YANG MING MARINE TRANSPORT CORP.
陽明海運股份有限公司

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YANG MING MARINE TRANSPORT CORPORATION

2007 ANNUAL REPORT

APRIL 2008

http://mops.tse.com.tw ; http://www.yml.com.tw

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CHAPTER 1 LETTER TO SHAREHOLDERS

1. Business Report for 2007

The year 2007 was a delightful year for Yang Ming in light of our progress of 3.14 million TEU, which reflected a significant growth of 16% in 2007. Our consolidated revenue amounted to NT$133.8 billion, accounting for a 24.7% increase. Moreover, the net profit and earning per share for the same year closed at NT$6.02 billion and NT$2.6 respectively, which signified a substantial growth of 426.6% and 420.0% respectively due to the booming Asia-Europe trade and solid cost management.

2. Business Outlook and Strategies for 2008

Regarding prospects for 2008, due to the effect of sub-prime mortgage crisis, the United States economy has slowed down, and other main economies have been affected, as well. At this point, the global economy is slightly in decline and unstable due to the weak U.S. dollar and higher inflation in the coming year. Fortunately, the emerging economies of China, India, Russia, and Eastern Europe are expected to keep strong demand due to growing local expenditures. Most likely, the growth-centered focus of these emerging economies will moderately offset the negative effects of the current unsteadiness in major international economies.

For the container transportation perspective during these uncertain times, Drewry has predicted that the growth rate of nominal market demand and supply of 2008 would be 10% and 13% respectively, which would show an improving status than in 2007. Moreover, after taking other operations factors into consideration, the real gap will be considerably less. In particular for transpacific trade, many operators had reduced capacity deployment in the fourth quarter of 2007 as well projected freight restoration program of 2008, transpacific trade will possibly be better in 2008 than in 2007.

As for the tramp business, the Baltic Dry Index broke through the 10-thousand-point milestone in 2007. According to Clarkson's prediction, the tonnage supply and demand growth in 2008 will be 9% and 4% respectively. However, it seems the balance will come closer to even, since the lasting strong growth from Chinese and Indian markets as well longer transportation distance. In summary, it is expected that the tramp business will keep flourishing for this year's immediate outlook.

As to the costs aspect, there are still obstacles that have to be faced. Taking a glance at 2007, inland transportation costs and canal tolls climbed higher, and oil prices broke through US$100-a-barrel ceiling. Although all of these are hidden threats and pitfalls to our profits in 2008, we will keep enhancing our operations and management efficiency to keep costs down.

In 2008 eight new vessels will be delivered into our fleet, including three full-container vessels having a capacity of 8,200 TEU each, four full container vessels with a capacity of 4,250 TEU each, as well as one Panamax bulk carrier. In the beginning of 2008 we started construction on the Port of Kaohsiung Intercontinental Container Terminal BOT Project. In the future, Yang Ming will continue to expand collaborative development for shipping, logistics, and trucking businesses in order to provide customers with better and more-comprehensive services and to enhance our competitive edge internationally.

Our main business strategies for 2008 are as follows:

a. To enhance service competitiveness, vessel management and branch out to new markets.

b. To flexibly enlarge our bulk fleet at the right time to maximize profit.

c. To control fuel and relevant transportation costs rigorously and charge bunker surcharge efficiently to ensure operational efficiency and stability.

d. To keep diversifying our investments to strengthen our logistics service and to diversify operating risks in the marine shipping industry.

e. To be devoted to serving as a responsible corporate citizen for our communities by protecting the environment from pollution and by being more involved in oceanic cultural education.

Due to the delivery of the eight new vessels and the enhancement of operational efficiency, we believe Yang Ming will keep up its steadfast growth in 2008, and we are grateful to all of our shareholders, customers and employees for their significant contributions and hope that our whole-hearted endeavors will continue to earn your trust and support.

Yours truly,

W. H. Huang

Chairman

CHAPTER 2　COMPANY UPATE

1. About the company

1972-1981

- Yang Ming Marine Transport Corporation is established on Dec.29 with a capital of NT$100,000,000.
- A 28,700 D.W.T.bulk carrier, Ming Joy, is completed and put into service.
- Four multiple-purpose ships are added to Yang Ming's first container fleet.
- Launches a new Asia/U.S. West Coast full-container liner service.
- New full-container liner service between Asia/U.S. East & West Coast is inaugurated, with a fleet of seven 2,054 TEU full-container vessels serving the route.
- YANG MING leases Dock No.70 at Kaohsiung Harbor for its exclusive use.
- Inaugurates new liner service from Asia to Mediterranean.

1982-1991

- Four more 2,054 TEU full-container vessels join Yang Ming's fleet. Extends Mediterranean-bound liner service to North Europe and also inaugurates the Asia/Europe full-container liner services.
- Three 66,000 D.W.T. Panamax-class bulk carriers, Ming Wisdom, Ming Mercy and Ming Courage, are completed and put into service.
- Other than being named as one of the world's "most satisfactory marine transporters in service and reliability," Yang Ming is also cited by the American press as one of the top ten liner services in the world.
- Eight 3,266 TEU full-container ships are completed. With the inauguration of the Asia / Australia and also Asia / Northeastern Asia liner service, a radial service network is accomplished.
- Yang Ming is cited by the London- based British Shipper Consultation (part of the Freight Transport Association Ltd.) as the world's "Second Most Acclaimed Shipping Company" in client service.
- Intra-Asia full-Container liner service is inaugurated.
- A joint liner service with Hanjin Line is formed, serving the route between Asia and U.S. East Coast.

1992-2001

- Yang Ming Shares are listed on the Taiwan Stock Exchange.

- Three 3,604 TEU full-container ships are completed and join Yang Ming's worldwide service.
- YANG MING Shipping Europe Gmbh is established.
- Five 3,725 full-container vessels, including Ming East, Ming West, Ming South, Ming North, and Ming Zenith are completed and put into service.
- The China Merchants Steam Navigation Co., Ltd. is merged into Yang Ming.
- Completes privatization in 1996.
- In 1996, Yang Ming obtains ISO 9002 / ISM CODE accreditation and also the ROC's National Outstanding Quality Case Award.
- Yang Ming establishes subsidiary companies in Japan（Yangming (Japan) Co., Ltd.） and the U.K.（Yangming (UK) Ltd.）.
- Young-Carrier Co., Ltd. is established in Shanghai.
- Off-shore transhipment link service between Kaohsiung / Xiamen and weekly service routes in Asia / Persian Gulf（U.A.E.）/ Sub-continent（India / Pakistan） full-container liner service are inaugurated.
- Honming Terminal & Stevedoring Co., Ltd. is established.
- Jing Ming Transportation Co., Ltd. is established.
- Yang Ming establishes a subsidiary company in H.K.（Yang Ming Line (Hing Kong) Ltd.）to enhance the whole transportation service in Pearl River Delta and H.K. areas.
- YES Logistics Co., Ltd. is established to join the total logistics service.
- Yang Ming establishes subsidiary companies in Singapore（Yangming Shipping (Singapore) Pte. Ltd.）and Malaysia（Yang Ming Line (M) Sdn. Bhd.）to enhance the whole transportation service.
- Seven 5,500 TUE Post-panamax full-container vessels, Ming Plum, Ming Orchid, Ming Bamboo, Ming Pine, Ming Cosmos, Ming Cypress and Ming Green are completed and join Yang Ming's fleet service.
- Yang Ming Marine Transport Cooperation, COSCO Container Lines Ltd., Kawasaki Kisen Kaisha, Ltd., and Hanjin Shipping Co., Ltd. (also representing Senator Lines GmbH) mutually agree to establish CKYH constorium in order to provide the best services to their customers.
- On-Line electronic services is constructed, providing instant and interactive services to customers.

2002

- The Global Logistics Center in Kaohsiung Harbor is completed.
- Yang Ming sets up「Taiwan Business Department」 to manage all shipping affairs in Taiwan.

2003

- Becomes a certificated member of the Customs-Trade Partnership Against Terrorism（C-TPAT）, authorized by U.S. Customs.
- Rejuvenates bulk carriers by ordering two new vessels, Ming Equality and Ming Virtue, and replacing Ming Mercy and Ming Courage with a newly purchased 77,000-ton vessel, Medi Taipei.
- Inaugurates the Taipei Port Container Terminal Corporation.
- Mr. T.H. Chen, chairman of Yang Ming, retires and Yang Ming's board of directors elects Dr. Lu Feng-hai (Frank Lu) as its new chairman.
- Establishes Yang Ming (America) Corporation on July 1, 2003 .
- Obtains the certification ISO 9001：2000 .
- The stock became a component of "Taiwan 50 Index" on Nov. 20, 2003, due to outstanding operational performance.

2004

- Sets up Yang Ming (Netherlands) B.V. on January 1 to develop and strengthen its regional business in Europe.
- Leases Terminal 7D at the Port of Tacoma on the U.S. West Coast for Yang Ming's exclusive use.
- Obtains the ISPS Code Certificate for all self-owned vessels, keeping Yang Ming at the forefront among domestic and world competitors.
- Be rated as having comparatively transparent information by the Securities and Futures Institute.
- Acquires the Certificate of the ISO14001 Environmental Management System covering the corporate headquarters, Keelung and Kaohsiung branch offices, Keelung port-wharf, Kaohsiung port-wharf 70 & 120 and container fleet (34 vessels).
- Be credited as one of the most reputable enterprises in the marine industry by the *Common Wealth* Magazine, cited by the *Euromoney* Magazine as governance model in the emerging market, and also awarded a Gold Medal at the 7th WinXin Awards sponsored by the Council of Culture Affairs.
- Establishes the YM Oceanic Culture and Art Museum in Keelung to develop our oceanic culture business.

2005

- YM HAWK, YM HORIZON, YM HARAMONY, and YM HEIGHTS join Yang Ming's fleet on January 7, March 28, June 3, and July 15 respectively.
- Yang Ming Group - Olympic Container Terminal LLC (OCT) starts its service in Tacoma Terminal 7D on 2005/07/21.

- Yang Ming's board of directors elects Mr. W. H. Huang, the incumbent president of Yang Ming, as its new chairman on September 30.
- Acquires the Certification of the OHSAS 18001 (Occupational Health and Safety Assessment Serial) and ISO 14001:2004 Environmental Management System on November 1st.
- Establishes Yang Ming Cultural Foundation to promote the national awareness of the oceanic ecology and culture.

2006

- The Antwerp International Terminal is in operation.
- Seven 1,805TUE full container vessels, YM Intelligent, YM Ideals, YM Immense, YM Increment, YM Inception, YM Image and YM Initiative, and three 8,200TEU full container vessels, YM Unity, YM Utmost, YM Unison, are delivered to join Yang Ming's fleet.
- Invests in the My Xuan Industrial Area, container terminal and logistics park in Ba Ria Yung Tan Province of Hochiminh City.
- Establishes Yang Ming (Korea) Corporation to strengthen the business operations.
- Reintegrates Yang Ming's company structure into 7 business groups to cope with the rapidly expanding business operations.
- CKYH Alliance and Europe Container Terminals sign a Memorandum of Understanding to invest in the Euromax Terminal in the Port of Rotterdam.
- Cited as one of the best corporate citizens by the *Common Wealth* magazine, making Yang Ming the only one to receive such honor among domestic shipping-related industries.
- Wins the Gold Prize of the Eighth Winxin Award.

2007

- An 8,200-TUE full container vessel, YM Ultimate, and six 1,805-TUE full container vessels, YM Initiative, YM Inventive, YM Instruction, YM Interaction, YM inauguration and YM Improvement join Yang Ming's fleet.
- Wins the 15th place in the Corporate Social Responsibility Evaluation conducted by the *CommonWealth* magazine.
- Obtains Container Contribution Award granted by Port Dalian
- Gets a 50-year concession and the priority of contract extension for Kaohsiung International Container Terminal BOT Project and holds a ground-breaking ceremony at the end of the year.
- Launches Asia-Black Sea Service in partnership with CSCL, "K"Line and ZIM.
- Launches Fareast-East Mediterranean (EMX) service with Cosco and "K"Line.

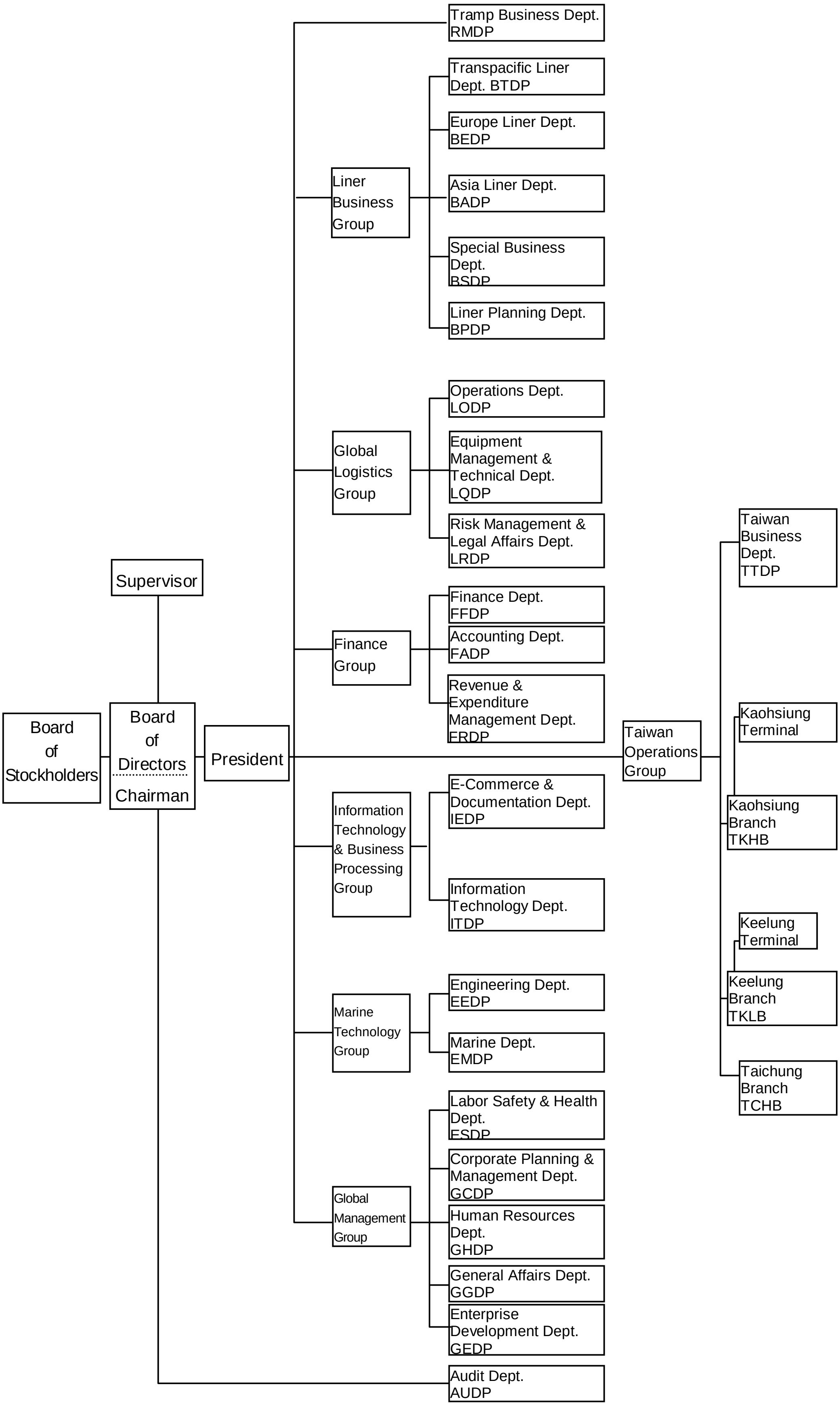
- Launches CTS service with SYMS.
- Robert Ho is appointed as president.
- Wins “Happy & Healthy Company Award” offered by Common Health Magazine.
- Yang Ming (Belgium) NV is jointly formed by the Yang Ming Group and the Royal Burger Group, through their subsidiary Müller Thomsen Antwerpen N.V.
- Inaugurates Kaohsiung YM Museum of Marine Exploration.
- Inaugurates Multi-temperature Warehousing Logistics Center in Kaohsiung.

2008

- Wins the Quest for Quality Award in 2007 offered by Logistics Management Magazine.
- Wins First Happy & Healthy Company Award by Common Health Magazine.
- Awarded 1st Runner-up for 2007 Williams-Sonoma's Carrier of the Year and 2nd Runner-up for 2008 LOG-NET E-Commerce Excellence Award.
- Holds 2008 Keelung Fairy Tale Festival jointly with Keelung City Government.
- 4,250 TEU full Container vessel, YM Eminence, joins YM ’s fleet.

2. Organizational Structure

2.1 Yang Ming organizational structure is shown below:



2.2 Yang Ming organizational structure is shown below

APR. 30, 2008

Position		Chairman Board of Directors	Director	Director	Director	Director	Director	Director	Supervisor	Supervisor
Name		Wong-hsiu Huang	Jin-yuan Chen	Chen-dong Hong	Fu-meei Ju	Nuan-hsuan Ho	Shuh-shun Ho	Benny T. Hu	Her-guey Chen	Wing-Kong Leung
Date appointed		Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007
Term of appointment		Reelection upon expiration of effectual period								
Holding shares	shares	Directors and Supervisors herein as representatives of the MOTC, and holding a total of 827,158,650 shares (Note)						403,195	276,867	54,304,734
	ratio of holding shares(%)	which represent 35.52% of the company's stocks						0.02%	0.01%	2.33%
Spouse, under-aged children's holding shares	shares	811	—	—	—	—	—	—	—	—
	ratio of holding shares(%)	—	—	—	—	—	—	—	—	—

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2.3 Top management

APR. 30, 2008

Position	Name	Date appointed	Entitled for other companies presently
President	Robert Shuh-shun Ho	Sep. 29, 2007	Chairman of All Oceans Transportation Inc.
Senior Executive Vice President	R.B. Chiou	APR. 1, 2006	Director of Yang Ming Shipping Europe GmbH Hamburg
Executive Vice President	J.S. Wang	JUN. 10, 2006	Director of Honming Terminal & Stevedoring Co., Ltd.
Executive Vice President	Herbert Lin	APR. 1, 2006	Director of Yes Logistic Corporation

3. Capital and Shares Issuance

3.1 Capital and shares

3.1.1 Shares category

Apr. 30, 2008

Shares category	Authorized capital					Amount of shares of convertible bonds
	Shares Issued			Non-issuance shares	Total shares	
	Listed	Unlisted	Total			
Common stock	2,328,698,193	355,322	2,329,053,515.	70,946,485	2,400,000,000	

3.1.2 Shares issuance

Date	Par value (NT$)	Authorized capital		Actual capital received		Notes	
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of capital	Capital source other than cash
Jan.2005	10	2,400,000,000	24,000,000,000	2,268,754,549	22,687,545,490	Convertible bonds transformation 22,016,416 Shares	
May 2005	10	2,400,000,000	24,000,000,000	2,276,103,048	22,761,030,480	Convertible bonds transformation 7,348,499 Shares	
Aug.2005	10	2,400,000,000	24,000,000,000	2,289,127,926	22,891,279,260	Convertible bonds transformation 13,024,878 shares	
Nov.2005	10	2,400,000,000	24,000,000,000	2,289,816,718	22,898,167,180	Convertible bonds transformation 688,792 Shares	
May 2006	10	2,400,000,000	24,000,000,000	2,289,834,417	22,898,344,170	Convertible bonds transformation 17,699 Shares	
May 2007	10	2,400,000,000	24,000,000,000	2,294,211,277	22,942,112,770	2007Q1 Convertible bonds transformation 4,376,860 Shares	

Date	Par value (NT$)	Authorized capital		Actual capital received		Notes	
		Shares	Amount (NT$)	Shares	Amount (NT$)	Sources of capital	Capital source other than cash
July 2007	10	2,400,000,000	24,000,000,000	2,299,005,213	22,990,052,130	2007 Q2 Convertible bonds transformation 4,793,936 Shares	
Oct. 2007	10	2,400,000,000	24,000,000,000	2,317,397,254	23,173,972,540	2006 Recapitalization new issuance of 18,392,041 shares	
Nov. 2007	10	2,400,000,000	24,000,000,000	2,320,743,953	23,207,439,530	2007 Q3 Convertible bonds transformation 3,346,699 Shares	
Jan. 2008	10	2,400,000,000	24,000,000,000	2,328,698,193	23,286,981,930	2007 Q4 Convertible bonds transformation 7,954,240 Shares	
May 2008	10	2,400,000,000	24,000,000,000	2,328,962,146	23,289,621,460	2008 Q1 Convertible bonds transformation 263,953Shares	
July 2008	10	2,400,000,000	24,000,000,000	2,329,053,515	23,290,535,150	2008 Apr. Convertible bonds transformation 91,369 Shares	

3.2 Market price per share, net worth, earnings, and dividends during the latest 2 years

Unit：NT Dollars

Items \ Year		2006	2007	Jan. 1, 2008~ Apr. 30, 2008
Market-price per share	Highest price	22.40	31.05	25.50
	Lowest price	15.95	17.20	19.05
	Average price	18.97	23.61	22.47
Net worth per share	Unappropriated	18.71	21.66	21.80
	Appropriated	18.28	-	-
Earnings per share	Weighted average number of outstanding shares	2,286,533(Note) thousand shares	2,318,161(Note) thousand shares	2,328,813 (Note) thousand shares
	Earnings per share	0.50	2.60	0.23
Dividends per share	Cash dividend	0.32	1.00	-
	Stock dividend	0.08	1.00	-
Return on Investment	Price / Earnings ratio	37.94	9.08	-
	Price / Cash dividends ratio	59.28	23.61	-
	Cash dividends/ Price ratio	0.017	0.042	-

Note：The Shares are weighted average shares after Treasury stock deduction.

4. Issuance of Corporate Bonds

4.1 Status of Corporate Bonds Issuance：

April 30,2008

Bond Category	Sixth Debenture Bonds	Seventh Debenture Bonds	Eighth Debenture Bonds	Second Domestic Convertible Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds	Thirteenth Debenture Bonds
Date of Issuance	June 1, 2000	Nov. 20, 2000	July 16, 2001	Aug. 7, 2003	Jun 18, 2004	Oct 8, 2004	Dec 8, 2004	Oct 23, 2006
Par Value	NTD 1 million	NTD 1 million	NTD 1 million	NTD 100 thousand	NTD 10million	NTD 10 million	NTD 10 million	NTD 1 million
Place of Issuance and Exchange	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value
Total Amount	NTD 3,000 million	NTD 2,400 million	NTD 1,100 million	NTD 8,000 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 6,000 million
Interest Rate	7 years（1,200 million）-5.70% 10 years（1,800 million）-6.09%	6.02%	4.49%	0%	Note1	3.30%	2.99%	5 years（3,000 million）-2.09% 7 years（3,000 million）-2.32%
Terms of Reimbursement	7 years, Date of maturity: June 7, 2007 10 years, Date of maturity: June 9, 2010	12years,Date of maturity: Nov. 29, 2012	7years, Date of maturity: July 20, 2008	5years, Date of maturity: Aug 6, 2008	7years, Date of maturity: Jun 18, 2011	7years, Date of maturity: Oct 20, 2011	7years, Date of maturity: Dec 14, 2011	5 years, Date of maturity: Oct 23, 2011 7 years, Date of maturity: Oct 23, 2013
Guarantor	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Trustee	Bank of Taiwan	Bank of Taiwan	Bank of Taiwan	Land Bank Of Taiwan Trust Dep.	Bank SinoPac	Bank SinoPac	Bank SinoPac	Chinatrust Commercial Bank
Underwriter	Taiwan International SecuritiesCorp.、Taiwan Securities Corp.、Capital Securities Corp.、MasterLink Securities Corp.、Core Securities Corp.	Jih Sun Securities Corp. Taiwan Securities Corp.	Yuanta Securities	KGI Securities Co.Ltd	Nil	Nil	Nil	Nil
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Way of Reimbursement	Maturity : 7years:For5,6,7years, 33%, 33%,34% due respectively. 10years: For8,9,10 years, 33%, 33%, 34% due respectively.	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Maturity : For 5,6,7 years, 20%, 40%,40% due respectively.	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Maturity: 5years-For 3.4.5years,33%. 33%.34%due respectively 7years-reimbursed in cash upon maturity
Unreimbursed Amount	NTD 1,800 million	NTD 2,400 million	NTD 440 million	NTD 52.4 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 6,000 million
Conditions of Recall or Recall in Advance	Nil	Nil	Nil	Yes	Nil	Nil	Nil	Nil
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corporation, Mar. 6, 2000 twA	Taiwan Ratings Corporation, Sep. 26, 2000 twA	Taiwan Ratings Corporation, June 21, 2001 twA	Taiwan Ratings Corporation, Jan. 27, 2003 twBBB+	Taiwan Ratings Corporation, May. 11, 2004 twA	Taiwan Ratings Corporation, Sep 3, 2004 twA	Taiwan Ratings Corporation, Nov 9, 2004 twA	Taiwan Ratings Corporation, Sep 12, 2006 twA
Amount of Converted Common Stock , GDR or other valuable securities	Nil	Nil	Nil	NTD 7,885.2 million	Nil	Nil	Nil	Nil

Note 1: Tranche A: 2.46% p.a.

Tranche B: If 6 Month USD LIBOR resets＜1.15%, 6 Month USD LIBOR Flat

If 1.15%＜＝6 Month USD LIBOR＜＝3.5%, 4.40% p.a.

If 6 Month USD LIBOR＞3.5%, ｛NTD 6.00% p.a. less 6 Month USD LIBOR｝, subject to a Floor of 0%

NTD Floating Interest Rate is Quarterly Reset and Reset Dates are 2 business days prior to the start of each relevant quarterly interest rate period.

Tranche C: 4.5%x(Range/Total) p.a. on the Nominal Amount in NTD.

"Range" is Number of observations that USD 6 Month LIBOR is Equal to or Higher that LO LIMIT AND Equal to or Lower that HI LIMIT within its Relevant Year for the corresponding Calculation Period. Each observation of LIBOR is made 2 London Business Days prior to the 18^{th} of each calendar month in a year. NTD Floating Interest Rate is Monthly Reset.

"LO LIMIT, HI LIMIT "are as following:

Relevant Year	LO LIMIT	HI LIMIT
Year 1	1.10%	3.00%
Year 2	1.10%	3.50%
Year 3	1.10%	4.00%
Year 4	1.10%	4.50%
Year 5	1.10%	5.00%
Year 6	1.10%	5.25%
Year 7	1.10%	5.50%

4.2 Issuance of Convertible Bonds

Bond Category		Second Domestic Convertible Bonds					
		2A			2B		
Items / Period		2006	2007	Jan. 1, 2008~ Apr.30, 2008	2006	2007	Jan. 1, 2008~ Apr.30, 2008
Market Price	the highest	100.50	153	128	126.45	156	153
	the lowest	96.55	100	119.05	95.50	100.1	106
	the average	99.45	125.28	125.26	102.43	121.91	123.67
Convertible Price		19.9	19.7	19.7	19.9	19.7	19.7
Issuance Date		Aug. 7, 2003					
Convertible Price at Issuance Date		NT$26.13					

5. Issuance of GDR

Conditions of the issuance of GDR

Apr. 30, 2008

Items / Date of Issuance			Nov. 14, 1996
Place of Issuance and Exchange			London Stock Exchange
Total amount of Issuance			USD 116,392,201.2
Issuance price			USD 11.64
Total units of Issuance			9,999,330 units of GDR
Underling security			Capital increase by public offering of common shares
Units of underling security			99,993,300 common shares
The right & obligation of GDR holders			Same right & obligation with the YMTC'S common shares
Depository			Citibank N. A.
Custodian			Citibank N. A. Taipei branch
Outstanding shares (Apr 30,2008)			46,357,864 shares
Allocation of related expenses for issuance and During existence.			To be borne by the company
Major covenants of deposit agreement and Custody agreement			In accordance with the law of R.O.C. and State of New York, U.S.A.
Market price per unit	2007	the highest	USD 9.13
		the lowest	USD 5.23
		the average	USD 7.18
	From Jan. 1, 2008 to Apr.30, 2008	the highest	USD 8.31
		the lowest	USD 6.04
		the average	USD 7.13

CHAPTER 3　BUSINESS UPDATE

1. Business Profile, Operating Fleet & Service Scope

1.1 Business Profile

1.1.1 Domestic and overseas marine shipment service.

1.1.2 Domestic and overseas marine passenger service.

1.1.3 Warehouse, pier, tug boat, barge, container freight station and terminal operations.

1.1.4 Maintenance and repairs, chartering, sales and purchase of ships.

1.1.5 Maintenance and repairs, lease, sales and purchase of containers as well as chassis.

1.1.6 Shipping agency.

1.1.7 G402011 Ocean freight forwarding service.

1.1.8 Besides licensed business, all other business items that are not banned or restricted.

1.2 Operating Fleet & Service Scope

As of Dec. 31, 2007, YML operates 92 vessels consisting of 82 full container vessels, 8 panamax bulk carriers and 2 tankers.

The service scope of year 2007 includes the following three categories:

－Container Liner Service

Offering frequent fixed-day weekly services for the trades of Asia / US East Coast, Asia / US West Coast, USEC / ECSA, Asia / North Europe, Asia / Mediterranean, US East Coast / North Europe, US East Coast / Mediterranean, and Intra-Asia regional routes.

－Tramp Service

Providing bulk cargo service.

－Proxy Service

Operating 2 tankers on behalf of other Carriers.

1.3 Liner Services for full container vessels from 2005 to 2007

Unit：TEU

Items	2005	Pct.	2006	Pct.	2007	Pct.
Cargo for Trans-ocean	1,576,623	65	1,823,967	67	2,228,893	71
Cargo for Intra-Asia	839,078	35	895,867	33	917,277	29
Total	2,415,701	100	2,719,834	100	3,146,170	100

2. Market Analysis

2.1 Transpacific Trade

Due to the expansion of YML's Transpacific service in 2007, YML's market share in 2007 has been slightly enhanced up to 5.7% according to the JOC PIERS report.

The eastbound transpacific trade has experienced a return due to shippers' regained confidence upon the reliability of West Coast gateways. Growth rate of 7.98% in year 2007 and 8.93% in year 2007 are expected for eastbound.

2.2 F.E.-Europe/Mediterranean Trade

The annual westbound cargo growth for 2007 F.E.-Europe trade reached 18% and 25% for F.E-Mediterranean trade. Chinese export is still the leading contributor of exports from Asia to Europe.

Based on this market forecast, YML's market share in 2007 are around 3% on F.E.-Europe Trade and 4.2% on F.E.-Mediterranean Trade.

2.3 Transatlantic Trade

Transatlantic trade is currently one of the few trade lanes where the trade imbalance is narrowing. Comparing with Transpacific Trade and F.E.-Europe/Mediterranean Trade, Transatlantic Trade is also a small scale and slow growth market. The annual westbound cargo growth for 2007 went to -4.06% and 10.07% for eastbound, based on Drewry Report forecast.

2.4 Intra-Asia Trade

Along with the Asian emerging country and so on the Middle East demand growth, Intra-Asia Trade reveals making a few profit in 2007. The new shipbuilding does not stop the investment of freight transportation market, will create the certain degree of influence.

3. Employees Status

Year		2006	2007	Apr. 30, 2008
Number of employees	Office service	1,069	1,141	1,149
	Sea service	244	198	205
	Total	1,313	1,399	1,354
Average age		40.37	38.90	39.55
Average service years		12.00	11.60	11.82
Education level	Ph. D	2	1	1
	Master's degree	153	193	194
	College degree	952	947	953
	High school degree	156	152	157
	Middle school and below	50	46	49

4. Environmental Protection

4.1 One chartered out vessel of our Company was investigated by USA government for the sake of the suspicion of oil pollution in May 2004. This case has been withdrawn by USA Government and returned the deposit USD1,000,000 plus interest to our Company in September 2007.

4.2 Our Company propose to carry "Environmental Compliance Program" out from this year and expect the subject program will be carried out at least 3 years and spend USD100,000 at most.

5. Relationship with Employees

The employment relationship is good and there is no significant dispute amongst our employees with our management.

6. Important Contracts

Apr. 30, 2008

Name of contract	Party	Contract Period	Primary content
Vessel Sharing and Slot Allocation Agreement	K LINE HJS	3/22/2002 ~ the indefinite duration	Asia/U.S. West Coast ; Asia/U.S. East Coast ; Asia/Med/Europe ; U.S. East Coast / North Europe ; U.S. East Coast / Med liner service
Slot Release Agreement	MOL	4/29/2007 ~ 04/30/2008	Asia/West Med liner service
Slot Exchange Agreement	HMM	5/29/2003 ~ 5/15/2007	Asia / West Med liner service Asia / North Europe
Space Allocation & Operating Agreement	K LINE	3/22/2002~3/21/2012	Asia / U.S. East Coast ; Asia / Europe
Joint Service Agreement	CNC / SYMS	8/25/2005 ~ 9/12/2008	China-1 service
Joint Service Agreement	EMC / YTL	9/1/2003 ~ the indefinite duration	Pearl River Delta service
Joint Service Agreement	EMC / OOCL	4/4/2006 ~ the indefinite duration	Taiwan - Ho Chi Minh Express service
Slot Exchange Agreement	EMC	9/1/2002 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	CNC	10/1/2001 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	Mariana	3/20/2008 ~ 3/19/2009	Intra-Asia service
Slot Charter Agreement	TNC	1/1/2008 ~ the indefinite duration	Taiwan - China – Hong Kong service
Slot Charter Agreement	Seacon	10/5/2006 ~ the indefinite duration	Taiwan - Indonesia Service
Slot Charter Agreement	Hanjin	7/7/2007 ~ the indefinite duration	Korea - Singapore service (NHS)
Slot Charter Agreement	YMUK	10/6/2006 ~ the indefinite duration	Japan - South China service
Long-term Charter-in Vessels	SHOEI / Imabari	2003/Jun~2013/Jun 2003/Jul~2013/Jul 2003/Sep~2013/Sep	3 x 1620 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2004/Apr~2014/Apr 2004/May~2014/May	2 x 5500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Zodiac Maritime Agencies Ltd.	2004/Sep~2012/Sep 2004/Nov~2012/Nov 2005/Jan~2013/Jan	3 x 4000 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2006/4Q~2016/4Q 2006/4Q~2016/4Q	2 x 4920 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Continental Chartering GmbH & Co. KG	2006/Mar~2011/Mar 2006/Jul~2011/Jul	2 x 4300 TEU Long-term Charter-in Container Vessels

Name of contract	Party	Contract Period	Primary content
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (HHI)	2007/Mar~2019/Mar 2007/Sep~2019/Sep	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (Samsung)	2007/Sep~2019/Sep 2007/Nov~2019/Nov	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Peter Doehle Schiffahrts-KG	2007/Sep~2019/Sep	1 x 4444 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2010/Nov~2025/Nov 2010/Dec~2025/Dec 2011/Feb~2026/Feb	3 x 6250 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels(BBC)	Danaos Shipping Co. Ltd. (HHI)	2009/Nov ~ 2027/Nov 2010/Jan ~ 2028/Jan	2 x 6500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (HHI)	2010/Jan-Jul ~ 2025/Jan - Jul	3 x 6500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Synergy Group	2008/Dec ~ 2018/Dec 2009/Jan ~ 2019/Jan 2009/Feb ~ 2019/Feb 2009/Apr ~ 2019/Apr	4 x 4250 TEU Long-term Charter-in Container Vessels

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CHAPTER 4　FUND UTILIZATION PLAN

Fund Utilization for the Thirteenth Debenture Bonds issued in 2006

UNIT：NT$1,000

Items of Plan	Utilization		Accumulated
Repayment of the bank loan and corporate bond	Expenditure	Planned	6,000,000
		Actual	6,000,000
	Completion	Planned	100.00%
		Actual	100.00%

CHAPTER 5 FINANCIAL STATEMENTS AND REPORTS

1. Condensed Balance Sheets and Income Statements

1.1 Balance Sheet

UNIT：NT$1,000

Items \ Year		Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Mar. 31, 2008
		Accounting data for the recent 5 years					
Current Assets		29,895,976	39,891,136	31,249,907	24,183,162	17,695,469	15,538,564
Investments in Shares of Stock		10,357,106	13,354,483	16,784,797	18,800,905	23,304,253	23,912,696
Net Properties		13,208,046	17,030,994	12,886,377	15,363,071	17,594,143	16,640,191
Other Assets		7,424,229	7,524,106	19,117,753	24,198,088	29,023,551	31,546,723
Total Assets		60,885,357	77,800,719	80,038,834	82,545,226	87,617,416	87,638,174
Current Liabilities	Unappropriated	8,962,103	11,221,109	11,248,681	15,838,297	14,716,907	14,284,603
	Appropriated	13,750,601	18,151,099	17,079,693	16,632,457	-	-
Total Long-Term Debts		16,633,644	19,976,133	18,459,943	20,562,215	19,229,489	19,282,197
Other Liabilities		1,999,666	2,765,909	3,132,230	3,306,902	3,237,578	3,298,896
Total Liabilities	Unappropriated	27,595,413	33,963,151	32,840,854	39,707,414	37,183,974	36,865,696
	Appropriated	32,383,911	40,893,141	38,671,866	40,501,574	-	-
Capital stock		19,569,299	22,687,545	22,898,167	22,898,344	23,286,982	23,289,621
Capital surplus		4,316,068	7,908,492	8,496,473	8,774,975	8,980,008	8,982,628
Retained earnings	Unappropriated	9,506,926	13,490,305	15,816,055	11,128,198	16,170,046	16,701,072
	Appropriated	3,693,041	6,560,315	9,985,043	10,150,118	-	-
Unrealized loss on financial instruments		-	-	-	(35,588)	1,935,242	2,040,585
Unrealized loss on investments in shares of stock		(1)	(1)	-	-	-	-
Cumulative translation adjustmenrs		338,729	28,301	191,616	168,626	100,131	(202,461)
Net loss not recognized as pension costs		(18,457)	(35,717)	(39,630)	(96,743)	(38,967)	(38,967)
Total Stockholders' Equities	Unappropriated	33,289,944	43,837,568	47,197,980	42,837,812	50,433,442	50,772,478
	Appropriated	28,501,446	36,907,578	41,366,968	41,859,731	-	-

1.2 Income Statement

UNIT：NT$1,000

Items \ Year	Jan. 1, 2003~ Dec 31,2003	Jan. 1, 2004~ Dec 31,2004	Jan. 1, 2005~ Dec 31,2005	Jan. 1, 2006~ Dec 31,2006	Jan. 1, 2007~ Dec 31,2007	Jan. 1, 2008~ Mar. 31, 2008
	Accounting data for the recent 5 years					
Operating revenue	62,932,016	78,429,274	84,155,941	92,039,885	114,220,255	28,549,512
Gross profit (loss)	6,284,113	8,075,087	4,960,783	25,957	4,213,036	(94,446)
Operating income (loss)	4,500,875	6,035,003	3,031,936	(1,439,006)	2,110,972	(584,962)
Non-operating income	4,631,925	6,978,424	8,273,922	4,018,889	5,869,673	1,794,622
Non-operating expenses	894,274	1,113,750	1,280,799	950,888	975,557	514,634
Income (loss) before income tax	8,238,526	11,899,677	10,025,059	1,628,995	7,005,088	695,026
Cumulative effect of change in accounting principles	-	-	-	16,896	-	-
Net income (loss)	6,649,097	9,797,264	9,262,954	1,143,155	6,020,284	531,026
Earnings per share	3.70	4.57	4.11	0.50	2.60	0.23

1.3 CPA and Audit results for the past 5 years

Year	CPA name	Audit Opinion
Jan. 1, 2003 ~ Dec. 31, 2003	Lin An Hwei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2004 ~ Dec. 31, 2004	Lin An Hwei、Way Yung Do	Modify Unqualified
Jan. 1, 2005 ~ Dec. 31, 2005	Lin An Hwei、Way Yung Do	Modify Unqualified
Jan. 1, 2006 ~ Dec. 31, 2006	Lin An Hwei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2007 ~ Dec. 31, 2007	Hung Yu Mei、Chen Chin Hsiang	Modify Unqualified

1.4. Financial Statement Analysis

Items \ Year			Financial Analysis for the years from 2002 to 2008					
			Jan. 1, 2003~ Dec. 31, 2003	Jan. 1, 2004~ Dec. 31, 2004	Jan. 1, 2005~ Dec. 31, 2005	Jan. 1, 2006~ Dec. 31, 2006	Jan. 1, 2007~ Dec. 31, 2007	Jan. 1, 2008~ Mar. 31, 2008
Financial conditions	Debt to Total Assets Ratio		45.32	43.65	41.03	48.10	42.44	42.07
	Long-term funds to net properties		374.35	371.88	505.79	409.56	393.22	418.11
Institutional solvency	Current ratio（%）		333.58	355.50	277.81	152.69	120.24	108.78
	Acid-test ratio（%）		323.86	345.24	260.37	137.94	92.88	79.18
	Time interest earned		13.45	18.72	13.63	3.08	9.67	4.83
Operating performance	Receivables turnover		35.13	37.24	35.13	34.73	33.62	30.63
	Average collection period(days)		10.39	9.80	10.39	10.51	10.86	11.92
	Payables turnover		-	-	-	-	-	-
	Turnover of the fixed assets		4.76	4.61	6.53	5.99	6.49	6.86
	Turnover of the total assets		1.03	1.01	1.05	1.12	1.30	1.30
Profitability	Return on total assets（%）		13.32	14.86	12.49	2.13	7.79	3.05
	Return on stockholder's equity（%）		23.07	25.41	20.35	2.54	12.91	4.20
	Ratio of income against paid-in capital（%）	Operating income (Loss)	23.00	26.60	13.24	(6.28)	9.07	(10.05)
		Pre-tax income (Loss)	42.10	52.45	43.78	7.19	30.08	11.94
	Profit Margin（%）		10.57	12.49	11.01	1.24	5.27	1.86
	Earnings per share (note1)		3.70 3.24	4.57 4.34	4.11 4.06	0.50 0.50	2.60 -	0.23 -
Cash flow	Cash flow ratio（%）		111.62	86.05	70.95	9.25	41.91	(1.11)
	Cash flow adequacy ratio（%）		91.30	62.25	60.64	54.57	53.53	41.09
	Cash reinvestment ratio（%）		13.36	5.96	1.23	(5.11)	5.96	(0.17)
Leverage	Operation Leverage		2.40	2.01	2.97	(3.07)	4.38	(2.28)
	Finance Leverage		1.17	1.13	1.35	0.65	1.62	0.76

Note 1：According to the adjusted outstanding shares.

2. INDEPENDENT AUDITOR'S 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, 2007 and 2006, 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., Yang Ming Line Holding Co. and Ming Giant (Shanghai) International Logistics Company Limited as of and for the year ended December 31, 2007 and Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. as of and for the year ended December 31, 2006 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 2.5% (NT$2,171,746 thousand) and 2.7% (NT$2,254,202 thousand) of the Corporation's total assets as of December 31, 2007 and 2006, respectively. The equity in these investees' net (loss) income was (5.3%) ((NT$367,853) thousand) and 5.0% (NT$82,188 thousand) of the Corporation's income before income tax in 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006 and have issued a modified unqualified opinion thereon in our report dated March 3, 2008.

March 3, 2008

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.

3.Financial Reports as of Dec. 31,2007

YANG MING MARINE TRANSPORT CORPORATION

3.1 BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 4,982,024	6	$ 3,446,118	4
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 21)	1,278,914	2	363,355	-
Available-for-sale financial assets - current (Notes 2, 3, 6 and 22)	-	-	7,410,950	9
Accounts receivable, net of allowance for doubtful accounts of $34,632 thousand and $25,443 thousand at December 31, 2007 and 2006 (Note 2)	894,678	1	603,466	1
Accounts receivable from related parties (Notes 2 and 23)	2,882,584	3	2,415,004	3
Other receivable from related parties (Note 23)	2,986,054	3	6,980,450	9
Shipping fuel, net (Note 2)	3,775,933	4	1,967,934	2
Prepaid expenses (Note 23)	249,865	-	367,793	-
Advances to shipping agents (Note 23)	387,404	1	236,485	-
Other current assets (Notes 2, 19, 23 and 24)	258,013	-	391,607	1
Total current assets	17,695,469	20	24,183,162	29
LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 8, 22 and 25)				
Investments accounted for using equity method	18,575,831	21	18,006,087	22
Available-for-sale financial assets - noncurrent	4,011,988	5	-	-
Hedging derivative financial assets - noncurrent	9,172	-	-	-
Financial assets measured at cost - noncurrent	707,262	1	794,818	1
Total long-term investments	23,304,253	27	18,800,905	23
PROPERTIES (Notes 2, 9, 23, 24 and 25)				
Cost				
Land	330,069	-	158,624	-
Buildings	745,383	1	626,004	1
Containers and chassis	22,523,772	26	21,975,330	27
Ships	6,949,081	8	6,227,717	8
Leased containers and chassis	2,041,688	2	2,041,688	2
Leasehold improvements	146,272	-	209,070	-
Miscellaneous equipment	2,474,611	3	2,011,434	2
Total cost	35,210,876	40	33,249,867	40
Accumulated depreciation	18,304,134	21	18,674,678	22
	16,906,742	19	14,575,189	18
Construction in progress	687,401	1	787,882	1
Net properties	17,594,143	20	15,363,071	19
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 10)	4,048,513	5	2,836,788	4
Nonoperating assets, net (Notes 2, 11 and 24)	218,058	-	260,386	-
Advances on long-term rent agreements	292,190	-	297,718	-
Deferred charges, net (Note 2)	110,486	-	87,027	-
Long-term receivables from related parties (Notes 8 and 23)	24,164,194	28	20,564,098	25
Miscellaneous	190,110	-	152,071	-
Total other assets	29,023,551	33	24,198,088	29
TOTAL	$87,617,416	100	$82,545,226	100

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Payable to related parties (Note 23)	$ 2,013,095	2	$ 964,258	1
Income tax payable (Notes 2 and 19)	783,436	1	236,928	-
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	1,944	-	-	-
Accrued expenses (Note 13)	6,115,481	7	5,676,273	7
Payable for equipment	1,116,335	1	1,547,845	2
Advances from customers	1,612,255	2	1,309,267	2
Current portion of long-term interest-bearing debts (Notes 2, 12 and 24)	1,376,887	2	4,460,232	5
Payable to shipping agents	1,558,512	2	1,561,060	2
Other current liabilities (Notes 2, 3 and 17)	138,962	-	82,434	-
Total current liabilities	14,716,907	17	15,838,297	19
LONG-TERM DEBTS, NET OF CURRENT PORTION				
Hedging derivative financial liabilities - noncurrent (Notes 2, 3 and 22)	2,871	-	47,871	-
Bonds (Notes 2, 12 and 24)	18,706,000	21	19,740,000	24
Capital lease obligations (Notes 2, 9, 12 and 25)	40,979	-	294,705	-
Total long-term debts	18,749,850	21	20,082,576	24
RESERVE FOR LAND VALUE INCREMENT TAX (Note 14)	479,639	-	479,639	1
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 16)	926,479	1	927,286	1
Deferred income tax liabilities - noncurrent (Notes 2 and 19)	2,156,542	3	2,212,975	3
Others (Notes 2, 15 and 24)	154,557	-	166,641	-
Total other liabilities	3,237,578	4	3,306,902	4
Total liabilities	37,183,974	42	39,707,414	48
CAPITAL STOCK - $10 PAR VALUE				
Authorized - 3,000,000 thousand shares and 2,400,000 thousand shares at December 31, 2007 and 2006				
Issued - 2,328,698 thousand shares and 2,289,835 thousand shares at December 31, 2007 and 2006	23,286,982	27	22,898,344	28
CAPITAL SURPLUS				
Paid-in capital in excess of par value	7,491,127	8	7,286,090	9
Treasury stock transactions	1,480,009	2	1,480,009	2
From long-term equity-method investment	8,872	-	8,876	-
Total capital surplus	8,980,008	10	8,774,975	11
RETAINED EARNINGS				
Legal reserve	3,212,821	4	3,098,505	4
Special reserve	2,067,513	2	2,074,929	2
Unappropriated earnings	10,889,712	13	5,954,764	7
Total retained earnings	16,170,046	19	11,128,198	13
OTHER ITEMS OF STOCKHOLDERS' EQUITY				
Cumulative translation adjustments	100,131	-	168,626	-
Net loss not recognized as pension cost	(38,967)	-	(96,743)	-
Unrealized loss on financial instruments	1,935,242	2	(35,588)	-
Total other items of stockholders' equity	1,996,406	2	36,295	-
Total stockholders' equity	50,433,442	58	42,837,812	52
TOTAL	$87,617,416	100	$82,545,226	100

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

(With Deloitte & Touche audit report dated March 3, 2008)

YANG MING MARINE TRANSPORT CORPORATION

3.2 STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 23)	$ 114,220,255	100	$ 92,039,885	100
OPERATING COSTS (Notes 2, 20 and 23)	110,007,219	96	92,013,928	100
GROSS INCOME	4,213,036	4	25,957	-
OPERATING EXPENSES (Note 20)				
Selling	1,749,638	2	1,170,437	1
General and administrative	352,426	-	294,526	-
Total operating expenses	2,102,064	2	1,464,963	1
OPERATING INCOME (LOSS)	2,110,972	2	(1,439,006)	(1)
NONOPERATING INCOME AND GAINS				
Investment income recognized under equity method (Notes 2 and 8)	2,475,207	2	2,309,650	3
Gain on disposal of properties	1,694,775	2	80,808	-
Interest (Note 23)	896,434	1	1,009,543	1
Foreign exchange gain, net	212,951	-	205,652	-
Rent (Note 23)	123,811	-	117,891	-
Gain on disposal of financial instruments	122,850	-	140,268	-
Valuation gain on financial instruments, net (Notes 2 and 5)	119,663	-	54,364	-
Others (Note 25)	223,982	-	100,713	-
Total nonoperating income and gains	5,869,673	5	4,018,889	4
NONOPERATING EXPENSES AND LOSSES				
Interest (Notes 2 and 9)	807,633	1	789,766	1
Impairment loss on financial assets measured at cost (Note 2)	51,240	-	10,400	-
Others	116,684	-	150,722	-
Total nonoperating expenses and losses	975,557	1	950,888	1
INCOME BEFORE INCOME TAX AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	7,005,088	6	1,628,995	2
INCOME TAX EXPENSE (Notes 2 and 19)	984,804	1	502,736	1

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2007		2006	
	Amount	**%**	**Amount**	**%**
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	$ 6,020,284	5	$ 1,126,259	1
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAX EXPENSE OF $2,222 THOUSAND (Note 3)	-	-	16,896	-
NET INCOME	$ 6,020,284	5	$ 1,143,155	1

	2007		2006	
	Income Before Income Tax	**Net Income**	**Income Before Income Tax**	**Net Income**
BASIC EARNINGS PER SHARE (Note 21)	$ 3.02	$ 2.60	$ 0.72	$ 0.50
DILUTED EARNINGS PER SHARE (Note 21)	$ 3.00	$ 2.58	$ 0.71	$ 0.49

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, 17, 18 and 21) is as follows:

	2007	2006
INCOME FROM CONTINUING OPERATIONS	$ 6,020,284	$ 1,161,628
NET INCOME	$ 6,020,284	$ 1,178,524
BASIC EARNINGS PER SHARE	$2.60	$0.51
DILUTED EARNINGS PER SHARE	$2.58	$0.51

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

(With Deloitte & Touche audit report dated March 3, 2008) (Concluded)

YANG MING MARINE TRANSPORT CORPORATION

3.3 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock ($10 Par Value, Notes 2 and 17)		Capital Surplus (Notes 2 and 17)			Retained Earnings (Notes 2 and 17)			Other Items of Stockholders' Equity (Notes 2, 3 and 16)				
	Shares (Thousands)	Amount	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 18)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2006	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	18	177	225	-	-	-	-	-	-	-	-	-	402
BALANCE, DECEMBER 31, 2006	2,289,835	22,898,344	7,286,090	1,480,009	8,876	3,098,505	2,074,929	5,954,764	168,626	(96,743)	(35,588)	-	42,837,812
Appropriation of 2006 earnings													
Legal reserve	-	-	-	-	-	114,316	-	(114,316)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(7,416)	7,416	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(58,478)	-	-	-	-	(58,478)
Cash dividends - $0.3195 per share	-	-	-	-	-	-	-	(735,682)	-	-	-	-	(735,682)
Stock dividends - $0.0799 per share	18,392	183,920	-	-	-	-	-	(183,920)	-	-	-	-	-
Net income for the year ended December 31, 2007	-	-	-	-	-	-	-	6,020,284	-	-	-	-	6,020,284
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(68,495)	-	-	-	(68,495)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	(4)	-	-	(356)	-	-	108,467	-	108,107
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	1,821,734	-	1,821,734
Changes in unrealized gain on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	40,629	-	40,629
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	57,776	-	-	57,776
Domestic convertible bonds converted into capital stocks and capital surplus	20,471	204,718	205,037	-	-	-	-	-	-	-	-	-	409,755
BALANCE, DECEMBER 31, 2007	2,328,698	$ 23,286,982	$ 7,491,127	$ 1,480,009	$ 8,872	$ 3,212,821	$ 2,067,513	$ 10,889,712	$ 100,131	$ (38,967)	$1,935,242	$ -	$ 50,433,442

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

(With Deloitte & Touche audit report dated March 3, 2008)

YANG MING MARINE TRANSPORT CORPORATION
3.4 STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,020,284	$ 1,143,155
Cumulative effect of changes in accounting principles	-	(16,896)
Income before cumulative effect of changes in accounting principles	6,020,284	1,126,259
Depreciation	2,585,061	2,288,860
Amortization	77,408	42,606
Loss (gain) on disposal of financial instruments	(116,221)	(107,669)
Gain on disposal of properties, net	(1,692,881)	(79,311)
Provision for pension cost	19,174	34,032
Reversal of allowance for loss on shipping fuel	(56,776)	(9,525)
Impairment loss on financial assets measured at cost	51,240	10,400
Investment income recognized under equity method	(2,475,207)	(2,309,650)
Cash dividends received on equity-method investee companies	107,781	2,079,144
Valuation gain on financial instruments	(119,663)	(54,364)
Deferred income taxes	(103,189)	107,777
Others	5,403	(779)
Net changes in operating assets and liabilities		
Financial assets held for trading	(732,877)	593,425
Accounts receivable	(304,880)	159,700
Accounts receivable from related parties	(467,580)	(903,831)
Other receivable from related parties	2,716,772	(1,705,617)
Shipping fuel	(1,751,223)	(281,705)
Prepaid expenses	117,928	(82,412)
Advances to shipping agents	(150,919)	(7,211)
Other current assets	32,656	(104,148)
Payable to related parties	1,048,837	(337,188)
Income tax payable	546,508	191,458
Financial liabilities held for trading	1,555	-
Accrued expenses	439,208	1,072,725
Payable to shipping agents	(2,548)	(530,596)
Advances from customers	302,988	303,832
Other current liabilities	56,622	(42,767)
Advances on long-term rent agreements	12,004	11,830
Net cash provided by operating activities	6,167,465	1,465,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	-	(32,600)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	32,600	366,997
Acquisition of available-for-sale financial assets	(7,942,361)	(36,384,068)
Proceeds from disposal of available-for-sale financial assets	13,065,911	36,547,019
Proceeds of cash dividends from available-for-sale financial assets	127,365	-
Proceeds from capital reduction of investments in shares of stock	126,316	-

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Acquisition of investments accounted for using equity method	$ (979,810)	$ (297,156)
Proceeds from disposal of long-term investments	-	542
Acquisition of financial assets measured at cost	(90,000)	-
Acquisition of properties and assets leased to others	(6,940,886)	(7,681,275)
Proceeds from disposal of properties and nonoperating assets	5,523,718	523,015
Decrease (increase) in long-term receivable from related parties	(2,815,960)	193,775
Increase in deferred charges	(65,971)	(61,670)
Increase in other assets	(38,039)	(96,395)
Decrease in restricted assets	124,923	236
Net cash provided by (used in) investing activities	127,806	(6,921,580)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds	-	6,000,000
Repayments of principal of bonds	(3,848,000)	(678,681)
Payments of capital lease obligations	(113,958)	(204,682)
Increase (decrease) in other liabilities	(3,154)	6,511
Cash dividends and employees' bonus paid	(794,253)	(5,830,995)
Net cash used in financing activities	(4,759,365)	(707,847)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,535,906	(6,164,152)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,446,118	9,610,270
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,982,024	$ 3,446,118
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 889,125	$ 781,050
Less: Capitalized interest	(2,225)	-
Interest paid (excluding capitalized interest)	$ 886,900	$ 781,050
Income tax paid	$ 495,640	$ 271,895
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of nonoperating assets into assets leased to others	$ 42,328	$ 47,443
Reclassification of assets leased to others into properties	$ 257,364	$ 71,065
Reclassification of investment into deduction to long-term receivables from related parties	$ 112,363	$ 64,801
Current portion of interest-bearing long-term debts	$ 1,376,887	$ 4,460,232
Domestic unsecured convertible bonds converted into capital stock and capital surplus	$ 409,755	$ 402

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS		
Increase in properties and assets leased to others	$ 8,796,937	$ 9,201,776
Decrease (increase) in payables for equipment	431,510	(869,053)
Decrease in payables to related parties	(2,287,561)	(651,448)
Cash paid	$ 6,940,886	$ 7,681,275
PROCEEDS FROM SALE OF PROPERTIES		
Total contracted selling prices	$ 4,462,892	$ 4,605,444
Increase in long-term receivables from related parties	(1,503,519)	(5,930,806)
Decrease in other receivables from related parties	2,564,345	1,848,377
Cash received	$ 5,523,718	$ 523,015

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

(With Deloitte & Touche audit report dated March 3, 2008)

3.5 NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 35.52% and 35.84% at December 31, 2007 and 2006.

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, 2007 and 2006, the Corporation had 1,339 and 1,313 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China ("ROC"). Under 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 may 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 inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretation of the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets include unrestricted cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or and other consumed within one year from the balance sheet date. Property and equipment and those not classified as current assets are noncurrent assets. Current liabilities are obligations incurred for trading purpose or to be settled within one year from 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 and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Corporation recognizes a financial asset or a financial liability on its balance sheet when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to issue of initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Hybrid contracts containing one or more embedded derivatives are designed as financial assets at FVTPL.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

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 at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the customers for goods sold in the normal course of business, net of discounts. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Corporation assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

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 with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

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

An impairment loss is recognized where there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Investments Accounted for Using Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' 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.

When the Corporation subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Corporation records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

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.

When the Corporation's share in losses of an investee over which the Corporation has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Corporation has to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Corporation to the extent of the excess losses previously borne by the Corporation.

Properties and Assets Leased to Others

Properties and assets leased to others are stated at cost less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance 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.

Assets held under capital leases are initially recognized as assets of the Corporation at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as obligations under capital leases. The interest included in lease payments is expensed when paid.

Depreciation is provided on a straight-line method over estimated useful lives 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 still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

The related cost and accumulated depreciation, an item of property, plant and equipment and assets leased to others are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

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

The entire proceeds from convertible bonds issued on or before December 31, 2005 were accounted for as a liability. The difference between the agreed redemption price and the face value of the bonds is accrued using the effective interest method over the year from the issue date of the bonds to the date the put option becomes exercisable. Bond issuance expenses are recognized as deferred charges and amortized over the term of the convertible bonds.

The conversion of bonds into common shares is accounted for using the book value method, whereby the difference between the book value of the bonds (net of any unamortized premiums or discounts, accrued interest, and unamortized transaction costs) and the par value of the common shares issued is recorded as capital surplus.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

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 Corporation accounts for its stock held by subsidiaries as treasury stock. The recorded cost of the stock is based on its carrying amount as of January 1, 2002.

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. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item as follows:

a. Fair value hedge

   The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

b. Cash flow hedge

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same year or years during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss. However, if all or a portion of a loss recognized in shareholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2006 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2007.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Effect of adopting the new and revised SFASs

On January 1, 2006, the Corporation adopted the newly released 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.

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 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:

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

The above 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.

4. CASH AND CASH EQUIVALENTS

	December 31 2007	December 31 2006
Cash		
Petty cash and cash on hand	$ 2,110	$ 2,441
Checking accounts and demand deposits	1,356,290	1,248,402
Time deposits: Interest - 2.215% to 5.270% in 2007 and 0.27% to 4.95% in 2006	3,623,624	2,195,275
	$ 4,982,024	$ 3,446,118

There were time deposits of $747 thousand with maturity of over one year as of December 31, 2007.

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

The overseas deposits as of December 31, 2007 and 2006 are summarized in the accompanying Schedules A and B.

5. FINANCIAL INSTRUMENTS AT FVTPL

	December 31 2007	December 31 2006
Financial assets at FVTPL		
Financial assets held for trading	$ 1,278,914	$ 330,735
Financial assets designated as at FVTPL	-	32,620
	$ 1,278,914	$ 363,355
Financial liabilities at FVTPL		
Financial liabilities held for trading	$ 1,944	$ -

a. Financial assets held for trading

	December 31 2007	December 31 2006
Mutual funds	$ 996,262	$ 136,809
Domestic quoted stocks	266,651	193,926
Oil swap	14,136	-
Convertible bonds	1,865	-
	$ 1,278,914	$ 330,735
Financial liabilities held for trading		
Oil swap	$ 1,483	$ -
Oil swap option	461	-
	$ 1,944	$ -

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 in 2006. 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. In 2007, the Corporation's purpose for trading oil swap is to reduce the cost burden from oil price increase.

There are no outstanding foreign exchange contracts and options of the Corporation as of December 31, 2007.

Outstanding oil swap and oil swap option contracts as of December 31, 2007 were as follows:

	Due Date	Unit (Barrel)	Notional Amount	Fair Value
Oil swap	2008.01.18-2008.03.18	65,000	US$ 5,777,000	$ 14,136
	2008.01.18	15,000	US$ 1,380,000	(1,483)

	Due Date	Notional Amount	Fair Value
Oil swap option	2008.01.31-2008.02.28	US$ 1,670,000	$ (145)
	2008.01.31	US$ 980,000	(316)

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

Net gains arising from financial assets held for trading were $206,075 thousand (including realized settlement gains of $86,002 thousand and valuation gains of $120,073 thousand) for the year ended December 31, 2007; net gains 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 loss arising from financial liabilities held for trading were $390 thousand (valuation loss).

b. Financial assets designated as at FVTPL

	December 31	
	2007	2006
Credit-linked structured time deposit	$ -	$ 32,620
Less: Reclassified into noncurrent assets	-	-
	$ -	$ 32,620

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 $1,325 thousand (including realized settlement losses of $20 thousand and interest revenue of $1,345 thousand) for the year ended December 31, 2007; net gains 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.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2007	December 31 2006
Domestic quoted stocks	$ 4,011,988	$ -
Bond fund	-	7,410,950
Less: Reclassified into current assets	-	(7,410,950)
	$ 4,011,988	$ -

7. FINANCIAL ASSETS MEASURED AT COST

	December 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Domestic unquoted common stocks				
Taipei Port Container Terminal Co., Ltd.	$ 166,640	10.00	$ 76,640	10.00
Domestic unquoted preferred stocks				
New Century Infocomm Co., Ltd.	481,644	1.68	659,200	1.68
Overseas unquoted common stocks				
Antwerp International Terminal	58,978	16.33	58,978	16.33
	$ 707,262		$ 794,818	

The above equity investments, which had no quoted prices in an active market and of which fair value could not be reliably measured, were carried at cost.

The stockholders' meeting of New Century Infocomm Co., Ltd. resolved to reduce by 15.7895% its capital in June 2007. The record date of capital reduction was August 21, 2007. The Corporation had received proceed of capital reduction of $126,316 thousand at NT$1.57895 per share in cash.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
All Oceans Transportation, Inc.	$ 5,668,915	100.00	$ 7,916,891	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	5,054,031	100.00	3,901,236	100.00
Ching Ming Investment Co., Ltd.	1,716,588	100.00	1,576,459	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,568,296	100.00	2,024,491	100.00
Chunghwa Investment Co., Ltd.	857,570	40.00	795,760	40.00
Kuang Ming Shipping Corp.	823,261	100.00	306,112	100.00
Kao Ming Container Terminal Corp.	799,840	100.00	-	-
Yes Logistics Corp.	528,060	46.04	514,181	46.04
Yang Ming Line Holding Co.	379,921	100.00	229,711	100.00
Honming Terminal & Stevedoring Co., Ltd.	361,971	79.17	348,092	79.17
Yunn Wang Investment Co., Ltd.	272,623	49.75	-	-

(Continued)

	December 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Ming Giant (Shanghai) International Logistics Co., Ltd.	$ 223,529	100.00	$ 228,200	100.00
Transyang Shipping Pte. Ltd.	203,708	49.00	67,945	49.00
Jing Ming Transportation Co., Ltd.	117,518	50.98	97,009	50.98
Yang Ming (Liberia) Corp.	(177,164)	100.00	(64,801)	100.00
	18,398,667		17,941,286	
Add: Investment deducted from long-term receivables from related parties	177,164		64,801	
	$ 18,575,831		$ 18,006,087	

Investment income (loss) recognized under the equity method was as follows:

	Years Ended December 31			
	2007		2006	
	Not Gain (Loss) of the Investee	Equity in Net Gain (Loss)	Net Gain (Loss) of the Investee	Equity in Net Gain (Loss)
Yang Ming Line (B.V.I.) Holding Co., Ltd.	$ 1,292,000	$ 1,292,000	$ (9,808)	$ (9,808)
All Oceans Transportation, Inc.	752,024	752,024	2,128,863	2,128,863
Kuang Ming Shipping Corp.	517,284	517,925	57,610	57,720
Yang Ming Line Holding Co.	153,203	153,203	(59,943)	(59,943)
Ching Ming Investment Co., Ltd.	142,167	142,162	82,435	46,631
Transyang Shipping Pte. Ltd.	281,171	137,775	9,161	2,473
Chunghwa Investment Co., Ltd.	149,988	59,997	51,268	20,508
Jing Ming Transportation Co., Ltd.	50,614	25,498	24,935	12,451
Honming Terminal & Stevedoring Co., Ltd.	26,553	20,934	16,708	13,050
Yes Logistics Corp.	18,278	8,415	1,472	1,780
Yunn Wang Investment Co., Ltd.	213,495	1,678	-	-
Kao Ming Container Terminal Corp.	(1,276)	(1,276)	-	-
Yang Ming (Liberia) Corp.	(114,072)	(114,072)	(46,206)	(46,206)
Ming Giant (Shanghai) International Logistics Co., Ltd.	(19,366)	(19,366)	-	-
Yang Ming Line (Singapore) Pte. Ltd.	(501,690)	(501,690)	142,131	142,131
		$ 2,475,207		$ 2,309,650

The net asset values of the equity-method investees were as follows:

	December 31	
	2007	2006
Total assets of investees	$ 72,604,441	$ 59,651,073
Total liabilities of investees	51,604,898	39,657,291
Total net assets	$ 20,999,543	$ 19,993,782
The Corporation's equity in investees' net assets	$ 18,398,667	$ 17,941,927

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.

Ming Giant (Shanghai) International Logistics Co., Ltd. was established in 2006 and had not yet started operations as of December 31, 2007.

Yang Ming (Liberia) Corp. still has an accumulated loss for the year ended December 31, 2007, because of loss from start up operations in 2006. The Corporation committed to support ship building plan of Yang Ming (Liberia) Corp. The credit balance of $177,164 thousand and $64,801 thousand on this investment was reclassified as deduction from long-term receivables from related parties as of December 31, 2007 and 2006.

In order to engage in the building and operation of Kaohsiung harbor intercontinental container center, the Corporation founded a chartered subsidiary, Kao Ming Container Terminal Corp., which had a contract namely 'First stage of Kaohsiung harbor intercontinental container center construction and operation project' with MOTC Harbor Bureau. The contract commenced on September 28, 2007 and will last for 50 years including the building and operation periods.

For financing the investment project on Euromax terminal in Rotterdam, the board of directors of the Corporation resolved to increase the capital investment by €12,620,000 in Yang Ming Line (Singapore) Pte. Ltd.

As required by 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, 2007 and 2006 include the accounts of the Corporation and its direct and indirect subsidiaries, except Transyang Shipping Pte. Ltd., Chunghwa Investment Co., Ltd. and Yunn Wang Investment Co., Ltd. All significant intercompany accounts and transactions have been eliminated in the consolidation.

9. PROPERTIES

	Year Ended December 31, 2007								
	Land	Buildings	Containers and Chassis	Ships	Leased Containers and Chassis	Leasehold Improvements	Miscellaneous Equipment	Construction in Process	Total
Cost									
Beginning balance	$ 158,624	$ 626,004	$ 21,975,330	$ 6,227,717	$ 2,041,688	$ 209,070	$ 2,011,434	$ 787,882	$ 34,037,749
Addition	-	25,822	3,115,097	2,305,071	-	-	67,122	1,834,592	7,347,704
Sale or disposal	-	-	2,566,655	3,088,555	-	46,869	8,703	-	5,710,782
Reclassification	171,445	93,557	-	1,504,848	-	(15,929)	404,758	(1,935,073)	223,606
Ending balance	$ 330,069	745,383	22,523,772	6,949,081	2,041,688	146,272	2,474,611	$ 687,401	35,898,277
Accumulated depreciation									
Beginning balance		92,481	10,732,084	4,892,014	1,739,048	158,862	1,060,189		18,674,678
Addition		12,346	2,078,531	127,434	143,390	10,399	191,514		2,563,614
Sale of disposal		-	2,557,006	329,227	-	46,869	8,694		2,941,796
Reclassification		7,638	-	-	-	-	-		7,638
Ending balance		112,465	10,253,609	4,690,221	1,882,438	122,392	1,243,009		18,304,134
		$ 632,918	$ 12,270,163	$ 2,258,860	$ 159,250	$ 23,880	$ 1,231,602		$ 17,594,143

	Year Ended December 31, 2006								
	Land	Buildings	Containers and Chassis	Ships	Leased Containers and Chassis	Leasehold Improvements	Miscellaneous Equipment	Construction in Process	Total
Cost									
Beginning balance	$ 133,014	$ 572,029	$ 18,336,402	$ 5,564,775	$ 2,041,688	$ 209,070	$ 2,024,620	$ 930,060	$ 29,811,658
Addition	-	-	4,109,954	662,942	-	-	27,873	4,401,007	9,201,776
Sale or disposal	-	-	471,026	4,543,185	-	-	41,059	-	5,055,270
Reclassification	25,610	53,975	-	4,543,185	-	-	-	(4,543,185)	79,585
Ending balance	$ 158,624	626,004	21,975,330	6,227,717	2,041,688	209,070	2,011,434	$ 787,882	34,037,749
Accumulated depreciation									
Beginning balance		73,013	9,422,989	4,819,263	1,531,974	143,680	934,362		16,925,281
Addition		10,948	1,773,991	95,973	207,074	15,182	166,846		2,270,014
Sale of disposal		-	464,896	23,222	-	-	41,019		529,137
Reclassification		8,520	-	-	-	-	-		8,520
Ending balance		92,481	10,732,084	4,892,014	1,739,048	158,862	1,060,189		18,674,678
		$ 533,523	$ 11,243,246	$ 1,335,703	$ 302,640	$ 50,208	$ 951,245		$ 15,363,071

Information about capitalized interest was as follows:

	December 31	
	2007	2006
Capitalized interest	$ 2,225	$ -
Capitalization rates	3.20%	-

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 25. 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, 2007 and 2006 were as follows:

	December 31			
	2007		2006	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	$ 10,819	$ 350,984	$ 15,046	$ 490,504
Less: Unamortized interest expense	(843)	(27,347)	(1,623)	(52,909)
	$ 9,976	$ 323,637	$ 13,423	$ 437,595

10. ASSETS LEASED TO OTHERS, NET

	December 31	
	2007	2006
Cost		
Land	$ 2,928,721	$ 2,061,639
Buildings	1,223,014	867,023
	4,151,735	2,928,662
Accumulated depreciation - buildings	103,222	91,874
	$ 4,048,513	$ 2,836,788

Depreciation expenses for the years ended December 31, 2007 and 2006 were $21,445 thousand and $18,846 thousand, respectively.

Future rental payments receivable were summarized as follows:

Fiscal Year	Amount
2008	$ 146,423
2009	88,297
2010	15,229
2011	12,443
2012	6,402

11. NONOPERATING ASSETS, NET

	December 31 2007	December 31 2006
Cost		
Land	$ 217,715	$ 260,043
Buildings	4,188	4,894
	221,903	264,937
Accumulated depreciation - buildings	3,845	4,551
	$ 218,058	$ 260,386

12. INTEREST-BEARING LONG-TERM DEBTS

	Current	Long-term	Total
December 31, 2007			
Domestic unsecured bonds	$ 1,034,000	$ 18,706,000	$ 19,740,000
Domestic unsecured convertible bonds	59,400	-	59,400
Interest premium - domestic unsecured convertible bonds	829	-	829
Capital leases	282,658	40,979	323,637
	$ 1,376,887	$ 18,746,979	$ 20,123,866
December 31, 2006			
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	142,890	294,705	437,595
	$ 4,460,232	$ 20,034,705	$ 24,494,937

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 residual amount as of December 31, 2007.
	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 16, 2006, 40% - July 16, 2007, and 40% - July 16, 2008; 4.49% annual interest. The Corporation had repaid 660,000 thousand as of December 31, 2007.
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. The Corporation had repaid residual amounts as of December 31, 2007.

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$19.70 per share as of December 31, 2007);

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, 2007, the 2003 Convertible Bonds with aggregate face value of $7,878,200 thousand had been converted into 312,917 thousand common shares of the Corporation, and the aggregate face value of $62,400 thousand had been sold to the Corporation by the holders. The above converted bonds with aggregate face value of $156,700 thousand were exercised by bondholders from October 1, 2007 to December 31, 2007 and totally converted into 7,954 thousand common shares. According to the Business Law, the revision of registration was made after the stock issued. The revision of registration of the issued stock was approved by Ministry of Economic Affairs, ROC in January 2008.

As of December 31, 2007, the Corporation had no credit lines available for long-term bank loans.

Capital Lease

Refer to the Note 9 to financial statements.

13. ACCRUED EXPENSES

	December 31	
	2007	2006
Fuel	$ 3,312,412	$ 1,478,006
Space hire	1,406,593	3,105,713
Salary	549,091	231,983
Container lease	411,671	338,928
Interest	173,973	253,584
Others	261,741	268,059
	$ 6,115,481	$ 5,676,273

14. 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.

15. UNREALIZED GAIN ON SALE AND LEASEBACK

	December 31	
	2007	2006
Chassis	$ 7,874	$ 15,655
Vessel Ming North	-	6,321
	$ 7,874	$ 21,976

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.

The subsidiary, All Oceans Transportation, Inc. reacquired Ming North in March 2007. Therefore, the related unrealized gain on sale and leaseback was reclassified to deferred gain (included in "other liabilities - others").

16. 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 is administered by the employees' pension reserve fund supervisory committee and deposited in the employees' committee's name in the Bank of Taiwan (the Central Trust of China Co., Ltd. merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as survivor entity.)

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 $25,001 thousand and $22,424 thousand for the years ended December 31, 2007 and 2006, 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., Yangming (UK) Ltd. and Yang Ming (Liberia) Corp.) 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:

	Years Ended December 31 2007	Years Ended December 31 2006
Service cost	$ 117,520	$ 135,633
Interest cost	45,194	37,930
Projected return on plan assets	(10,581)	(9,031)
Amortization of net transition asset or obligation	(328)	(328)
Amortization of prior service cost	436	436
Amortization of unrecognized pension cost	23,101	10,322
Pension cost	175,342	174,962
Add: Investment deducted from long-term receivables from related parties	(37,795)	(39,244)
Net periodic pension cost	$ 137,547	$ 135,718

b. Reconciliation of funded status of the plan and accrued pension cost was as follows:

	Years Ended December 31 2007	Years Ended December 31 2006
Benefit obligation		
Vested benefit obligation (VBO)	$ 616,605	$ 505,444
Non-vested benefit obligation	707,179	709,288
Accumulated benefit obligation (ABO)	1,323,784	1,214,732
Additional benefit based on future salaries	436,809	431,439
Projected benefit obligation	1,760,593	1,646,171
Fair value of plan assets	(455,139)	(347,504)
Plan funded status	1,305,454	1,298,667
Unrecognized net transition asset	1,674	2,002
Unrecognized prior service cost	(3,491)	(3,927)
Unrecognized pension cost	(416,125)	(466,199)
Additional minimum pension liability	38,967	96,743
Accrued pension cost	$ 926,479	$ 927,286
Vested benefit	$ 792,070	$ 642,613

c. Actuarial assumptions

	2007	2006
Discount rate	3.00%	2.75%
Rate of increase in compensation	2.75%	2.75%
Expected return on plan assets	3.00%	2.75%

	2007	2006
d. Contributions to the fund	$ 79,608	$ 80,713
e. Payments from the fund	$ 13,932	$ 4,874

17. 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 depository bank to sell the shares represented by the GDRs. As of December 31 2007, there were 4,581,780 units outstanding, representing 45,817,864 shares, 1.98% 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 depository bank.

b. Capital surplus

Under the Company Law, 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 once a year and capitalized amounts should be within certain limits. Also, the capital surplus from long-term investments may not be used for any purposes.

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.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reserved to the extent of the decrease in the net debit balance.

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 2006 and 2005 earnings on June 27, 2007 and June 23, 2006, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2006	2005	2006	2005
Legal reserve	$ 114,316	$ 925,574		
Special reserve	(7,416)	925,574		
Bonus to employees	58,478	106,426		
Cash dividends	735,682	5,724,586	$0.32	$2.50
Stock dividends	183,920	-	0.08	-

Because of the conversion of the 2003 convertible bonds, the actual cash dividends and stock dividends per share in 2006 were NT$0.31953484 and NT$0.07988370.

Had the Corporation recognized bonus to employees as expense in 2006 and 2005, the primary and diluted income tax earnings per share in 2006 would have decreased from NT$0.50 to NT$0.47 and from NT$0.50 to NT$0.47, and in 2005 would have decreased from NT$4.11 to NT$4.06 and from NT$4.06 to NT$4.01, respectively.

As of March 3, 2008, the Corporation's board of directors had not decided the appropriation of the 2006 earnings. Information on the appropriation of the Corporation's earnings is available on the Market Observation Post System website site of the Taiwan Stock Exchange.

18. TREASURY STOCK

Reason for Repurchase	Outstanding Shares (Thousands) Beginning of the Period	Increase	Decrease	End of the Period
Year ended December 31, 2006				
Stocks of the Corporation held by subsidiaries	22,248	-	22,248	-

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 in 2006.

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.

19. INCOME TAX

a. The government enacted the Alternative Minimum Tax Act (the "AMT Act"), which became effective on January 1, 2006. The alternative minimum tax ("AMT") imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Corporation has considered the impact of the AMT Act in the determination of its tax liabilities.

b. A reconciliation of income tax expense based on income before income tax at the 25% statutory rate and income tax expense was as follows:

	Years Ended December 31	
	2007	**2006**
Income tax expense at 25% statutory rate	$ 1,751,272	$ 407,249
Tax effect on adjusting items:		
Permanent differences	(999,625)	(300,237)
Temporary differences	344,415	(357,909)
Loss carryforwards used	(162,927)	250,897
Additional 10% income tax on undistributed earnings	5,076	250,637
Income tax payable - current	938,211	250,637
Overseas income tax	113,621	149,058
Deferred income tax expenses		
Temporary differences	(266,116)	357,910
Loss carryforwards	162,927	(250,897)
Adjustment of prior years' taxes	37,323	(3,972)
Others	(1,162)	-
Income tax expense - current	$ 984,804	$ 502,736

c. Deferred income tax assets (liabilities) were as follows:

	December 31	
	2007	**2006**
Current (included in other current assets)		
Deferred income tax assets		
Unrealized foreign exchange loss	$ 37,191	$ -
Unrealized loss shipping fuel valuation losses	-	14,193
Others	7,514	2,267
	44,705	16,460
Deferred income tax liabilities		
Unrealized foreign exchange gain	-	(2,573)
Unrealized gain on financial instruments	-	(2,222)
Others	-	(173)
	-	(4,968)
	$ 44,705	$ 11,492

	December 31	
	2007	2006
Noncurrent		
Deferred income tax assets		
Deferred pension cost	$ 126,362	$ 118,459
Investment loss recognized on overseas equity-method investments	50,280	16,920
Loss carryforwards	-	250,897
Unrealized loss on financial instruments	-	11,967
	176,642	398,243
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(2,055,411)	(2,347,084)
Differences in estimated service lives of containers	(276,198)	(264,134)
Unrealized gain on financial instruments	(1,575)	-
	(2,333,184)	(2,611,218)
	$ (2,156,542)	$ (2,212,975)

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

Loss carryforwards as of December 31, 2007 were as follows:

Year of Loss Carryforwards	**Total Income Tax Credit**	**Unused Income Tax Credit**	**Expiry Year**
2006	$ 162,927	$ -	2011

Income tax returns through 2004 had been assessed by the tax authorities.

d. Information about integrated income tax was as follows:

	December 31	
	2007	2006
Balance of the imputation credit account (ICA)	$ 511,491	$ 354,976
Unappropriated earnings generated before June 30, 1998	2,064,438	2,064,438

The creditable ratio for distribution of earnings of 2007 and 2006 was 13.03% (estimates) and 11.85%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2007 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2007		
	Operating Costs	Operating Expenses	Total
Personnel expenses			
Salary	$ 511,658	$ 1,220,809	$ 1,732,467
Insurance	22,658	56,718	79,376
Pension	65,590	100,376	165,966
Others	52,023	113,532	165,555
Depreciation	2,476,993	79,119	2,556,112
Amortization	66,174	7,326	73,500
	$ 3,195,096	$ 1,577,880	$ 4,772,976

	Year Ended December 31, 2006		
	Operating Costs	Operating 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	24,277	12,481	36,758
	$ 2,813,061	$ 992,580	$ 3,805,641

21. EARNINGS PER SHARE

	Years Ended December 31			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT$)				
Income before cumulative effect of changes in accounting principles	$ 3.02	$ 2.60	$ 0.71	$ 0.49
Cumulative effect of changes in accounting principles	-	-	0.01	0.01
Net income for the year	$ 3.02	$ 2.60	$ 0.72	$ 0.50

	December 31			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Diluted EPS (NT$)				
Income before cumulative effect of change in accounting principles	$ 3.00	$ 2.58	$ 0.70	$ 0.48
Cumulative effect of changes in accounting principles	-	-	0.01	0.01
Net income for the year	$ 3.00	$ 2.58	$ 0.71	$ 0.49

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

	Amount (Numerator)		Shares (Denominator) (in Thousand Shares)	EPS (NT$)	
	Before Income Tax	Net Income		Income Before Income Tax	Net Income
Year ended December 31, 2007					
Basic EPS	$ 7,005,088	$ 6,020,284	2,318,161	$ 3.02	$ 2.60
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	666	499	13,553		
Diluted EPS	$ 7,005,754	$ 6,020,783	2,331,714	$ 3.00	$ 2.58
Year ended December 31, 2006					
Basic EPS	$ 1,648,113	$ 1,143,155	2,304,825	$ 0.72	$ 0.50
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	1,248	936	23,614		
Diluted EPS	$ 1,649,361	$ 1,144,091	2,328,439	$ 0.71	$ 0.49

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:

	Amount (Numerator)		Shares (Denominator) (in Thousand Shares)	EPS (NT$)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
Year ended December 31, 2007					
Pro forma basic EPS	$ 7,005,088	$ 6,020,284	2,318,161	$ 3.02	$ 2.60
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	666	499	13,553		
Pro forma diluted EPS	$ 7,005,754	$ 6,020,783	2,331,714	$ 3.00	$ 2.58
Year ended December 31, 2006					
Pro forma basic EPS	$ 1,683,482	$ 1,178,524	2,308,151	$ 0.73	$ 0.51
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	1,248	936	23,614		
Pro forma diluted EPS	$ 1,684,730	$ 1,179,460	2,331,765	$ 0.72	$ 0.51

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2006 to decrease from NT$0.50 to NT$0.50 and decrease from NT$0.50 to NT$0.49, respectively. Also, the pro forma basic and pro forma diluted after income tax EPS for the year ended December 31, 2006 decrease from NT$0.51 to NT$0.51 and from NT$0.51 to NT$0.51, respectively.

22. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 1,278,914	$ 1,278,914	$ 363,355	$ 363,355
Available-for-sale financial assets - current	-	-	7,410,950	7,410,950
Investments accounted for using equity method	18,575,831	-	18,006,087	-
Financial assets measured at cost - noncurrent	707,262	-	794,818	-
Available-for-sale financial assets - noncurrent	4,011,988	4,011,988	-	-
Long-term receivables from related parties	24,164,194	24,164,194	20,564,098	20,564,098
Hedging derivative financial assets - noncurrent	9,172	9,172	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	1,944	1,944	-	-
Hedging derivative financial liabilities - noncurrent	2,871	2,871	47,871	47,871
Bonds	19,800,229	20,218,813	24,057,342	24,307,673
Capital lease obligations	323,637	323,637	437,595	437,595

Place of transaction:

Place of Transaction	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial asset				
Overseas (including foreign institutions in Taiwan)	$ 23,308	$ 23,308	$ 32,620	$ 32,620
Financial liability				
Overseas (including foreign institutions in Taiwan)	4,815	4,815	47,871	47,871

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 amounts because of the short maturities of these instruments.

2) Fair values of financial instruments designated as at FVTPL and available-for-sale financial assets are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments. These estimation and assumptions are available to the Corporation.

   Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

   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 unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

4) Fair values of long-term receivable from related parties and capital lease obligations 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:

	Market Price December 31		Valuation Techniques December 31	
	2007	2006	2007	2006
Assets				
Financial assets at fair value through profit or loss - current	$ 1,264,778	$ 330,735	$ 14,136	$ 32,620
Available-for-sale financial assets - current	-	7,410,950	-	-
Available-for-sale financial assets - noncurrent	4,011,988	-	-	-
Hedging derivative financial assets noncurrent	-	-	9,172	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	1,944	-
Hedging derivative financial liability - noncurrent	-	-	2,871	47,871

d. Net gain (loss) on changes of the fair value determined using valuation technique were $13,727 thousand and ($983) thousand for the years ended December 31, 2007 and 2006.

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

	December 31			
	2007		2006	
Risk of interest rate change	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Fair value risk	$ 3,590,024	$ 18,800,229	$ 2,008,624	$ 23,057,342
Cash flow risk	1,276,840	1,000,000	1,467,844	1,000,000

f. Information about financial risks

1) Market risk

Financial instruments held by the Corporation are mainly quoted stocks and mutual funds. Although these financial instruments are subject to fluctuation of market price, the Corporation's observance of proper procedures when investing marketable securities for trading purpose helps the Corporation avoid significant risk in the future.

For the years ended December 31, 2007 and 2006, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation 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 hedges most of the risks in the market. In addition, the Corporation evaluates 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 uses 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 uses credit-linked instruments for trading purposes to earn higher interest income. The Corporation chooses commodities highly correlated to interest rates. The Corporation's observance of proper procedures when buying contracts for trading purposes helps the Corporation control the market risk.

The Corporation's purpose for trading crude oil swap and oil swap option is to reduce the cost burden from oil price increase or the price risk of other hedging instruments. The purpose of the Corporation's hedge strategy is to transfer the crude oil market risk. The Corporation evaluates the risk exposure and hedge position periodically. The hedging instruments will be settled in cash. When oil price goes down, the Corporation's bunker cost burden will go down as well to offset the possible hedge position loss. Therefore, the market risk exposure of the Corporation should be limited and 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, 2007 and 2006. 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 and its subsidiaries 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, and bonds 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:

	Designated Hedging Instruments						
		December 31					Expected Period for Realization of Gains or Losses
	Financial Instruments Designated	2007		2006		Expected Period of Cash Flows	
Hedged Items		**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**		
Bonds with floating interest rate	Interest rate swap	$ (500,000)	$ 9,172	$ (500,000)	$ (18,306)	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011
Bonds with floating interest rate	Interest rate swap	(500,000)	(2,871)	(500,000)	(29,565)	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011

23. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2007 and 2006 and the related balances, in addition to those mentioned in Note 25 and Schedules E and F, are summarized in the accompanying schedules C and D.

More than half of the Corporation's directors in the board were appointed by the major shareholder, MOTC. Trading conditions are not specifically modified in the transactions between the Corporation and those directly or indirectly managed (controlled) by MOTC. Furthermore, apart from the transactions that had been disclosed, the Corporation do not compile and summarize any other transactions.

The transactions with related parties were conducted under contract terms.

24. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2007	**2006**
Nonoperating assets, net	$ 89,230	$ 89,230
Restricted time deposits (included in other current assets)	-	124,923
Properties, net	-	673,377
	$ 89,230	$ 887,530

25. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 22 and Schedule F, commitments and contingent liability as of December 31, 2007 were as follows:

a. Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts expiring on various dates by September 2012. 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, 2007 was $9,884,428 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2008	$ 4,981,412
2009	1,474,992
2010	1,107,063
2011	859,829
2012	862,164

Rentals after 2013 amount to $814,768 thousand. The present value of those rentals, computed at an annual interest rate of 2.64%, is $681,941 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, 2007 was about $135,388 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2008	$ 256,418
2009	20,070
2010	20,070
2011	6,598

d. Guarantees of build ship agreement, loans obtained and operating needs 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$ 27,635,000
Yang Ming (America) Corp.	Subsidiary	US$ 1,500,000
Yang Ming (Liberia) Corp.	Subsidiary	US$ 436,760,000
United Terminal Leasing LLC	Indirect equity-method investee	US$ 15,238,000
West Basin Container Terminal LLC	Indirect equity-method investee	US$ 15,464,000
Olympic Container Terminal LLC	Subsidiary	US$ 4,700,000

e. The Corporation signed an agreement to acquire containers. As of December 31, 2007, the Corporation has not yet received the containers and thus has not yet made the related payment of US$26,497,000.

f. 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 Corporation had paid $691,544 thousand for this center and is currently awaiting completion of transferring procedure with MOTC Harbor Bureau.

g. At the meetings of their respective boards of directors on February 9, 2007, Yang Ming Marine Transport Corporation and Taiwan Navigation Co., Ltd. (more than half of the directors are identical) 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. However, on December 12, 2007, the board of directors resolved to suspend the proposal of share swap which was further approved by the Securities and Futures Bureau.

   On January 16, 2007, Yang Ming Marine Transport Corporation acquired 9,839 thousand shares of Taiwan Navigation Co., Ltd. from Yunn Wang Investment Co., Ltd. (a wholly-owned subsidiary of Taiwan Navigation Co., Ltd.) in open market by block trade (acquisition amount $271,064 thousand). On March 12, 2007, Yang Ming Marine Transport Corporation acquired 5,211 thousand shares of Yunn Wang Investment Co., Ltd. from Taiwan Navigation Co., Ltd. (acquisition 49.75% of outstanding shares and amount $179,810 thousand).

   As of March 3, 2008, the Corporation, its subsidiaries and investments accounted for using equity method acquired directly or indirectly 75,851 thousand shares (acquisition amount $2,353,547 thousand) of Taiwan Navigation Co., Ltd. representing 18.18% 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: None;

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

	2007		2006	
Line Service	**Amount**	**%**	**Amount**	**%**
U.S. Western coast line	$ 38,500,490	34	$ 32,864,911	36
Northwest European line	21,184,160	19	10,081,831	11
Asia line	16,027,026	14	13,653,851	15
U.S. Eastern coast line	15,982,636	14	14,040,320	15
Mediterranean line	8,716,669	8	10,133,086	13

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

4. Parents and Subisidiaries Financial Reports as of Dec. 31,2007
4.1 INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation (the "Corporation") and its subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2007 of subsidiaries, Yang Ming Line (Singapore) Pte. Ltd., Yang Ming Line Holding Co. and Ming Giant (Shanghai) International Logistics Co., Ltd., and of 2006 of subsidiaries, Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. which were included in the accompanying consolidated financial statements. The combined total assets of these subsidiaries were 3.8% (NT$4,321,088 thousand) and 3.5% (NT$3,375,880 thousand) of the total consolidated assets as of December 31, 2007 and 2006, respectively. The combined total operating revenues of these subsidiaries were 0.6% (NT$772,693 thousand) and 0.2% (NT$244,619 thousand) of the consolidated revenue in 2007 and 2006, respectively. Also, we did not audit the financial statements of West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Netherlands) B.V., Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited (former Chongqing Changming Terminal Stevedoring Company Limited) and Formosa International Development Corporation as of and for the year ended December 31, 2007, and those of Nexus International Express, Inc., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming Italy S.p.A., Yang Ming (Netherlands) B.V., Yang Ming (Vietnam) Corp., Corstor Ltd. and Chang Ming Logistics Company Limited (former Chongqing Changming Terminal Stevedoring Company Limited) as of and for the year ended December 31, 2006, in which the Corporation and consolidated subsidiaries have equity-method investments. As shown in the accompanying balance sheets, the carrying values of these investments were 0.9% (NT$1,022,512 thousand) and 0.7% (NT$700,580 thousand) of the total consolidated assets as of December 31, 2007 and 2006, respectively. The equity in these investees' net income was 1.1% (NT$82,113 thousand) and 5.0% (NT$84,075 thousand) of the consolidated income before income tax in 2007 and 2006, respectively. The financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amount for these subsidiaries and investees included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

March 3, 2008

Notice to Readers

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.2 CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 9,605,600	9	$ 6,154,504	6
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	2,413,912	2	1,721,773	2
Available-for-sale financial assets - current (Notes 2 and 6)	561,136	-	7,506,153	8
Held-to-maturity financial assets - current (Notes 2, 3 and 7)	9,570	-	-	-
Notes receivable, net (Note 2)	131,943	-	10,939	-
Accounts receivable, net of allowance for doubtful accounts of $72,459 thousand and $30,732 thousand at December 31, 2007 and 2006 (Note 2)	4,851,269	4	3,117,913	3
Accounts receivable from related parties (Note 24)	122,711	-	467,727	1
Shipping fuel, net (Note 2)	4,560,873	4	2,383,563	2
Prepaid expenses	959,310	1	683,679	1
Advances to shipping agents	281,813	-	153,917	-
Other current assets (Notes 2, 20 and 25)	564,569	1	485,248	1
Total current assets	24,062,706	21	22,685,416	24
LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 8, 9, 10 and 26)				
Available-for-sale financial assets - noncurrent	4,047,709	4	-	-
Financial assets measured at cost - noncurrent	845,891	1	1,566,636	2
Hedging derivative financial assets - noncurrent	9,172	-	-	-
Held-to-maturity financial assets - noncurrent	-	-	9,617	-
Investments accounted for using equity method	2,356,413	2	1,564,285	1
Cash surrender value of life insurance	11,396	-	6,802	-
Prepayments for long-term investments in stock	-	-	187,754	-
Total long-term investments	7,270,581	7	3,335,094	3
PROPERTIES (Notes 2, 11, 25 and 26)				
Cost				
Land	470,774	-	299,188	-
Buildings	1,181,824	1	1,064,971	1
Containers and chassis	22,523,772	20	22,002,717	23
Ships	51,399,695	46	46,019,623	48
Leased assets	7,956,260	7	7,985,684	8
Leasehold improvements	168,964	-	232,809	-
Miscellaneous equipment	3,766,492	3	3,191,495	4
Total cost	87,467,781	77	80,796,487	84
Accumulated depreciation	28,555,660	25	27,910,917	29
	58,912,121	52	52,885,570	55
Construction in progress	9,291,610	8	5,444,416	6
Net properties	68,203,731	60	58,329,986	61
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 12)	4,067,471	4	2,856,071	3
Nonoperating assets, net (Notes 2, 13 and 25)	230,766	-	260,386	-
Refundable deposits (Notes 11 and 25)	8,365,116	8	7,908,391	8
Deferred charges, net (Note 2)	257,054	-	319,420	1
Advances on long-term rent agreements	292,190	-	297,718	-
Miscellaneous (Note 25)	197,457	-	207,712	-
Total other assets	13,410,054	12	11,849,698	12
TOTAL	$ 112,947,072	100	$ 96,200,194	100

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term debts	$ 100,962	-	$ 79,992	-
Notes payable	185,292	-	21,127	-
Financial liabilities at fair value through profit or loss - current (Notes 2, 3 and 5)	1,944	-	-	-
Payable to related parties (Note 24)	238,501	-	262,145	-
Income tax payable (Notes 2 and 19)	986,588	1	312,273	-
Accrued expenses	8,789,334	8	5,386,662	6
Payable for equipment	1,116,334	1	1,547,846	2
Advances from customers	2,046,528	2	1,605,502	2
Current portion of long-term interest-bearing debts (Notes 2, 11, 14 and 23)	2,400,616	2	5,252,503	5
Payable to shipping agents	3,066,295	3	1,860,793	2
Other current liabilities (Note 2)	421,324	-	249,930	-
Total current liabilities	19,353,718	17	16,578,773	17
LONG-TERM DEBTS, NET OF CURRENT PORTION				
Hedging derivative financial liabilities - noncurrent (Notes 2, 3 and 23)	2,871	-	47,871	-
Bonds (Notes 2 and 14)	18,706,000	17	19,740,000	21
Long-term debts (Notes 14 and 24)	12,580,791	11	5,051,575	5
Capital lease obligations (Notes 2, 11 and 14)	7,325,155	6	7,485,376	8
Total long-term debts	38,614,817	34	32,324,822	34
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	479,639	1	479,639	-
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 17)	1,203,032	1	1,139,436	1
Deferred income tax liabilities - noncurrent (Notes 2 and 20)	2,229,688	2	2,273,429	3
Others (Notes 2, 16 and 25)	171,806	-	194,074	-
Total other liabilities	3,604,526	3	3,606,939	4
Total liabilities	62,052,700	55	52,990,173	55
YANG MING'S EQUITY				
Capital stock - $10 par value				
Authorized - 3,000,000 thousand shares and 2,400,000 thousand shares at December 31, 2007 and 2006				
Issued - 2,328,698 thousand shares and 2,289,835 thousand shares at December 31, 2007 and 2006	23,286,982	21	22,898,344	24
Capital surplus				
Paid-in capital in excess of par value	7,491,127	7	7,286,090	8
Treasury stock transactions	1,480,009	1	1,480,009	1
From long-term equity-method investment	8,872	-	8,876	-
Total capital surplus	8,980,008	8	8,774,975	9
Retained earnings				
Legal reserve	3,212,821	3	3,098,505	4
Special reserve	2,067,513	2	2,074,929	2
Unappropriated earnings	10,889,712	9	5,954,764	6
Total retained earnings	16,170,046	14	11,128,198	12
Other items of stockholders' equity				
Cumulative translation adjustments	100,131	-	168,626	-
Net loss not recognized as pension cost	(38,967)	-	(96,743)	-
Unrealized loss on financial instruments	1,935,242	2	(35,588)	-
Total other items of stockholders' equity	1,996,406	2	36,295	-
Total controlling interest	50,433,442	45	42,837,812	45
MINORITY INTEREST	460,930	-	372,209	-
Total stockholders' equity	50,894,372	45	43,210,021	45
TOTAL	$ 112,947,072	100	$ 96,200,194	100

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

(With Deloitte & Touche audit report dated March 3, 2008)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.3 CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 24)	$ 133,801,232	100	$ 107,298,983	100
OPERATING COSTS (Notes 2, 21 and 24)	121,938,446	91	101,197,275	94
GROSS INCOME	11,862,786	9	6,101,708	6
OPERATING EXPENSES (Notes 21 and 24)				
Selling	5,265,376	4	3,912,632	4
General and administrative	873,501	-	754,716	1
Total operating expenses	6,138,877	4	4,667,348	5
OPERATING INCOME	5,723,909	5	1,434,360	1
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties	2,113,625	2	80,837	-
Interest	634,453	1	576,047	1
Investment gain	365,178	-	213,174	-
Investment income recognized under equity method (Notes 2 and 9)	281,560	-	107,056	-
Valuation gain on financial instruments, net (Notes 2 and 5)	147,693	-	51,134	-
Rent	122,375	-	115,468	-
Foreign exchange gain, net (Note 2)	114,016	-	247,102	1
Others	354,663	-	157,323	-
Total nonoperating income and gains	4,133,563	3	1,548,141	2
NONOPERATING EXPENSES AND LOSSES				
Interest (Notes 11 and 24)	1,663,331	1	1,063,232	1
Impairment loss on financial assets measured at cost (Notes 2 and 8)	671,792	1	10,400	-
Others	149,124	-	228,733	-
Total nonoperating expenses and losses	2,484,247	2	1,302,365	1
INCOME BEFORE INCOME TAX AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	7,373,225	6	1,680,136	2
INCOME TAX EXPENSE (Notes 2 and 20)	1,309,855	1	531,653	1

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2007		2006	
	Amount	**%**	**Amount**	**%**
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	6,063,370	5	1,148,483	1
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAX EXPENSE OF $2,465 THOUSAND (Note 3)	-	-	19,519	-
CONSOLIDATED NET INCOME	$ 6,063,370	5	$ 1,168,002	1
ATTRIBUTABLE TO:				
Controlling interest	$ 6,020,284	5	$ 1,143,155	1
Minority interest	43,086	-	24,847	-
	$ 6,063,370	5	$ 1,168,002	1

	2007		2006	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
CONSOLIDATED EARNINGS PER SHARE (Note 22)				
Basic	$ 3.02	$ 2.60	$ 0.72	$ 0.50
Diluted	$ 3.00	$ 2.58	$ 0.71	$ 0.49

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

(With Deloitte & Touche audit report dated March 3, 2008) (Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.4 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock ($10 Par Value) (Notes 2 and 18)		Capital Surplus (Notes 2 and 18)			Retained Earnings (Notes 2 and 18)			Other Items of Stockholders' Equity (Notes 2, 3 and 18)					
	Shares (Thousands)	Amount	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 19)	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2006	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)	$ 325,658	$ 47,523,638
Adjustment of adopting newly released and revised statements of financial accounting standards	-	-	-	-	-	-	-	-	1,073	-	(32,559)	-	-	(31,486)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	20,204	20,204
Appropriation of 2005 earnings														
Legal reserve	-	-	-	-	-	925,574	-	(925,574)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	925,574	(925,574)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(106,426)	-	-	-	-	-	(106,426)
Cash dividends - $2.5 per share	-	-	-	-	-	-	-	(5,724,586)	-	-	-	-	-	(5,724,586)
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	280,437	-	-	-	-	-	-	-	164,701	-	445,138
Consolidated net income in 2006	-	-	-	-	-	-	-	1,143,155	-	-	-	-	24,847	1,168,002
Increase in the equity in the net assets of equity-method investees resulting from not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	27,787	-	-	-	-	-	-	-	-	27,787
Changes in stockholders' equity accounted for using equity method	-	-	-	-	(29,947)	-	-	-	-	716	4	-	-	(29,227)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(24,063)	-	-	-	6,341	(17,722)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	311	-	-	311
Changes in unrealized loss on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	(3,344)	-	-	(3,344)
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	(57,829)	-	-	-	(57,829)
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(4,841)	(4,841)
Domestic convertible bonds converted into capital stocks and capital surplus	18	177	225	-	-	-	-	-	-	-	-	-	-	402
BALANCE, DECEMBER 31, 2006	2,289,835	22,898,344	7,286,090	1,480,009	8,876	3,098,505	2,074,929	5,954,764	168,626	(96,743)	(35,588)	-	372,209	43,210,021
Effect of changes in consolidated entities since 2007	-	-	-	-	-	-	-	-	-	-	-	-	18,614	18,614
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	1,152	1,152
Appropriation of 2006 earnings														
Legal reserve	-	-	-	-	-	114,316	-	(114,316)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(7,416)	7,416	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(58,478)	-	-	-	-	-	(58,478)
Cash dividends - $0.32 per share	-	-	-	-	-	-	-	(735,682)	-	-	-	-	-	(735,682)
Stock dividends - $0.08 per share	18,392	183,920	-	-	-	-	-	(183,920)	-	-	-	-	-	-
Consolidated net income in 2007	-	-	-	-	-	-	-	6,020,284	-	-	-	-	43,086	6,063,370
Changes in stockholders' equity accounted for using equity method	-	-	-	-	(4)	-	-	(356)	-	-	108,467	-	-	108,107
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(68,495)	-	-	-	38,140	(30,355)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	1,821,734	-	-	1,821,734
Changes in unrealized gain on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	40,629	-	-	40,629
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	57,776	-	-	-	57,776
Domestic convertible bonds converted into capital stock and capital surplus	20,471	204,718	205,037	-	-	-	-	-	-	-	-	-	-	409,755
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(12,271)	(12,271)
BALANCE, DECEMBER 31, 2007	2,328,698	$ 23,286,982	$ 7,491,127	$ 1,480,009	$ 8,872	$ 3,212,821	$ 2,067,513	$ 10,889,712	$ 100,131	$ (38,967)	$ 1,935,242	$ -	$ 460,930	$ 50,894,372

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

(With Deloitte & Touche audit report dated March 3, 2008)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.5 CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 6,063,370	$ 1,168,002
Cumulative effect of changes in accounting principles	-	(19,519)
Income before cumulative effect of changes in accounting principles	6,063,370	1,148,483
Depreciation	5,542,101	4,564,050
Amortization	310,629	209,190
Allowance for doubtful accounts	41,727	-
Provision for pension cost	101,374	113,352
Reversal of allowance for loss on shipping fuel	(56,776)	-
Gain on disposal of financial instruments	(337,714)	(156,578)
Gain on disposal of properties, net	(2,108,865)	(75,173)
Investment income recognized under equity method	(281,560)	(107,056)
Cash dividends received on equity-method investee companies	6,422	18,648
Deferred income taxes	(85,940)	43,099
Valuation gain on financial instruments	(147,693)	(51,134)
Impairment loss on financial assets measured at cost	671,792	10,400
Others	(8,265)	(10,314)
Net changes in operating assets and liabilities		
Financial assets held for trading	(461,964)	716,976
Notes receivable	(121,004)	22,153
Accounts receivable	(1,771,397)	(393,625)
Accounts receivable from related parties	345,016	(108,196)
Other receivable from related parties	-	3,268
Shipping fuel	(2,120,534)	(173,576)
Prepaid expenses	(275,223)	115,509
Advances to shipping agents	(127,896)	28,995
Other current assets	(109,152)	34,608
Financial liabilities held for trading	1,555	-
Notes payable	164,165	3,049
Payables to related parties	(23,644)	(26,751)
Income tax payable	667,463	223,671
Accrued expenses	3,250,171	459,190
Advances from customers	441,026	80,487
Payables to shipping agents	1,205,502	(1,734,167)
Other current liabilities	165,579	(72,606)
Advances on long-term rent agreements	12,004	11,829
Net cash provided by operating activities	10,952,269	4,897,781
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	-	(32,600)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	32,600	465,547
Acquisition of available-for-sale financial assets	(9,565,269)	(36,892,141)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	**2006**
Proceeds from disposal of available-for-sale financial assets	14,391,983	37,061,228
Proceeds of cash dividends from available-for-sale financial assets	129,039	-
Proceeds from disposal of held-to-maturity financial assets	-	33,981
Acquisition of investments accounted for using equity method	(256,656)	(198,756)
Acquisition of financial assets measured at cost	(90,000)	(51,278)
Proceeds from disposal of long-term investment	1,500	11,700
Proceeds from capital reduction of investments in share of stock	146,316	-
Increase in prepayment for long-term investment in stock	-	(187,306)
Acquisition of properties and assets leased to others	(18,576,772)	(15,290,980)
Proceeds from disposal of properties and nonoperating assets	3,409,138	77,019
Increase in cash surrender value of life insurance	(4,594)	(4,326)
Increase in deferred charges	(160,276)	(231,183)
Decrease in refundable deposits	(362,586)	5,591
Decrease (increase) in restricted assets	124,205	(59,046)
Decrease (increase) in other assets	14,271	(16,789)
Effect of first time consolidation of certain subsidiaries	136,261	-
Net cash used in investing activities	(10,630,840)	(15,309,339)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	20,970	76,561
Proceeds from issuance of bonds	-	6,000,000
Repayment of principal of bonds	(3,848,000)	(678,681)
Proceeds from long-term borrowing	8,626,895	5,730,904
Repayments of principal of long-term borrowing	(733,419)	(1,007,255)
Payment of capital lease obligations	(50,070)	(216,332)
Increase (decrease) in other liabilities	(5,737)	19,552
Increase in minority interest	1,666	17,515
Increase in guarantee deposits	1,746	6,511
Cash dividend and employees' bonus paid by Yang Ming	(794,253)	(5,830,995)
Cash dividend paid to minority interest	(12,271)	(4,841)
Net cash provided by financing activities	3,207,527	4,112,939
EFFECT OF EXCHANGE RATE CHANGES	(77,860)	(33,253)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	3,451,096	(6,331,872)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,154,504	12,486,376
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,605,600	$ 6,154,504
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 1,654,520	$ 1,487,109

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Less: Capitalized interest	78,975	107,116
Interest paid (excluding capitalized interest)	$ 1,575,545	$ 1,379,993
Income tax paid	$ 637,502	$ 365,439
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of nonoperating assets into assets leased to others	$ 42,328	$ 47,443
Reclassification of assets leased to others into properties	$ 257,364	$ 71,065
Current portion of interest-bearing long-term debts	$ 2,399,440	$ 5,252,503
Domestic unsecured convertible bonds converted into capital stock and capital surplus	$ 409,755	$ 402
CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS		
Increase in properties and assets leased to others	$18,145,260	$16,160,034
Decrease (increase) in payables for equipment	431,512	(869,054)
	$18,576,772	$15,290,980

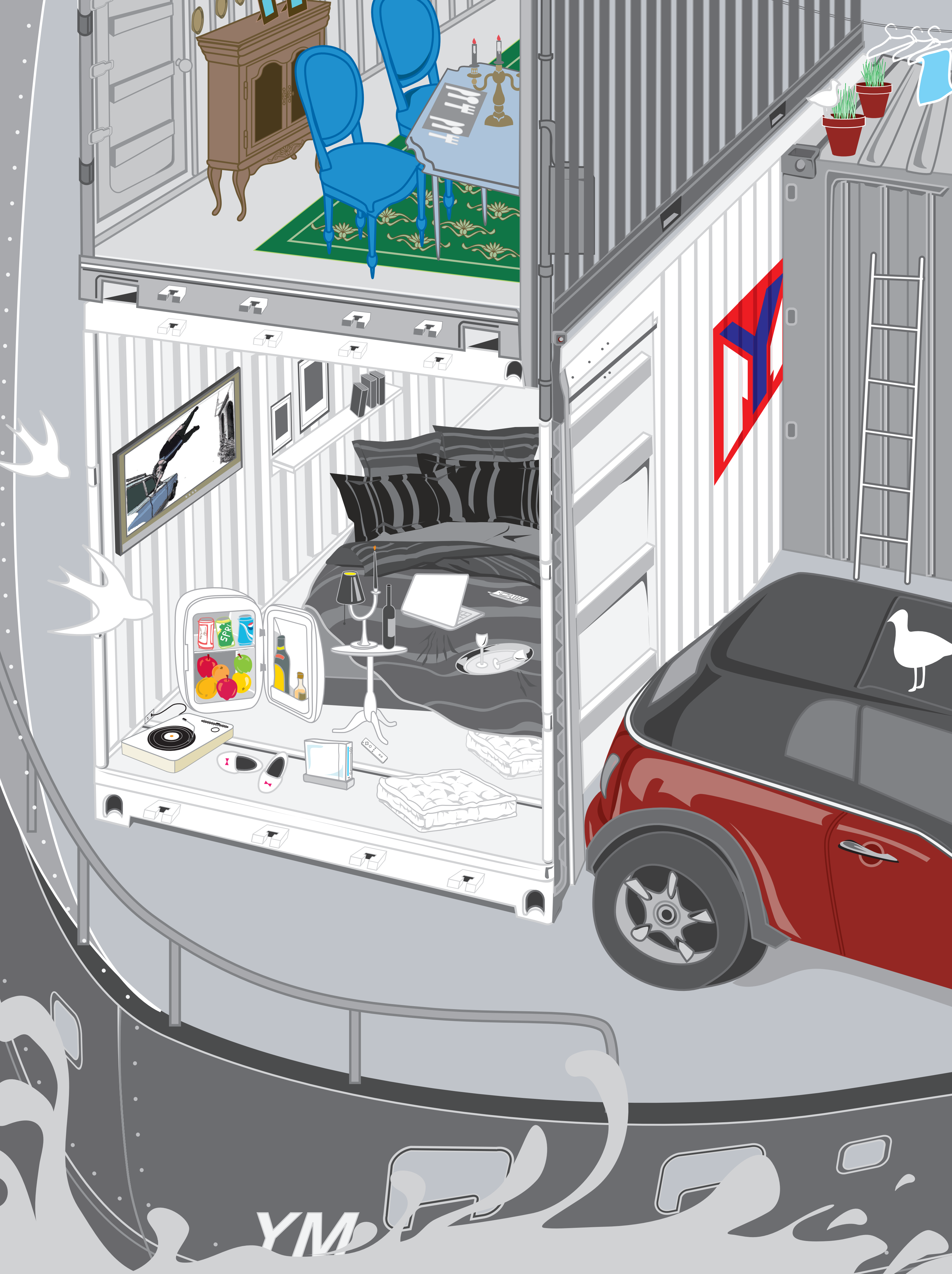
SUPPLEMENTARY INFORMATION ON A SUBSIDIARY ACQUISITION:

In January 2007, Yang Ming Marine Transport Corp. obtained the control of Yang Ming Italy S.p.A.'s; the fair value of total assets and total liabilities at the time of acquisition was as follows:

	Amount
Cash and cash equivalents	$ 136,261
Accounts receivable	3,686
Other receivable	64,071
Deferred income tax assets	1,639
Prepaid expenses	408
Properties, net	8,124
Deferred charges	2,482
Accrued expenses	(152,501)
Income tax payable	(6,852)
Accrued pension liabilities	(13,779)
Other current liabilities	(6,259)
Other liabilities	(410)
	36,870
Percentage of ownership acquired	50%
Cash payment due to merger	$ 18,435

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

(With Deloitte & Touche audit report dated March 3, 2008)



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