note D |
|  | Yes Logistics Company Ltd.                              | Subsidiary                            | Investments accounted for using equity method                   | 1,000,000         | (13,625)       | 100.00         | (13,625)                                 | Note D |
|  | Yes Logistics (Netherlands) B.V.                        | Subsidiary                            | Investments accounted for using equity method                   | (Note S)          | 743            | 100.00         | 743                                      |        |
| Yes Logistics Corp. (USA)                    | <u>Common stock</u><br>Golden Logistics Corp.           | Subsidiary                            | Investments accounted for using equity method                   | (Note M)          | 4,028          | 70.00          | 4,028                                    |        |
|  | Golden Logistics Corp.                                  | Subsidiary                            | Prepayment for investments accounted for using equity method    | (Note M)          | 9,758          | -              | -  |        |
| Golden Logistics Corp.                       | <u>Common stock</u><br>Great Logistics (QDO) Corp.      | Subsidiary                            | Investments accounted for using equity method                   | (Note W)          | 7,499          | 60.00          | 7,499                                    |        |
| Yang Ming Line (Singapore) Pte. Ltd.         | <u>Common stock</u><br>Yang Ming Shipping (B.V.I.) Inc. | Subsidiary                            | Investments accounted for using equity method                   | 510               | 251,576        | 51.00          | 251,576                                  |        |
|  | Young-Carrier Company Ltd.                              | Subsidiary                            | Investments accounted for using equity method                   | 910,000           | 449,165        | 91.00          | 449,165                                  |        |
|  | Yangming (Japan) Co., Ltd.                              | Subsidiary                            | Investments accounted for using equity method                   | 3,000             | 40,141         | 100.00         | 40,141                                   |        |
|  | Yangming Shipping (Singapore) Pte. Ltd.                 | Subsidiary                            | Investments accounted for using equity method                   | 1,000,000         | 39,387         | 100.00         | 39,387                                   |        |
|  | Yang Ming Line (M) Sdn. Bhd.                            | Subsidiary                            | Investments accounted for using equity method                   | 1,000,000         | 19,684         | 100.00         | 19,684                                   |        |
|  | Yangming (Cayman) Ltd.                                  | Subsidiary                            | Investments accounted for using equity method                   | 20,000            | (485)          | 100.00         | (485)                                    | Note D |

(Continued)



| Holding Company Name                      | Marketable Securities Type and Name                        | Relationship with the Holding Company | Financial Statement Account                                     | December 31, 2006 |                |                |  | Note   |
|---|--|---------------------------------------|---|-------------------|----------------|----------------|--|--------|
|   |  |                                       |   | Shares/Units      | Carrying Value | % of Ownership | Market Value or Net Asset Value (Note A) |        |
|   | Yang Ming Line (Hong Kong) Ltd.                            | Subsidiary                            | Investments accounted for using equity method                   | 510,000           | \$ (76,532)    | 51.00          | \$ (76,532)                              | Note U |
|   | Yang Ming Line (India) Pvt. Ltd.                           | Subsidiary                            | Investments accounted for using equity method                   | 300,000           | 7,549          | 60.00          | 7,549                                    |        |
|   | Yang Ming (Korea) Co., Ltd.                                | Subsidiary                            | Investments accounted for using equity method                   | 60,000            | 15,638         | 60.00          | 15,638                                   |        |
|   | Sino International United Petroleum Group Company Limited  | Subsidiary                            | Investments accounted for using equity method                   | (Note O)          | 3,260          | 50.06          | 3,260                                    |        |
|   | Yang Ming (Vietnam) Corp.                                  | Equity-method investee                | Investments accounted for using equity method                   | (Note I)          | 4,487          | 49.00          | 4,487                                    |        |
|   | Formosa International Development Corporation              | Equity-method investee                | Prepayment for investments accounted for using equity method    | (Note G)          | 177,996        | 30.00          | -  |        |
|   | Yangtze River Express Airlines Company Limited             | -                                     | Financial asset measured at cost - noncurrent                   | (Note P)          | 607,082        | 12.00          | -  |        |
|   | <u>Global depositary receipt</u><br>Via Source Policy Fund | -                                     | Financial asset held-to-maturity - noncurrent                   | 5                 | 9,617          | -              | 9,617                                    |        |
|   | World Energy Fund  | -                                     | Financial assets at fair value through profit or loss - current | 45,328            | 60,610         | -              | 60,610                                   |        |
| Yangming (Japan) Co., Ltd.                | <u>Common stock</u><br>Manwa & Co., Ltd.                   | Subsidiary                            | Investments accounted for using equity method                   | 200               | 2,469          | 100.00         | 2,469                                    |        |
| Yang Ming Shipping (B.V.I) Inc.           | <u>Common stock</u><br>Karman Properties Limited           | Subsidiary                            | Investments accounted for using equity method                   | 1,000             | (5,261)        | 100.00         | (5,261)                                  | Note D |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | <u>Common stock</u><br>Yang Ming Line N.V.                 | Subsidiary                            | Investments accounted for using equity method                   | 1,500,000         | (577,064)      | 100.00         | (577,064)                                | Note D |
| Yang Ming Line N.V.                       | <u>Common stock</u><br>Yang Ming Line B.V.                 | Subsidiary                            | Investments accounted for using equity method                   | 2,500             | (580,453)      | 100.00         | (580,453)                                | Note D |
| Yang Ming Line B.V.                       | <u>Common stock</u><br>Yangming (UK) Ltd.                  | Subsidiary                            | Investments accounted for using equity method                   | 900,000           | (653,691)      | 100.00         | (653,691)                                | Note D |
|   | Yang Ming Shipping Europe GmbH                             | Subsidiary                            | Investments accounted for using equity method                   | (Note B)          | 84,082         | 100.00         | 84,082                                   |        |
|   | Yang Ming Italy S. p. A.                                   | Equity-method investee                | Investments accounted for using equity method                   | 125,000           | 18,435         | 50.00          | 18,435                                   |        |
|   | Yang Ming (Netherlands) B.V.                               | Equity-method investee                | Investments accounted for using equity method                   | (Note J)          | 6,667          | 70.00          | 6,667                                    |        |
| Yangming (UK) Ltd.                        | <u>Common stock</u><br>Corstor Ltd.                        | Equity-method investee                | Investments accounted for using equity method                   | (Note C)          | 32             | 50.00          | 32                                       |        |
| Yang Ming Shipping Europe GmbH            | <u>Common stock</u><br>Yes Logistics Europe GmbH           | Subsidiary                            | Investments accounted for using equity method                   | (Note K)          | 1,021          | 100.00         | 1,021                                    |        |
|   | Zoll Pool Hafen Hamburg                                    | -                                     | Financial asset measured at cost - noncurrent                   | (Note X)          | 429            | 6.00           | 429                                      |        |
| Yang Ming Italy S. p. A.                  | <u>Common stock</u><br>Yang Ming Naples S.r.l.             | Equity-method investee                | Investments accounted for using equity method                   | (Note L)          | 588            | 60.00          | 588                                      |        |

(Continued)

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

Notes:

- A. Market values were based on closing prices at December 31, 2006 or the net asset value of the fund on December 31, 2006, or, if market prices were unavailable, on the investees' net assets.
- B. The issued capital stock amounted to EUR818,000.
- C. This is equivalent to GBP500, and no shares were issued.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- E. This is equivalent to US\$3,800,000, and no shares were issued.
- F. This is equivalent to US\$1,000,000, and no shares were issued.
- G. This is equivalent to US\$5,460,000, and no shares were issued.
- H. This is equivalent to US\$1,000,000, and no shares were issued.
- I. This is equivalent to US\$94,000, and no shares were issued.
- J. This is equivalent to EUR13,000, and no shares were issued.
- K. This is equivalent to EUR25,000, and no shares were issued.
- L. This is equivalent to EUR6,000, and no shares were issued.
- M. This is equivalent to US\$1,000,000, and no shares were issued.
- N. This is a deduction of long-term receivables from related parties.
- O. This is equivalent to US\$500,000, and no shares were issued.
- P. This is equivalent to US\$18,622,000, and no shares were issued.
- Q. This is equivalent to US\$1,000,000, and no shares were issued.
- R. This is equivalent to US\$6,434,000, and no shares were issued.
- S. This is equivalent to EUR30,000, and no shares were issued.
- T. This is equivalent to US\$7,000,000, and no shares were issued.
- U. The loss of subsidiary was recognized in proportion to the Company's equity. Because the minority interest commits to share in the investees' losses, the cumulative equity of the Corporation in the investee's net loss in excess of the related investments is not charged against the Corporation.
- V. Because recognize the investee's loss, the carrying value of investment become negative. Then the Corporation committed not to support its operation, and decrease the carrying value to zero.
- W. This is equivalent to RMB3,000,000, and no shares were issued.
- X. This is equivalent to EUR10,000, and no shares were issued.

(Concluded)

## 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, 2006  
 (In Thousands of New Taiwan Dollars, Except Shares/Units)

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

(Continued)

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

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION**

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

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

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

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

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

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

DECEMBER 31, 2006

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

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

Notes:

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

## 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, 2006  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company                          | Investee Company  | Location                      | Main Businesses and Products   | Investment Amount (Note A) |                   | Balance as of December 31, 2006 |                         |                | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note                   |
|---|---|-------------------------------|--|----------------------------|-------------------|---------------------------------|-------------------------|----------------|-----------------------------------|------------------------|------------------------|
|   |   |                               |  | December 31, 2006          | December 31, 2005 | Shares                          | Percentage of Ownership | Carrying Value |                                   |                        |                        |
| Yang Ming Marine Transport Corporation    | Yang Ming Line (B.V.I.) Holding Co., Ltd.                     | British Virgin Islands        | Investment, shipping agency, forwarding agency and shipping managers                             | \$ 3,272,005               | \$ 3,272,005      | 103,505,031                     | 100.00                  | \$ 3,901,236   | \$ (9,808)                        | \$ (9,808)             | Subsidiary             |
|   | Yang Ming Line (Singapore) Pte. Ltd.                          | Singapore                     | Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency      | 1,113,356                  | 1,113,356         | 60,130,000                      | 100.00                  | 2,024,491      | 142,131                           | 142,131                | Subsidiary             |
|   | Ching Ming Investment Corp.                                   | Taipei, Taiwan                | Investment   | 1,500,013                  | 1,500,013         | 150,000,000                     | 100.00                  | 1,576,459      | 82,435                            | 46,631                 | Subsidiary             |
|   | All Oceans Transportation, Inc.                               | Monrovia, Republic of Liberia | Shipping agency, forwarding agency and shipping managers   | 3,235                      | 3,235             | 1,000                           | 100.00                  | 7,916,891      | 2,128,863                         | 2,128,863              | Subsidiary             |
|   | Yes Logistics Corp.   | Taipei, Taiwan                | Warehouse operation and forwarding agency  | 551,944                    | 551,944           | 55,251,100                      | 46.04                   | 514,181        | 1,472                             | 1,780                  | Subsidiary             |
|   | Kuang Ming Shipping Corp.                                     | Taipei, Taiwan                | Shipping service, shipping agency and forwarding agency  | 143,168                    | 143,168           | 24,000,000                      | 100.00                  | 306,112        | 57,610                            | 57,720                 | Subsidiary             |
|   | Honming Terminal & Stevedoring Co., Ltd.                      | Kaohsiung, Taiwan             | Terminal operation and stevedoring   | 316,780                    | 316,780           | 31,667,630                      | 79.17                   | 348,092        | 16,708                            | 13,050                 | Subsidiary             |
|   | Jing Ming Transportation Co., Ltd.                            | Kaohsiung, Taiwan             | Container transportation   | 35,844                     | 35,808            | 7,126,629                       | 50.98                   | 97,009         | 24,935                            | 12,451                 | Subsidiary             |
|   | Yang Ming Line Holding Co.                                    | Wilmington, USA               | Investment, shipping agency, forwarding agency and shipping managers                             | 143,860                    | 111,400           | 13,500                          | 100.00                  | 229,711        | (59,943)                          | (59,943)               | Subsidiary             |
|   | Transyang Shipping Pte. Ltd.                                  | Singapore                     | Shipping services; chartering, sale and purchase of ships; forwarding agency and shipping agency | 57,802                     | 24,842            | 1,345                           | 49.00                   | 67,945         | 9,161                             | 2,473                  | Equity-method investee |
| Ching Ming Investment Corp.               | Chunghwa Investment Co., Ltd                                  | Taipei, Taiwan                | Investment   | 800,000                    | 800,000           | 80,000,000                      | 40.00                   | 795,760        | 51,268                            | 20,508                 | Equity-method investee |
|   | Yang Ming (Liberia) Corp.                                     | Republic of Liberia           | Shipping agency, forwarding agency and shipping managers   | 3,378                      | 3,378             | 500                             | 100.00                  | (64,801)       | (46,206)                          | (46,206)               | Subsidiary             |
|   | Ming Giant (Shanghai) International Logistics Company Limited | Shanghai, China               | Warehouse operation and forwarding agency  | 231,700                    | -                 | (Note Q)                        | 100.00                  | 228,200        | -                                 | -                      | Subsidiary             |
| Yang Ming Line Holding Co.                | Honming Terminal & Stevedoring Co., Ltd.                      | Kaohsiung, Taiwan             | Terminal operation and stevedoring   | 39,500                     | 39,500            | 3,950,000                       | 9.88                    | 43,418         | 16,708                            | -                      | Subsidiary             |
|   | Yes Logistics Corp.   | Taipei, Taiwan                | Warehouse operation and forwarding agency  | 493,111                    | 94,371            | 49,311,077                      | 41.09                   | 458,928        | 1,472                             | -                      | Subsidiary             |
| Yang Ming Line Holding Co.                | West Basin Container Terminal LLC                             | Los Angeles, USA              | Terminal operation and stevedoring   | 132,050                    | 132,050           | (Note F)                        | 40.00                   | 416,833        | 210,519                           | -                      | Equity-method investee |
|   | United Terminal Leasing LLC                                   | Los Angeles, USA              | Terminal operation and machine lease   | 34,750                     | 34,750            | (Note G)                        | 40.00                   | 41,140         | 9,663                             | -                      | Equity-method investee |
|   | Yang Ming (America) Corp.                                     | New Jersey, U.S.A.            | Shipping agency, forwarding agency and shipping managers   | 17,305                     | 17,305            | 5,000                           | 100.00                  | 81,066         | 2,350                             | -                      | Subsidiary             |
|   | Triumph Logistics INC.  | U.S.A.                        | Container transportation   | 1,699                      | 1,699             | 200                             | 100.00                  | (3,382)        | 961                               | -                      | Subsidiary             |
|   | Olympic Container Terminal LLC                                | U.S.A.                        | Terminal operation and stevedoring   | 31,530                     | 31,530            | (Note S)                        | 100.00                  | (264,908)      | (220,544)                         | -                      | Subsidiary             |
|   | Topline Transportation Inc.                                   | U.S.A.                        | Container transportation   | 4,860                      | -                 | 200                             | 100.00                  | 4,239          | (649)                             | -                      | Subsidiary             |
|   | Coastal Tarheel Express Inc.                                  | U.S.A.                        | Container transportation   | 2,430                      | -                 | 200                             | 100.00                  | (1,151)        | (3,587)                           | -                      | Subsidiary             |
| Yang Ming Line (B.V.I.) Holding Co., Ltd. | Yang Ming Line N.V.   | Netherlands Antilles          | Investment, shipping agency, forwarding agency and shipping managers                             | 41,235                     | 41,235            | 1,500,000                       | 100.00                  | (577,064)      | (656,561)                         | -                      | Subsidiary             |
| Yang Ming Line N.V.                       | Yang Ming Line B.V.   | Amsterdam, The Netherlands    | Investment, shipping agency, forwarding agency and shipping managers                             | 41,235                     | 41,235            | 2,500                           | 100.00                  | (580,453)      | (656,955)                         | -                      | Subsidiary             |
| Yang Ming Line B.V.                       | Yangming (UK) Ltd.  | London, U.K.                  | Shipping agency, forwarding agency and shipping managers   | 42,408                     | 42,408            | 900,000                         | 100.00                  | (653,691)      | (686,791)                         | -                      | Subsidiary             |
|   | Yang Ming Shipping Europe GmbH                                | Hamburg, Germany              | Shipping agency, forwarding agency and shipping managers   | 29,697                     | 29,697            | (Note B)                        | 100.00                  | 84,082         | 18,262                            | -                      | Subsidiary             |

(Continued)

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

(Continued)



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

Notes:

- A. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- B. This is equivalent to EUR818,000, and no shares were issued.
- C. This is equivalent to GBP500, and no shares were issued.
- D. This is equivalent to US\$6,434,000, and no shares were issued.
- E. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000, and no shares were issued.
- G. This is equivalent to US\$1,000,000, and no shares were issued.
- H. Paid-in capital was equivalent to EUR25,000, and no shares were issued.
- I. Paid-in capital was equivalent to EUR13,000, and no shares were issued.
- J. This is equivalent to US\$94,000, and no shares were issued.
- K. This is equivalent to EUR6,000, and no shares were issued.
- L. This is equivalent to US\$1,000,000, and no shares were issued.
- M. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as the deduction of long-term receivables from related parties.
- N. This is equivalent to EUR30,000, and no shares were issued.
- O. This is equivalent to US\$5,460,000, and no shares were issued.
- P. This is equivalent to US\$500,000, and no shares were issued.
- Q. This is equivalent to US\$7,000,000, and no shares were issued.
- R. This is equivalent to RMB\$3,000,000, and no shares were issued.
- S. This is equivalent to US\$1,000,000, and no shares were issued.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2006

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

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

## Notes:

- A. The Corporation was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on November 23, 2005.
- B. The Corporation was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on November 22, 2006.
- C. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on June 3, 2004, July 4, 2006 and December 26, 2006.
- D. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on April 11, 2005, August 22, 2006 and November 29, 2006.
- E. It represents 40% (\$1,116,814 thousand) of the net assets of Yes Logistics Corp. as of December 31, 2006.
- F. U.S. dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.60.