

# **Yang Ming Marine Transport Corporation**

**Financial Statements for the  
Six Months Ended June 30, 2006 and 2005 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Yang Ming Marine Transport Corporation

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of June 30, 2006 and 2005 and the related statements of income, changes in stockholders' equity and cash flows for the six months 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.

Except for the matter described in the next paragraph, 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 provide a reasonable basis for our opinion.

We were unable to obtain audited financial statements supporting the Corporation's investments in some equity-method investees with carrying value of NT\$5,807,957 thousand and NT\$4,448,653 thousand as of June 30, 2006 and 2005, respectively, and credit balance of equity-method investees with carrying value of NT\$279,258 thousand as of June 30, 2006. We were unable to satisfy ourselves on the carrying value of the investments in the investees or the equity in their net income by other auditing procedures. The Corporation's equity of (NT\$324,323) thousand and NT\$215,325 thousand in the net income (loss) of these investees was included in the net income for the six months ended June 30, 2006 and 2005, respectively, as stated in Note 8; other information of the Corporation's investments is shown in Note 25 to the financial statements.

In our opinion, except for the effects of such adjustment, if any, as might have been made had we applied audit procedures on the financial statements of investees referred to in preceding paragraph, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers 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 announced ROC Statement of Financial Accounting Standards ("Statements" or SFAS) No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments" and subsequent revision of other Statements.

We have also reviewed the consolidated financial statements of the Corporation and subsidiaries as of and for the six months ended June 30, 2006 and 2005 and have issued a qualified review report dated August 8, 2006.

August 8, 2006

Notice to Readers

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

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

# YANG MING MARINE TRANSPORT CORPORATION

## BALANCE SHEETS

JUNE 30, 2006 AND 2005

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

ASSETS	2006		2005		LIABILITIES AND STOCKHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 4,961,282	6	\$ 8,729,501	11	Payables to related parties (Note 21)	\$ 928,119	1	\$ 1,214,170	2
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	1,417,483	2	642,121	1	Income tax payable (Notes 2 and 17)	275,054	-	312,978	-
Available-for-sale financial assets - current (Notes 2, 3, 6 and 24)	7,510,908	9	12,348,223	15	Accrued expenses	4,582,547	6	3,435,603	4
Notes receivable, net (Note 2)	-	-	350	-	Dividends payable (Note 15)	5,742,584	7	6,852,053	9
Accounts receivable, net of allowance for doubtful accounts of \$46,510 thousand and \$21,954 thousand at June 30, 2006 and 2005 (Note 2)	598,975	1	854,951	1	Payables for equipment	939,177	1	905,944	1
Accounts receivables from related parties (Note 21)	1,600,509	2	1,632,329	2	Advances from customers	1,117,330	2	1,104,669	1
Other receivables from related parties (Note 21)	9,699,634	12	12,893,946	16	Current portion of long-term interest-bearing debts (Notes 2, 12 and 22)	1,841,377	2	808,013	1
Shipping fuel, net (Note 2)	1,991,816	3	1,272,811	2	Payables to shipping agents	1,516,317	2	2,130,273	3
Prepaid expenses (Note 21)	359,227	-	216,309	-	Other current liabilities	189,473	-	75,364	-
Advances to shipping agents (Note 21)	413,117	1	100,074	-	Total current liabilities	17,131,978	21	16,839,067	21
Other current assets (Notes 2, 17 and 21)	95,403	-	436,822	-					
Total current assets	28,648,354	36	39,127,437	48	<b>LONG-TERM DEBTS, NET OF CURRENT PORTION</b>				
					Hedging derivative financial liability - noncurrent (Notes 2, 3 and 24)	70,615	-	-	-
<b>LONG-TERM INVESTMENTS (Notes 2, 3, 5, 6, 7, 8 and 24)</b>					Bonds (Notes 2, 12 and 22)	16,680,000	21	18,264,158	22
Financial assets at fair value through profit or loss - noncurrent	32,434	-	178,100	-	Capital lease obligations (Notes 2, 9 and 12)	330,209	-	470,078	1
Available-for-sale financial assets - noncurrent	-	-	22,331	-	Total long-term debts	17,080,824	21	18,734,236	23
Financial asset measured at holding cost - noncurrent	794,819	1	777,600	1					
Investments accounted for using equity method	17,655,180	22	14,717,360	18	<b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 13)</b>	479,639	1	479,639	-
Total long-term investment	18,482,433	23	15,695,391	19					
<b>PROPERTIES (Notes 2, 9, 22 and 23)</b>					<b>OTHER LIABILITIES</b>				
Cost					Accrued pension liabilities (Notes 2 and 20)	832,978	1	757,764	1
Land	158,624	-	133,014	-	Deferred income tax liabilities - noncurrent (Notes 2 and 17)	2,332,702	3	2,139,775	3
Buildings	626,003	1	549,722	1	Others (Notes 2 and 14)	172,377	-	177,843	-
Containers and chassis	20,669,994	26	17,329,730	21	Total other liabilities	3,338,057	4	3,075,382	4
Ships	6,325,929	8	9,523,148	12	Total liabilities	38,030,498	47	39,128,324	48
Leased containers and chassis	2,041,688	3	2,041,688	3					
Leasehold improvements	209,070	-	209,070	-	<b>STOCKHOLDERS' EQUITY</b>				
Miscellaneous equipment	2,039,047	2	1,748,734	2	Capital stock - \$10 par value				
Total cost	32,070,355	40	31,535,106	39	Authorized - 2,400,000 thousand shares				
Accumulated depreciation	18,037,239	23	16,133,370	20	Issued - 2,289,835 and 2,289,128 thousand shares at June 30, 2006 and 2005	22,898,344	28	22,891,279	28
	14,033,116	17	15,401,736	19	Capital surplus				
Construction in progress	788,710	1	2,941,019	4	Paid-in capital in excess of par value	7,286,090	9	7,276,076	9
Net properties	14,821,826	18	18,342,755	23	Treasury stock transactions	1,474,322	2	930,843	1
					From long-term equity-method investment	11,036	-	11,063	-
<b>OTHER ASSETS</b>					Total capital surplus	8,771,448	11	8,217,982	10
Assets leased to others, net (Notes 2 and 10)	2,846,169	4	2,861,720	4	Retained earnings				
Nonoperating assets, net (Notes 2, 11 and 22)	260,386	-	331,591	-	Legal reserve	3,098,505	4	2,172,931	3
Advances on long-term rent agreements	303,633	-	315,462	-	Special reserve	2,074,929	3	1,149,355	1
Deferred charges, net (Note 2)	48,435	-	111,937	-	Unappropriated earnings	5,841,749	7	8,026,040	10
Long-term receivables from related parties (Note 21)	15,090,285	19	4,438,948	6	Total retained earnings	11,015,183	14	11,348,326	14
Miscellaneous (Notes 22 and 23)	233,903	-	78,389	-	Other items of stockholders' equity				
Total other assets	18,782,811	23	8,138,047	10	Cumulative translation adjustments	109,054	-	(10,823)	-
					Net loss not recognized as pension cost	(39,630)	-	(35,044)	-
<b>TOTAL</b>	<b>\$ 80,735,424</b>	<b>100</b>	<b>\$ 81,303,630</b>	<b>100</b>	Unrealized loss on financial instruments	(46,124)	-	-	-
					Total other items of stockholders' equity	23,300	-	(45,867)	-
					Treasury stocks - 452 and 31,937 thousand shares at June 30, 2006 and 2005	(3,349)	-	(236,414)	-
					Total stockholders' equity	42,704,926	53	42,175,306	52
					<b>TOTAL</b>	<b>\$ 80,735,424</b>	<b>100</b>	<b>\$ 81,303,630</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated August 8, 2006)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF INCOME

**SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

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

	2006		2005	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 21)	\$ 42,265,098	100	\$ 39,586,735	100
OPERATING COSTS (Notes 2, 18 and 21)	<u>41,924,320</u>	<u>99</u>	<u>36,887,244</u>	<u>93</u>
GROSS INCOME	<u>340,778</u>	<u>1</u>	<u>2,699,491</u>	<u>7</u>
OPERATING EXPENSES (Note 18)				
Selling	609,456	2	766,379	2
General and administrative	<u>134,336</u>	<u>-</u>	<u>151,866</u>	<u>1</u>
Total operating expenses	<u>743,792</u>	<u>2</u>	<u>918,245</u>	<u>3</u>
OPERATING INCOME (LOSS)	<u>(403,014)</u>	<u>(1)</u>	<u>1,781,246</u>	<u>4</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of equity method investee companies, net (Notes 2 and 8)	1,919,726	5	3,693,927	9
Interest (Note 21)	321,457	1	197,211	1
Foreign exchange gain, net	54,724	-	-	-
Reversal of allowance for loss on shipping fuel (Note 2)	25,631	-	97,585	-
Valuation gain on financial instruments, net	-	-	648,356	2
Others	<u>160,422</u>	<u>-</u>	<u>126,861</u>	<u>-</u>
Total nonoperating income and gains	<u>2,481,960</u>	<u>6</u>	<u>4,763,940</u>	<u>12</u>
NONOPERATING EXPENSES AND LOSSES				
Interest	391,526	1	401,238	1
Valuation loss on financial instruments, net	35,144	-	-	-
Foreign exchange loss, net	-	-	384,435	1
Loss on disposal of financial instruments	-	-	528,751	1
Others	<u>79,174</u>	<u>-</u>	<u>50,020</u>	<u>-</u>
Total nonoperating expenses and losses	<u>505,844</u>	<u>1</u>	<u>1,364,444</u>	<u>3</u>

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2006 AND 2005

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

	2006		2005	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX FROM OPERATIONS OF CONTINUED SEGMENTS	\$ 1,573,102	4	\$ 5,180,742	13
INCOME TAX EXPENSE (Notes 2 and 17)	<u>559,858</u>	<u>2</u>	<u>392,731</u>	<u>1</u>
NET INCOME FROM OPERATIONS OF CONTINUED SEGMENTS	1,013,244	2	4,788,011	12
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAX EXPENSE OF \$2,222 THOUSAND (Note 3)	<u>16,896</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ 1,030,140</u>	<u>2</u>	<u>\$ 4,788,011</u>	<u>12</u>

	2006		2005	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
BASIC EARNINGS PER SHARE (Note 19)	<u>\$ 0.70</u>	<u>\$ 0.45</u>	<u>\$ 2.31</u>	<u>\$ 2.13</u>
DILUTED EARNINGS PER SHARE (Note 19)	<u>\$ 0.69</u>	<u>\$ 0.45</u>	<u>\$ 2.27</u>	<u>\$ 2.10</u>

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

	2006	2005
NET INCOME FROM OPERATIONS OF CONTINUED SEGMENTS	<u>\$ 1,047,902</u>	<u>\$ 4,795,254</u>
NET INCOME	<u>\$ 1,064,798</u>	<u>\$ 4,795,254</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.47</u>	<u>\$ 2.11</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.46</u>	<u>\$ 2.07</u>

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

(With Deloitte & Touche audit report dated August 8, 2006)

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)**

	Capital Stock (\$10 Par Value, Notes 2 and 15)		Capital Surplus (Notes 2 and 15)				Retained Earnings (Notes 2 and 15)				Other Items of Stockholders' Equity (Notes 2, 3 and 20)				Treasury Stocks (Notes 2 and 16)	Total Stockholders' Equity	
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	From Long-term Equity-method Investment	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain or Loss on Financial Instruments				Total
BALANCE, JANUARY 1, 2006	2,289,817	\$ 22,898,167	\$ 7,285,865	\$ 1,199,572	\$ 11,036	\$ 8,496,473	\$ 2,172,931	\$ 1,149,355	\$ 12,493,769	\$ 15,816,055	\$ 191,616	\$ (39,630)	\$ -	\$ 151,986	\$ (164,701)	\$ 47,197,980	
Adjustment of adopting newly announced and revised statements of financial accounting standards	-	-	-	-	-	-	-	-	-	-	1,073	-	(32,559)	(31,486)	-	(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)	-	-	-	-	-	(106,426)	
Cash dividends - \$2.5 per share	-	-	-	-	-	-	-	-	(5,724,586)	(5,724,586)	-	-	-	-	-	(5,724,586)	
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	274,750	-	274,750	-	-	-	-	-	-	-	-	161,352	436,102	
Net income for the six months ended June 30, 2006	-	-	-	-	-	-	-	-	1,030,140	1,030,140	-	-	-	-	-	1,030,140	
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	(83,635)	-	-	-	(83,635)	-	(83,635)	
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	6,837	6,837	-	6,837	
Changes in unrealized loss on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	-	-	(20,402)	(20,402)	-	(20,402)	
Domestic convertible bonds converted into capital stocks and capital surplus	18	177	225	-	-	225	-	-	-	-	-	-	-	-	-	402	
<b>BALANCE, JUNE 30, 2006</b>	<b>2,289,835</b>	<b>\$ 22,898,344</b>	<b>\$ 7,286,090</b>	<b>\$ 1,474,322</b>	<b>\$ 11,036</b>	<b>\$ 8,771,448</b>	<b>\$ 3,098,505</b>	<b>\$ 2,074,929</b>	<b>\$ 5,841,749</b>	<b>\$ 11,015,183</b>	<b>\$ 109,054</b>	<b>\$ (39,630)</b>	<b>\$ (46,124)</b>	<b>\$ 23,300</b>	<b>\$ (3,349)</b>	<b>\$ 42,704,926</b>	
BALANCE, JANUARY 1, 2005	2,268,755	\$ 22,687,545	\$ 6,986,846	\$ 915,830	\$ 5,816	\$ 7,908,492	\$ 1,193,205	\$ 1,141,939	\$ 11,155,161	\$ 13,490,305	\$ 28,301	\$ (35,717)	\$ (1)	\$ (7,417)	\$ (241,357)	\$ 43,837,568	
Appropriation of 2004 earnings																	
Legal reserve	-	-	-	-	-	-	979,726	-	(979,726)	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	7,416	(7,416)	-	-	-	-	-	-	-	
Bonus to employees	-	-	-	-	-	-	-	-	(101,680)	(101,680)	-	-	-	-	-	(101,680)	
Cash dividends - \$3 per share	-	-	-	-	-	-	-	-	(6,828,310)	(6,828,310)	-	-	-	-	-	(6,828,310)	
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	15,013	-	15,013	-	-	-	-	-	-	-	-	4,943	19,956	
Net income for the six months ended June 30, 2005	-	-	-	-	-	-	-	-	4,788,011	4,788,011	-	-	-	-	-	4,788,011	
Reversal of unrealized loss on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1	
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	(39,124)	-	-	-	(39,124)	-	(39,124)	
Increase in the equity in the net assets of equity-method investees resulting from not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	5,247	5,247	-	-	-	-	-	-	-	-	-	5,247	
Equity-method investees' recognition of net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	-	673	-	673	-	673	
Domestic convertible bonds converted into certificates of conversion of bonds to stocks and capital surplus	20,373	203,734	289,230	-	-	289,230	-	-	-	-	-	-	-	-	-	492,964	
<b>BALANCE, JUNE 30, 2005</b>	<b>2,289,128</b>	<b>\$ 22,891,279</b>	<b>\$ 7,276,076</b>	<b>\$ 930,843</b>	<b>\$ 11,063</b>	<b>\$ 8,217,982</b>	<b>\$ 2,172,931</b>	<b>\$ 1,149,355</b>	<b>\$ 8,026,040</b>	<b>\$ 11,348,326</b>	<b>\$ (10,823)</b>	<b>\$ (35,044)</b>	<b>\$ -</b>	<b>\$ (45,867)</b>	<b>\$ (236,414)</b>	<b>\$ 42,175,306</b>	

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

(With Deloitte & Touche audit report dated August 8, 2006)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,030,140	\$ 4,788,011
Cumulative effect of changes in accounting principle	<u>(16,896)</u>	<u>-</u>
Income before cumulative effect of changes in accounting principle	1,013,244	4,788,011
Depreciation	1,130,633	1,100,843
Amortization	21,067	21,137
Loss (gain) on disposal of financial instruments	(17,644)	528,751
Gain on disposal of properties, net	(27,511)	(11,121)
Provision for pension cost	26,999	31,624
Reversal of allowance for loss on shipping fuel	(25,631)	(97,585)
Equity in net income of equity method investee companies, net	(1,919,726)	(3,693,927)
Cash dividends received on equity-method investee companies	1,918,979	1,682,036
Valuation (gain) loss on financial instruments	35,144	(648,356)
Deferred income taxes	227,557	267,428
Others	7,923	(17,497)
Net changes in operating assets and liabilities		
Financial asset held for trading	(361,312)	119,095
Notes receivable	-	(350)
Accounts receivable	75,111	(126,616)
Accounts receivable from related parties	(89,336)	109,109
Other receivables from related parties	(269,580)	(1,441,513)
Shipping fuel	(289,481)	(345,234)
Prepaid expenses	(73,846)	104,808
Advances to shipping agents	(183,843)	126,269
Other current assets	18,635	(19,455)
Income tax payable	229,584	(813,680)
Payables to related parties	(373,327)	(608,431)
Accrued expenses	74,949	125,206
Payables to shipping agents	(575,339)	(111,172)
Advances from customers	111,895	202,763
Other current liabilities	82,284	150,179
Advances on long-term rent agreements	<u>5,915</u>	<u>5,915</u>
Net cash provided by operating activities	<u>773,343</u>	<u>1,428,237</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in designated as financial assets at fair value through profit or loss	110,675	(264,330)
Acquisition of available-for-sale financial assets	(12,235,075)	(17,157,716)
Proceeds from disposal of available-for-sale financial asset	12,250,325	20,289,286
Acquisition of investments accounted for using equity method	(32,460)	(1,268,107)
Proceeds from disposal of long-term investments	-	8,721
Acquisition of properties and asset leased to others	(4,236,095)	(3,469,487)
Proceeds from disposal of properties and nonoperating assets	213,215	2,363,545
Increase in long-term receivables from related parties	(833,552)	(2,585,401)

(Continued)



# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

	2006	2005
Increase in deferred charges	\$ (1,531)	\$ (55,137)
Increase in other assets	<u>(148,044)</u>	<u>(30,757)</u>
Net cash used in investing activities	<u>(4,912,542)</u>	<u>(2,169,383)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of principal of long-term debts	-	(161,873)
Repayments of principal of bonds	(396,000)	(396,000)
Payments of capital lease obligations	(130,124)	(100,413)
Increase in other liabilities	7,782	1,930
Payment of employees' bonus	<u>(106,422)</u>	<u>(96,919)</u>
Net cash used in financing activities	<u>(624,764)</u>	<u>(753,275)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,763,963)	(1,494,421)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>9,725,245</u>	<u>10,223,922</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,961,282</u>	<u>\$ 8,729,501</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 273,530</u>	<u>\$ 266,547</u>
Income tax paid	<u>\$ 111,265</u>	<u>\$ 687,663</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Reclassification of nonoperating assets into assets leased to others	<u>\$ 47,443</u>	<u>\$ -</u>
Reclassification of assets leased to others into properties	<u>\$ 71,064</u>	<u>\$ -</u>
Reclassification of investment into deduction to long-term receivables from related parties	<u>\$ 67,292</u>	<u>\$ -</u>
Reclassification of properties into assets leased to others	<u>\$ -</u>	<u>\$ 71,276</u>
Current portion of interest-bearing long-term debts	<u>\$ 1,841,377</u>	<u>\$ 808,013</u>
Domestic unsecured convertible bonds converted into capital stock, certificates of bonds convertible to stocks and capital surplus	<u>\$ 402</u>	<u>\$ 492,964</u>
Declaration of cash dividends payable	<u>\$ 5,724,586</u>	<u>\$ 6,828,310</u>
<b>CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS</b>		
Increase in properties and asset leased to others	\$ 4,496,480	\$ 3,752,373
Increase in payables for equipment	<u>(260,385)</u>	<u>(282,886)</u>
	<u>\$ 4,236,095</u>	<u>\$ 3,469,487</u>
<b>PROCEEDS FROM SALE OF PROPERTIES</b>		
Total contracted selling prices	\$ 1,538,439	\$ 1,288,317
Decrease in long-term receivables from related parties	624,269	2,092,781

(Continued)

# YANG MING MARINE TRANSPORT CORPORATION

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2006 AND 2005 (In Thousands of New Taiwan Dollars)

---

	2006	2005
Increase in other receivables from related parties	\$ (1,949,493)	\$ (1,045,084)
Decrease in other current assets	<u>-</u>	<u>27,531</u>
	<u>\$ 213,215</u>	<u>\$ 2,363,545</u>

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

(With Deloitte & Touche audit report dated August 8, 2006)

(Concluded)

# **YANG MING MARINE TRANSPORT CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

**SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

**(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. The MOTC and MOF owned 35.84% and 35.85% of the Corporation's outstanding capital stock as of June 30, 2006 and 2005, respectively.

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

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

As of June 30, 2006 and 2005, the Corporation had 1,235 and 1,243 employees, respectively.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

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

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

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

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

Current assets include unrestricted cash or cash equivalents, assets held mainly for trading and other assets to be converted into cash or consumed within 12 months after the balance sheet date. Current liabilities are obligations to be settled within 12 months after the balance sheet date. All other assets and liabilities are classified as noncurrent.

## **Cash Equivalents**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Shipping Fuel**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation is computed using the straight-line method over the service lives of properties initially estimated as follows (plus one year to represent the estimated salvage value): buildings, 52 to 55 years; containers and chassis, 6 to 8 years; ships, 13 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 5 to 10 years; and miscellaneous equipment, 3 to 18 years. Properties being used by the Corporation beyond their initially estimated service lives are depreciated over their newly estimated remaining service lives.

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

### **Nonoperating Assets**

Nonoperating assets are stated at the lower of the carrying value and net realized value. The related cost and accumulated depreciation are removed from the accounts and the difference is recognized as loss, and nonoperating assets are depreciated on straight method from January 1, 2006.

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

### **Deferred Charges**

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

## **Convertible Bonds**

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

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

## **Pension**

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

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

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

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

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

## **Treasury Stocks**

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

## **Income Tax**

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

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

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

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

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

### **Foreign Currency Transactions**

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

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

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

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

### **Cash Flow Hedge Accounting**

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

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

### **Reclassifications**

Certain accounts in the financial statements as of and for the six months ended June 30, 2005 have been reclassified to be consistent with the presentation of financial statements as of and for the six months ended June 30, 2006.

## **3. CHANGES IN ACCOUNTING PRINCIPLES**

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



a. Effect of adopting the new announcement and revised statements

On the basis of the accounting changes, the Corporation reclassified financial assets and financial liabilities (including derivative instruments). The cumulative effect of changes in accounting principle should be recognized in the current period for adjustments to the carrying values of the financial assets at fair value through profit or loss. The assets or liabilities deferred from profit or loss under the cash flow hedge are reclassified as adjustments to stockholders' equity. In addition, an adjustment from assets or liabilities to stockholders' equity should be made for derivative instruments under the cash flow hedge.

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

The effects of the first time adoption of the statements are as follows:

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

The accounting change decreased income from continuing operations by \$23,242 thousand, decreased net income by \$6,346 thousand, and decreased earnings per share after tax by \$0.002 dollar for the six months ended June 30, 2006.

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

According to the explanation of the Accounting Research and Development Foundation, at the initial adoption of SFAS No. 34, certain accounts in the financial statements for the six months ended June 30, 2005 should be reclassified to conform with the financial statement presentation for the six months ended June 30, 2006. The financial statements shall not be retroactively adjusted.

The accounting policies on the valuation of financial instruments for the six months ended June 30, 2005 are summarized as follows:

1) Short-term investments

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

2) Long-term investments

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

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

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

4) Derivative financial instruments

a) Currency swaps

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

b) Interest rate swaps

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

c) Forward contract transactions

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

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

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

d) Equity-linked notes

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

e) Interest-linked notes

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

f) Credit-linked notes and structured time deposits

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

Based on the new standards, the financial statements as of and for the six months ended June 30, 2005 was reclassified as follows:

	<b>June 30</b>	
	<b>Before</b>	<b>After</b>
	<b>Reclassification</b>	
<u>Balance sheet</u>		
Short-term investments	\$ 12,865,484	\$ -
Investments in shares of stock - cost method	799,931	-
Other current assets	124,860	-
Other assets	178,100	-
Financial assets at fair value through profit or loss - current	-	642,121
Available-for-sale financial assets - current	-	12,348,223
Available-for-sale financial assets - noncurrent	-	22,331
Financial assets measured at holding cost - noncurrent	-	777,600
Financial assets at fair value through profit or loss - noncurrent	-	178,100
	<b>Six Months Ended June 30</b>	
	<b>Before</b>	<b>After</b>
	<b>Reclassification</b>	
<u>Income statement</u>		
Investment gain - reversal of allowance for unrealized losses on short-term investments	648,356	-
Valuation gain on financial instruments, net	-	648,356

#### 4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Cash		
Petty cash and cash on hand	\$ 2,150	\$ 2,194
Checking deposits	93,085	66,642
Demand deposits	2,116,886	2,247,068
Time deposits: Interest - 1.525%-5.35% and 1.525% to 4.55% at June 30, 2006 and 2005	<u>2,295,561</u>	<u>4,374,107</u>
	4,507,682	6,690,011
Cash equivalents		
Commercial paper purchased under resell agreements - interest of 5.50%-5.52% and 3.40%-3.50% at June 30, 2006 and 2005	<u>453,600</u>	<u>2,039,490</u>
	<u>\$ 4,961,282</u>	<u>\$ 8,729,501</u>

There were no deposits due over one year as of June 30, 2006 and 2005.

The overseas deposits as of June 30, 2006 and 2005 are summarized in the accompanying Schedules A and B.

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

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Financial assets held for trading	\$ 1,188,025	\$ 517,261
Designated as financial assets at fair value through profit or loss	<u>229,458</u>	<u>124,860</u>
	<u>\$ 1,417,483</u>	<u>\$ 642,121</u>
a. <u>Financial assets held for trading</u>		
Marketable equity securities	\$ 825,459	\$ 457,003
Mutual funds	362,566	40,258
Convertible bonds	<u>-</u>	<u>20,000</u>
	<u>\$ 1,188,025</u>	<u>\$ 517,261</u>

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

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

There are no outstanding foreign exchange contracts, options and oil swap contract of the Corporation as of June 30, 2006 and 2005.

Net losses arising from financial assets held for trading were NT\$66,081 thousand (including realized settlement losses of NT\$29,247 thousand and valuation losses of NT\$36,834 thousand) for the six months ended June 30, 2006; net gains were \$11,457 thousand (including realized settlement losses of NT\$636,179 thousand and valuation gains of \$647,636 thousand) for the six months ended June 30, 2005.

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
b. <u>Designated as financial assets at fair value through profit or loss</u>		
Credit-linked structured time deposit	\$ 196,596	\$ 208,100
Credit-linked notes	65,296	94,860
Less: Reclassified into noncurrent assets	<u>32,434</u>	<u>178,100</u>
	<u>\$ 229,458</u>	<u>\$ 124,860</u>

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

The Corporation 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 losses arising from designated as financial asset at fair value through profit or loss were \$1,515 thousand (including realized settlement losses of \$11,947 thousand, valuation gains of \$1,690 thousand and interest revenue of \$8,742 thousand) for the six months ended June 30, 2006; net gains were \$5,776 thousand (including realized settlement gains of \$287 thousand and interest revenue \$5,489 thousand) for the six months ended June 30, 2005.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSET

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Current		
Bond fund	<u>\$ 7,510,908</u>	<u>\$ 12,348,223</u>
Noncurrent		
Listed overseas common stock		
Hotung Investment Holding Ltd.	<u>\$ -</u>	<u>\$ 22,331</u>

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

## 7. FINANCIAL ASSET MEASURED AT HOLDING COST

	<b>June 30</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
Common stock with no quoted market prices				
Taipei Port Container Terminal Co., Ltd.	\$ 76,640	10.00	\$ 80,000	10.00
Antwerp International Terminal	<u>58,979</u>	16.33	<u>-</u>	-
	135,619		80,000	
Preferred stock with no quoted market prices				
New Century Infocomm Co., Ltd.	<u>659,200</u>	1.68	<u>697,600</u>	1.68
	<u>\$ 794,819</u>		<u>\$ 777,600</u>	

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

## 8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>June 30</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying Value</b>	<b>% of Ownership</b>	<b>Carrying Value</b>	<b>% of Ownership</b>
All Oceans Transportation, Inc.	\$ 7,915,302	100.00	\$ 6,128,972	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	3,931,921	100.00	4,347,699	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,900,895	100.00	1,082,297	100.00
Ching Ming Investment Co., Ltd.	1,602,070	100.00	938,396	99.99
Chunghwa Investment Co., Ltd.	791,555	40.00	755,461	40.00
Yes Logistics Corp.	477,227	78.93	516,186	78.93
Honming Terminal & Stevedoring Co., Ltd.	350,310	79.17	349,410	79.17
Kuang Ming Shipping Corp.	306,133	100.00	239,333	100.00
Yang Ming Line Holding Co.	238,873	100.00	232,004	100.00
Jing Ming Transportation Co., Ltd.	89,063	50.96	78,347	50.96
Transyang Shipping Pte. Ltd.	51,831	24.99	46,102	24.99
Yang Ming (Liberia) Corp.	<u>(85,912)</u>	100.00	<u>3,153</u>	100.00
	17,569,268		14,717,360	
Add: Investment into deduction to long-term receivables from related parties	<u>85,912</u>		<u>-</u>	
	<u>\$ 17,655,180</u>		<u>\$ 14,717,360</u>	

As of June 30, 2006 and 2005, equity in net income (loss) of investee companies was as follows:

<b>Investee</b>	<b>Six Months Ended June 30</b>	
	<b>2006</b>	<b>2005</b>
All Oceans Transportation, Inc.	\$ 1,927,274	\$ 3,280,412
Yang Ming Line (B.V.I.) Holding Co., Ltd.	51,796	371,768
Ching Ming Investment Co., Ltd.	(42,354)	24,023
Honming Terminal & Stevedoring Co., Ltd.	10,355	11,854

(Continued)

Investee	<u>Six Months Ended June 30</u>	
	2006	2005
Transyang Shipping Pte. Ltd.	\$ 1,020	\$ 10,410
Yang Ming Line Holding Co.	(48,891)	7,578
Kuang Ming Shipping Corp.	27,092	5,408
Jing Ming Transportation Co., Ltd.	4,541	4,124
Yang Ming (Liberia) Corp.	(67,184)	14
Yang Ming Line (Singapore) Pte. Ltd.	47,002	(1,729)
Chunghwa Investment Co., Ltd.	16,001	(2,645)
Yes Logistics Corp.	(6,926)	(17,290)
	<u>\$ 1,919,726</u>	<u>\$ 3,693,927</u>
		(Concluded)

The Corporation's equity in the net income or net loss of Transyang Shipping Pte Ltd. was recognized using the financial statements of the immediately preceding year. Starting from 2005, under the revised ROC Statement of Financial Accounting Standards (SFAS) No. 5, "Long-term Investments in Equity Securities," the Corporation started to recognize its equity in the net income or net loss of Transyang Shipping Pte. Ltd. in the current year. As a result, the equity in its earnings for the six months ended June 30, 2005 included the accounts of audited financial statement as of and for the year ended December 31, 2004 and the accounts of unaudited financial statements as of and for the six months ended June 30, 2005.

The carrying values of the equity-method investments (except those of All Oceans Transportation, Inc. and Yang Ming Line (B.V.I.) Holding Co., Ltd. for the six month ended June 30, 2006 and 2005) were based on unaudited financial statements for the six months ended June 30, 2006 and 2005. The equities in net assets of equity-method investee Yang Ming Line (B.V.I.) Holding Co., Ltd. were partly determined on the basis of the investee's unaudited financial reports as of and for the six months ended June 30, 2006, and therefore the auditors issued a qualified opinion. There were no audited financial statements supporting the Corporation's investments in certain equity-method investees with carrying value of NT\$5,807,957 thousand and NT\$4,448,653 thousand as of June 30, 2006 and 2005, respectively, and credit balance of equity-method investees with carrying value of NT\$279,258 thousand as of June 30, 2006. The Corporation's equity of (\$324,323) thousand and NT\$215,325 thousand in the net income (loss) of these investees was included in the net income for the six months ended June 30, 2006 and 2005, respectively,

Yang Ming (Liberia) Corp. incurred a loss of \$67,184 thousand for the six months ended June 30, 2006, because of huge interest expense on bank loan, which was used to buy vessels. The Corporation committed to support ship building plan of Yang Ming (Liberia) Corp. and settle any of its outstanding debts. The credit balance of \$85,912 thousand on this investment was reclassified as deduction from long-term receivables from related parties.

Under the revised ROC SFAS No. 7, "Consolidated Financial Statements," control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless it can be clearly shown that such ownership does not constitute as a control interest. Thus, the consolidated financial statements as of and for the six months ended June 30, 2006 and 2005 include the accounts of the Corporation and its direct and indirect subsidiaries, except Transyang Shipping Pte. Ltd. and Chunghwa Investment Co., Ltd. The intercompany transactions have been eliminated in consolidation.

## 9. PROPERTIES

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Accumulated depreciation		
Buildings	\$ 86,818	\$ 68,067
Containers and chassis	10,269,956	8,649,898
Ships	4,855,543	5,001,652
Leased containers and chassis	1,654,047	1,410,617
Leasehold improvements	154,936	130,824
Miscellaneous equipment	<u>1,015,939</u>	<u>872,312</u>
	<u>\$ 18,037,239</u>	<u>\$ 16,133,370</u>

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 23. 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 June 30, 2006 and 2005 were as follows:

	<u>June 30</u>			
	<u>2006</u>		<u>2005</u>	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	\$ 17,799	\$ 576,682	\$ 25,960	\$ 820,875
Less: Unamortized interest expense	<u>(1,992)</u>	<u>(64,529)</u>	<u>(3,207)</u>	<u>(101,411)</u>
	<u>\$ 15,807</u>	<u>\$ 512,153</u>	<u>\$ 22,753</u>	<u>\$ 719,464</u>

Depreciation expenses for the six months ended June 30, 2006 and 2005 were \$1,121,167 thousand and \$1,092,140 thousand, respectively.

Insurance for properties, assets leased to others and nonoperating assets as of June 30, 2006 amounted to \$20,806,806 thousand.

## 10. ASSETS LEASED TO OTHERS, NET

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Cost		
Land	\$ 2,061,639	\$ 2,016,043
Buildings	<u>867,023</u>	<u>916,944</u>
	2,928,662	2,932,987
Accumulated depreciation	<u>82,493</u>	<u>71,267</u>
	<u>\$ 2,846,169</u>	<u>\$ 2,861,720</u>

Depreciation expenses for the six months ended June 30, 2006 and 2005 were \$9,466 thousand and \$8,703 thousand, respectively.



## 11. NONOPERATING ASSETS, NET

	<b>June 30</b>	
	<b>2006</b>	<b>2005</b>
Cost		
Land	\$ 260,043	\$ 331,249
Buildings	<u>4,894</u>	<u>5,601</u>
	264,937	336,850
Accumulated depreciation	<u>4,551</u>	<u>5,259</u>
	<u>\$ 260,386</u>	<u>\$ 331,591</u>

## 12. INTEREST-BEARING LONG-TERM DEBTS

	<b>Current</b>	<b>Long-term</b>	<b>Total</b>
<u>June 30, 2006</u>			
Domestic unsecured bonds	\$ 628,000	\$ 14,180,000	\$ 14,808,000
Domestic secured bonds	500,000	2,500,000	3,000,000
Domestic unsecured convertible bonds	527,600	-	527,600
Interest premium - domestic unsecured convertible bonds	3,833	-	3,833
Capital leases (Note 9)	<u>181,944</u>	<u>330,209</u>	<u>512,153</u>
	<u>\$ 1,841,377</u>	<u>\$ 17,010,209</u>	<u>\$ 18,851,586</u>
<u>June 30, 2005</u>			
Unsecured bank loans	\$ 71,597	\$ -	\$ 71,597
Domestic unsecured bonds	396,000	14,808,000	15,204,000
Domestic secured bonds	-	3,000,000	3,000,000
Domestic unsecured convertible bonds	90,600	454,000	544,600
Interest premium - domestic unsecured convertible bonds	430	2,158	2,588
Capital leases (Note 9)	<u>249,386</u>	<u>470,078</u>	<u>719,464</u>
	<u>\$ 808,013</u>	<u>\$ 18,734,236</u>	<u>\$ 19,542,249</u>

### Unsecured Bank Loans

Unsecured bank loans in Japanese yen are repayable in eight quarterly installments from October 2003 to July 2005. Annual interest on the yen loans was 0.4017%, compounded monthly. The Corporation had repaid the total outstanding balance as of July 31, 2005.

### Domestic Unsecured Bonds

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

Other bond features and terms are as follows:

June 2000 Bonds      Type A - Aggregate face value: \$1,200,000 thousand; repayments: 33% - June 1, 2005, 33% - June 1, 2006, and 34% - June 1, 2007; 5.7% annual interest. The Corporation had repaid \$792,000 thousand as of June 30, 2006.

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

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

July 2001 bonds      Repayments: 20% - July 2006, 40% - July 2007, and 40% - July 2008; 4.49% annual interest.

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

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

### **Domestic Secured Bonds**

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

### **Domestic Unsecured Convertible Bonds**

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

- a. Lump-sum payment to the holders upon maturity (in 2008) at 101.256% of the face value;

- b. Conversion by the holders, from November 2003 to 10 days before the due date, into the Corporation's common shares at the prevailing conversion price (NT\$22.60 dollars per share as of June 30, 2006);
- c. Reselling to the Corporation by the holders before maturity. The reselling of Type A bonds starts from August 7, 2005 at face value while that of Type B bonds starts from August 7, 2006 at 100.451% of the face value; or
- d. Redemption by the Corporation, under certain conditions, at face value before bond maturity.

As of June 30, 2006, the 2003 Convertible Bonds with aggregate face value of \$7,472,400 thousand had been converted into 292,446 thousand common shares of the Corporation.

As of June 30, 2006, the Corporation had its credit lines available for long-term bank loans.

### 13. RESERVE FOR LAND VALUE INCREMENT TAX

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

### 14. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Chassis	\$ 19,545	\$ 27,325
Vessel Ming North	<u>6,896</u>	<u>8,045</u>
	<u>\$ 26,441</u>	<u>\$ 35,370</u>

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

### 15. STOCKHOLDERS' EQUITY

- a. Global depositary receipts

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 dollars per unit. The holders of the GDRs may not exchange them for the Corporation's stocks. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the shares represented by the GDRs. As of June 30 2006, there were 4,410,356 units outstanding, representing 44,103,617 shares, 1.93% 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 by way of the depository bank.

b. Capital surplus

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

c. Appropriation of earnings and dividend policy

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

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

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

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

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

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

Because of the conversion of the 2003 Convertible Bonds, the actual cash dividends per share in 2004 was NT\$2.98203 and in 2005 will depends on the actual conversion situation.

For the above appropriation of the 2005 earnings, the board of directors set August 31, 2006 as the effective date of the appropriation.

## 16. TREASURY STOCKS

Reason for Repurchase	Outstanding Shares (Thousands)			End of the Period
	Beginning of the Period	Increase	Decrease	
<u>Six months ended June 30, 2006</u>				
Stocks of the Corporation held by subsidiaries	<u>22,248</u>	<u>-</u>	<u>21,796</u>	<u>452</u>
<u>Six months ended June 30, 2005</u>				
Stocks of the Corporation held by subsidiaries	<u>32,607</u>	<u>-</u>	<u>670</u>	<u>31,937</u>

On January 1, 2002, the Corporation reclassified the shares of the Corporation held by subsidiaries from investments into treasury stocks. The proceeds from the subsidiaries' disposal of these shares were \$436,102 thousand and \$19,956 thousand in 2006 and 2005. As of June 30, 2006 and 2005, the carrying values of the Corporation's shares held by subsidiaries were \$3,349 thousand and \$236,414 thousand, respectively.

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

## 17. INCOME TAX

a. Computation of current income tax was as follows:

	<u>Six Months Ended June 30</u>	
	<u>2006</u>	<u>2005</u>
Tax on pretax income at 25% statutory rate	\$ 393,275	\$ 1,295,185
Add (deduct) tax effects of:		
Permanent differences	(165,718)	(650,981)
Temporary differences	(34,241)	(37,245)
Tax - exempt income	(307,754)	(230,183)
Loss carryforward	114,438	-
Income tax (10%) on undistributed earnings	250,637	-
Income basic tax	<u>24,417</u>	<u>-</u>
Current income tax	<u>\$ 275,054</u>	<u>\$ 376,776</u>

The balance of income tax payable as of June 30, 2005 was net of prepaid income taxes of \$63,798 thousand.

b. Income tax expense consisted of:

	<b>Six Months Ended June 30</b>	
	<b>2006</b>	<b>2005</b>
Income tax expense - current	\$ 275,054	\$ 376,776
Overseas income tax	61,218	-
Income tax expense - deferred		
Temporary differences	341,995	67,060
Loss carryforward	(114,438)	-
Adjustments of prior years' taxes	<u>(3,971)</u>	<u>(51,105)</u>
	<u>\$ 559,858</u>	<u>\$ 392,731</u>

c. Deferred income tax assets (liabilities) as of June 30, 2006 and 2005 consisted of the following

	<b>June 30</b>	
	<b>2006</b>	<b>2005</b>
Current (included in other current assets)		
Deferred income tax assets		
Unrealized loss on allowance for shipping fuel valuation losses	\$ 10,168	\$ 542
Allowance for doubtful accounts	4,816	-
Unrealized foreign exchange loss	1,332	64,676
Others	<u>2,267</u>	<u>4,770</u>
	<u>18,583</u>	<u>69,988</u>
Deferred income tax liabilities		
Unrealized loss on financial instruments	<u>(2,222)</u>	<u>-</u>
	<u>\$ 16,361</u>	<u>\$ 69,988</u>
Noncurrent		
Deferred income tax assets		
Loss carryforward	\$ 114,438	\$ -
Deferred pension cost	113,649	108,162
Unrealized gain on financial instruments	17,654	-
Cumulative equity in net loss of investee	<u>22,164</u>	<u>5</u>
	<u>267,905</u>	<u>108,167</u>
Deferred income tax liabilities		
Cumulative equity in net income of investee	(2,345,367)	(1,988,595)
Differences in estimated service lives of containers	<u>(255,240)</u>	<u>(259,347)</u>
	<u>(2,600,607)</u>	<u>(2,247,942)</u>
	<u>\$ (2,332,702)</u>	<u>\$ (2,139,775)</u>

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

Loss carryforwards as of June 30, 2006 were as follows:

<b>Year of Loss Carryforwards</b>	<b>Total Income Tax Credit</b>	<b>Unused Income Tax Credit</b>	<b>Expiry Year</b>
2006	<u>\$ 114,438</u>	<u>\$ 114,438</u>	2011

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

d. Integrated income tax system information was as follows:

	<b>June 30</b>	
	<b>2006</b>	<b>2005</b>
Balance of the imputation credit account (ICA)	\$ 763,711	\$ 1,378,331
Undistributed earnings generated before 1997	2,064,438	2,064,438

The estimated creditable tax ratio for the 2005 earnings is 9.28%. The actual creditable tax ratio for the 2004 earnings was 13.55%.

The tax credits will be accumulated until the date of dividend distribution. Upon dividend distribution, the ratio of the imputed tax credits to unappropriated earnings will be used for allocating tax credits to each stockholder. The estimated creditable tax ratio for 2005, for which income tax payable had been taken into account, might differ from the actual ratio on the dividend distribution date.

## 18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>Six Months Ended June 30, 2006</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salary	\$ 222,667	\$ 375,925	\$ 598,592
Insurance	11,537	27,027	38,564
Pension	38,596	47,685	86,281
Others	23,471	40,571	64,042
Depreciation	1,077,985	37,767	1,115,752
Amortization	11,874	6,238	18,112
	<u>\$ 1,386,130</u>	<u>\$ 535,213</u>	<u>\$ 1,921,343</u>

	<b>Six Months Ended June 30, 2005</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Personnel expenses			
Salary	\$ 253,200	\$ 526,756	\$ 779,956
Insurance	12,360	25,064	37,424
Pension	28,108	39,135	67,243
Others	25,430	36,853	62,283
Depreciation	1,055,371	31,698	1,087,069
Amortization	11,487	8,874	20,361
	<u>\$ 1,385,956</u>	<u>\$ 668,380</u>	<u>\$ 2,054,336</u>

## 19. EARNINGS PER SHARE

	<b>June 30</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Pretax</b>	<b>After Tax</b>	<b>Pretax</b>	<b>After Tax</b>
<u>Basic EPS</u>				
Income before cumulative effect of change in accounting principles	\$ 0.69	\$ 0.44	\$ 2.31	\$ 2.13
Cumulative effect of changes in accounting principles	<u>0.01</u>	<u>0.01</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 0.70</u>	<u>\$ 0.45</u>	<u>\$ 2.31</u>	<u>\$ 2.13</u>
<u>Diluted EPS</u>				
Income before cumulative effect of change in accounting principles	\$ 0.68	\$ 0.44	\$ 2.27	\$ 2.10
Cumulative effect of changes in accounting principles	<u>0.01</u>	<u>0.01</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 0.69</u>	<u>\$ 0.45</u>	<u>\$ 2.27</u>	<u>\$ 2.10</u>

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

	<u>Amount (Numerator)</u>			<u>Net Income Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>	<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Six months ended June 30, 2006</u>					
Basic EPS	\$ 1,592,220	\$ 1,030,140	2,283,177	<u>\$ 0.70</u>	<u>\$ 0.45</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>657</u>	<u>493</u>	<u>23,350</u>		
Diluted EPS	<u>\$ 1,592,877</u>	<u>\$ 1,030,633</u>	<u>2,306,527</u>	<u>\$ 0.69</u>	<u>\$ 0.45</u>
<u>Six months ended June 30, 2005</u>					
Basic EPS	\$ 5,180,742	\$ 4,788,011	2,245,768	<u>\$ 2.31</u>	<u>\$ 2.13</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>1,011</u>	<u>758</u>	<u>33,885</u>		
Diluted EPS	<u>\$ 5,181,753</u>	<u>\$ 4,788,769</u>	<u>2,279,653</u>	<u>\$ 2.27</u>	<u>\$ 2.10</u>



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

	<u>Amount (Numerator)</u>		<u>Capital Stock (Denominator) (in Thousand Shares)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>Six months ended June 30, 2006</u>					
Pro forma basic EPS	\$ 1,626,878	\$ 1,064,798	2,289,830	<u>\$ 0.71</u>	<u>\$ 0.47</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>657</u>	<u>493</u>	<u>23,350</u>		
Pro forma diluted EPS	<u>\$ 1,627,535</u>	<u>\$ 1,065,291</u>	<u>2,313,180</u>	<u>\$ 0.70</u>	<u>\$ 0.46</u>
<u>Six months ended June 30, 2005</u>					
Pro forma basic EPS	\$ 5,187,985	\$ 4,795,254	2,277,840	<u>\$ 2.28</u>	<u>\$ 2.11</u>
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>1,011</u>	<u>758</u>	<u>33,885</u>		
Pro forma diluted EPS	<u>\$ 5,188,996</u>	<u>\$ 4,796,012</u>	<u>2,311,725</u>	<u>\$ 2.24</u>	<u>\$ 2.07</u>

## 20. PENSION PLAN

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

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

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

Pension plan under the Maritime Labor Law for shipping crews is a defined benefit plan. Before the adoption of the ROC Maritime Labor Law, benefits were based on the amounts stated in the crews' hiring contracts. Under the Law, benefits are based on service years and average basic salary of the six months before retirement.

Pension plan is a defined contribution type scheme, under the Act for onshore employees and shipping crews. Starting on July 1, 2005, the Corporation makes monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries every month. The pension cost under the defined contribution plan was \$9,922 thousand for the six months ended June 30, 2006.

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

Under SFAS No. 18, "Accounting for Pensions," defined benefit pension cost (including the Corporation, All Oceans Transportation, Inc. and Yangming (UK) Ltd.) should be recognized using the actuarial method. Pension expense is recognized based on agreed upon ratio of their consolidated defined benefit pension cost. Other pension information is as follows:

a. Fund changes were as follows:

	<u>Six Months Ended June 30</u>	
	2006	2005
Beginning balance	\$ 264,517	\$ 198,291
Contribution	39,855	27,883
Interest	1,704	-
Payment	<u>(2,468)</u>	<u>(2,663)</u>
Ending balance	<u>\$ 303,608</u>	<u>\$ 223,511</u>

b. Accrued pension costs were as follows:

	<u>Six Months Ended June 30</u>	
	2006	2005
Beginning balance	\$ 796,181	\$ 699,415
Pension cost	87,481	93,968
Contribution	(39,855)	(27,883)
Payment	<u>(10,829)</u>	<u>(7,736)</u>
Ending balance	<u>\$ 832,978</u>	<u>\$ 757,764</u>

## 21. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the six months ended June 30, 2006 and 2005 and the related balances, in addition to those mentioned in Note 23 and Schedules E and F, are summarized in the accompanying schedules C and D.

The transactions with related parties were conducted under contract terms.

## 22. ASSETS PLEDGED OR MORTGAGED

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

	<b>June 30</b>	
	<b>2006</b>	<b>2005</b>
Properties, net	\$ 705,361	\$ 768,809
Nonoperating assets, net	89,230	89,230
Pledged time deposits (included in other assets - others)	<u>123,444</u>	<u>-</u>
	<u>\$ 918,035</u>	<u>\$ 858,039</u>

## 23. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 24 and Schedule F, commitments and contingent liability as of June 30, 2006 were as follows:

- a. Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts expiring on various dates by October 2006. The daily compensation under the contracts is \$273 thousand for all the crews.
- b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until May 2014. The total rents for the six months ended June 30, 2006 were \$7,237,302 thousand, and future minimum rentals are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2006 (July 1, 2006 to December 31, 2006)	\$ 6,105,420
2007	3,322,837
2008	2,732,565
2009	1,939,325
2010	1,349,424

Rentals after 2011 amount to \$1,847,168 thousand. The present value of those rentals, computed at an annual interest rate of 2.06%, is \$1,769,060 thousand.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until May 2011. Rentals for the six months ended June 30, 2006 were about \$122,532 thousand (deducted from leases payable). Future minimum rentals are as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2006 (July 1, 2006 to December 31, 2006)	\$ 89,099
2007	135,221
2008	93,897
2009	20,045
2010	20,045

Rentals after 2011 amount to \$6,590 thousand. The present value of those rentals, computed at an annual interest rate of 2.06%, is \$5,966 thousand.

- d. Guarantee of loans obtained by five subsidiaries, Yang Ming Line (B.V.I.) Holding Co., Ltd. (US\$5,000,000), All Oceans Transportation Inc. (US\$30,350,000), Yang Ming (Liberia) Corp. (US\$221,886,000) and Olympic Container Terminal LLC (US\$4,700,000), Yang Ming (America) Corp. (US\$1,500,000); two indirect equity-method investees, United Terminal Leasing LLC (US\$4,425,000), West Basin Container Terminal LLC (US\$12,168,000).
- e. Agreement between the Corporation and China Shipbuilding Corp. (CSBC) for CSBC to construct eight vessels for US\$179,120,000 for delivery by 2007. As of June 30, 2006, the Corporation had paid US\$87,321,000 to CSBC.
- f. Claim against the Corporation. The buyer of one vessel sold in June 2003 alleged that the Corporation knowingly did not comply with vessel specifications and demanded that the Corporation pay damages of US\$2,800,000. The certificate of deposit of US\$3,810,000 was pledged as arbitration guarantee. No liability was accrued since management and its appointed lawyers believed the Corporation's work was in line with buyer's specifications.
- g. One vessel leased by the Corporation to a third party was alleged to have fuel oil leaks, which caused water pollution. As of June 30, 2006, the Corporation had paid US\$1,000,000 as refundable deposits in line with the ongoing legal proceedings on this case. On the basis of the conservatism principle, the Corporation had accrued a loss of US\$1,000,000.
- h. On April 22, 2005, the board of directors resolved to purchase two vessels at carrying value from All Oceans Transportation Inc. (a subsidiary). The vessels had not been delivered as of June 30, 2006.
- i. The Corporation made an agreement to acquire containers. As of June 30, 2006, the Corporation had not yet received the containers and thus had not yet made the related payment of US\$5,275,000.
- j. An agreement entered into on October 8, 2004 for the Corporation to build the second logistics center in Kaohsiung jointly with the MOTC Harbor Bureau. The center is to be used to package, store, process, transfer and distribute goods. The estimated investment for the logistics center is around \$200,000 thousand. As of June 30, 2006, the Corporation had paid \$43,928 thousand for this center.
- k. On January 20, 2006, the board of directors resolved to sell eight vessels at carrying value to two subsidiaries, All Oceans Transportation Inc. and Yang Ming (Liberia) Corp. Three of these vessels, with aggregated carrying value of \$2,260,766 thousand, were delivered to All Oceans Transportation Inc. on February 7, April 10 and July 3, 2006.

## 24. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

	<b>June 30</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,961,282	\$ 4,961,282	\$ 8,729,501	\$ 8,729,501
Financial assets at fair value through profit or loss - current	1,417,483	1,417,483	642,121	642,121
Available-for-sale financial assets - current	7,510,908	7,510,908	12,348,223	12,348,223
Notes receivable	-	-	350	350

(Continued)

	<b>June 30</b>			
	<b>2006</b>		<b>2005</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Accounts receivable	\$ 598,975	\$ 598,975	\$ 854,951	\$ 854,951
Accounts receivables from related parties	1,600,509	1,600,509	1,632,329	1,632,329
Other receivables from related parties	9,699,634	9,699,634	12,893,946	12,893,946
Advances to shipping agents	413,117	413,117	100,074	100,074
Financial assets at fair value through profit or loss - noncurrent	32,434	32,434	178,100	177,687
Financial asset measured at holding cost - noncurrent	794,818	-	777,600	-
Investments accounted for using equity method	17,655,180	-	14,717,360	-
Available-for-sale financial assets - noncurrent	-	-	22,331	25,256
Long-term receivables from related parties	15,090,285	15,090,285	4,438,948	4,438,948
<b>Liabilities</b>				
Payables to related parties	928,119	928,119	1,214,170	1,214,170
Accrued expenses	4,582,547	4,582,547	3,435,603	3,435,603
Payables to shipping agents	1,516,317	1,516,317	2,130,273	2,130,273
Hedging derivative financial liability - noncurrent	70,615	70,615	458	4,474
Bank loans	-	-	71,597	71,597
Bonds	18,339,433	19,157,763	18,751,188	20,114,827
Yang Ming Line (B.V.I.) Holding Co., Ltd.				
Financial assets at fair value through profit or loss - current	-	-	158,100	157,868

Place of transaction:

<b>Place of Transaction</b>	<b>June 30, 2006</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Financial asset</u>		
Overseas (including foreign institutions in Taiwan )	\$ 261,892	\$ 261,892
<u>Financial liability</u>		
Overseas (including foreign institutions in Taiwan )	70,615	70,615

Place of Transaction	June 30, 2005	
	Carrying Value	Fair Value
<u>Financial asset</u>		
Taiwan	\$ 50,000	\$ 50,423
Overseas (including foreign institutions in Taiwan )	411,060	410,622
<u>Financial liability</u>		
Overseas (including foreign institutions in Taiwan )	458	4,474

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

- b. The methods and assumptions applied in estimating fair values are as follows:
- 1) The fair values of short-term financial instruments (including cash and cash equivalents, notes and accounts receivable, receivables from related parties, advances to shipping agents, payables to related parties, payables to shipping agents) are recorded at their carrying values because of the short maturities of these instruments.
  - 2) If quoted market prices are available, these are used as market value of financial assets at fair value through profit or loss and available-for-sale financial assets. Otherwise, the market value is evaluated by the Corporation using the same estimates and assumptions used by other market participants to value the instruments. These estimation and assumptions are available to the Corporation.  
  
If quoted market prices are available, these are used as market value of derivatives. Otherwise, the market value is evaluated by the Corporation using the same estimates and assumptions used by other market participants to value the derivatives. These estimation and assumptions are available to the Corporation.  
  
The Corporation uses the exchange quotations of the Reuters (or the Associated Press) to calculate market value of each interest rate swap and forward contract based on the related net cash flow and the exchange rate.
  - 3) Financial asset measured at holding cost and investment accounted for using equity method are investments in unlisted stocks which had no market value and will require an amount in excess of reasonable cost to determine fair value, thus, no reliable fair value was determined.
  - 4) Fair values of long-term receivable from related parties, bank loans 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:

	<u>Quoted Price</u>		<u>Estimated Price</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 1,188,025	\$ 517,261	\$ 229,458	\$ 124,860
Available-for-sale financial assets - current	7,510,908	12,348,223	-	-
Available-for-sale financial assets - noncurrent	-	25,256	-	-
Financial asset at fair value through profit or loss - noncurrent	-	-	32,434	177,687
<u>Liabilities</u>				
Hedging derivative financial liabilities - noncurrent	-	-	70,615	4,474

- d. Net gain on changes of the fair value determined using valuation technique is \$1,690 thousand for the six months ended June 30, 2006.
- e. Financial asset and liabilities affected by interest rate were as follows:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Financial Asset</u>	<u>Financial Liabilities</u>	<u>Financial Asset</u>	<u>Financial Liabilities</u>
	<u>Risk of interest rate change</u>			
Fair value risk	\$ 2,660,601	\$ 17,339,433	\$ 6,463,597	\$ 17,751,188
Cash flow risk	2,590,779	1,000,000	2,462,668	1,071,597

- f. A reduction of \$20,402 thousand and an increase of \$6,837 thousand to stockholders' equity of the Corporation were made for derivative financial liabilities designated as hedged items and available-for-sale financial assets for the six months ended June 30, 2006.

- g. Information about financial risks

1) Market risk

For the six months ended June 30, 2006 and 2005, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation and subsidiaries use interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, the Corporation and subsidiaries hedges most of the risks in the market. In addition, the Corporation and subsidiaries evaluate the hedging effectiveness of the contracts periodically.

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

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

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

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

If exchange rate between New Taiwan dollar and foreign currency increase (decrease) 1%, the fair value of foreign currency net asset (liabilities) would decrease (increase) about \$20,000 thousand.

## 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 six months ended June 30, 2006 and 2005. The interest rate swap contracts are settled at net amounts; thus, and the expected cash demand is not significant.

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

## 4) Cash flow risk on interest rate

The Corporation's long-term debt is with floating interest rate. Effective rate and future cash flow of the Corporation will fluctuate as a result of changes in market interest rate. If the market interest rate increases by 1%, the cash outflow will increase by \$10,000 thousand per year.



h. Cash flow hedge

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

Hedged Items	Designated Hedging Instruments Financial Instruments Designated	Fair Value		Expected Period of Cash Flows	Expected Period for Realization of Gains or Losses
		June 30			
		2006	2005		
Bonds with floating interest rate	Interest rate swap	\$ (70,615 )	\$ (4,474 )	2004-2011	2004-2011

## 25. 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: None;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: None;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Schedule I attached;
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Please see Schedule J attached;
- j. Information about derivatives of investees over which the Corporation has a controlling interest: Please see Note 24;
- k. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Schedule K attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.

**YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS  
JUNE 30, 2006**

<b>Country</b>	<b>Currency</b>	<b>Foreign-Currency Amount (Thousands)</b>	<b>New Taiwan Dollar Exchange Rate</b>	<b>New Taiwan Dollar Amount (Thousands)</b>
Japan	USD	(Note)	32.4000	\$ 3
	JPY	\$ 4,948,420	0.2823	1,397,364
Hong Kong	USD	1,303	32.4000	42,220
	HKD	5,181	4.1713	21,611
United States	USD	8,487	32.4000	274,977
Belgium	EUR	1	41.1739	26
Indonesia	USD	174	32.4000	5,652
	IDR	6,341	0.0035	22
Malaysia	USD	9	32.4000	290
	MYR	9	8.8151	81
Britain	USD	1	32.4000	44
	GBP	10	59.3180	566
Germany	USD	(Note)	32.4000	1
	EUR	1	41.1739	28
Italy	USD	157	32.4000	5,077
	EUR	14	41.1739	570
Philippines	USD	1	32.4000	30
	PHP	9,888	0.6095	6,027
Singapore	USD	66	32.4000	2,149
	SGD	2,022	20.4107	41,263
India	INR	26,883	0.7034	18,909
Thailand	THB	175,279	0.8485	148,725
Korea	USD	(Note)	32.4000	2
	KRW	775,290	0.0341	26,469

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

**SCHEDULE B****YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS  
JUNE 30, 2005**

<b>Country</b>	<b>Currency</b>	<b>Foreign-currency Amount (Thousands)</b>	<b>New Taiwan Dollar Exchange Rate</b>	<b>New Taiwan Dollar Amount (Thousands)</b>
Japan	USD	(Note)	31.6200	\$ 3
	JPY	\$ 4,657,110	0.2864	1,333,736
Hong Kong	USD	245	31.6200	7,760
	HKD	3,748	4.0687	15,248
United States	USD	2,240	31.6200	70,822
France	EUR	(Note)	38.1748	31
Belgium	EUR	(Note)	38.1748	8
Netherlands	EUR	11	38.1748	428
Indonesia	USD	97	31.6200	3,053
	IDR	5,613	0.0033	18
Malaysia	USD	13	31.6200	410
	MYR	3,943	8.3221	32,814
Britain	USD	6	31.6200	156
	GBP	716	57.0298	40,835
Germany	USD	(Note)	31.6200	16
	EUR	340	38.1748	12,979
Italy	USD	30	31.6200	950
	EUR	472	38.1748	18,033
Philippines	USD	(Note)	31.6200	10
	PHP	18,579	0.5648	10,494
Singapore	USD	130	31.6200	4,104
	SGD	666	18.7834	12,513
India	INR	19,259	0.7267	13,996
Thailand	THB	192,397	0.7662	147,409
Korea	USD	(Note)	31.6200	3
	KRW	534,659	0.0308	16,494

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

**YANG MING MARINE TRANSPORT CORPORATION**

RELATED PARTY TRANSACTIONS  
SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)

Related Party	Name of Relationship (See Notes Below)	Operating Revenues																Operating Costs				Nonoperating Income and Gains							
		Charter Hire		Agents' Income		Rent of Container		Cargo Transport Revenue		Rent of Container Section		Ship Management		Other Operating Income		Haulage	Others	Interest Income	Rental Income	Sale of Properties									
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%								
<u>2006</u>																													
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 17,967	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-		
All Oceans Transportation, Inc.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,104,163	E	18	-	-	168,941	53	-	-	-	-	1,517,390	K	99
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	99,285	1	-	-	-	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	316,476	3	-	-	-	-	-	-	-	-	
Yang Ming (America) Co.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	801,032	7	-	-	-	-	-	-	-	-	
Yangming (Japan) Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,915	1	-	-	-	-	-	-	-	-	
Young-Carrier Company Limited	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233,889	2	-	-	-	-	-	-	-	-	
Yangming (Cayman) Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	151,510	G	1	-	-	-	-	-	-	-	-	-	-	
Yangming (UK) Ltd.	A	26,639	C	4	42,724	97	266,567	98	-	-	263,944	20	74,082	60	-	1,324,922	J	8	168,361	2	-	-	-	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	184,414	2	-	-	-	-	-	-	-	-	
Yang Ming Line (Hong Kong) Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,542	1	-	-	-	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,797	-	-	-	-	-	-	-	-	-	
Kuang Ming Shipping Corp. (Panama)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	24,808	H	-	-	-	-	-	-	-	-	-	-	-	-	
Yang Ming Line (M) Sdn. Bhd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,787	-	-	-	-	-	-	-	-	-	
Yang Ming Line (India) Pvt. Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,166	-	-	-	-	-	-	-	-	-	
Yang Ming (Vietnam) Corp.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,839	-	-	-	-	-	-	-	-	-	
Yang Ming (Liberia) Corp.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,662	12	-	-	-	-	-	-	
Yang Ming Italy S. p. A.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,269	-	-	-	-	-	-	-	-	-	
Yes Logistics Corp.	A	-	-	-	-	-	91,862	-	-	-	-	-	-	9,231	-	-	-	-	47,420	-	-	-	2,000	-	-	-	-	-	
Yang Ming (Netherlands) B.V.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,724	-	-	-	-	-	-	-	-	-	
West Basin Container Terminal LLC	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,146,127	10	-	-	-	-	-	-	-	-	
Olympic Container Terminal LLC	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,545	1	-	-	-	-	-	-	-	-	
Yang Ming Shipping (B.V.I.) Inc.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,382	1	-	-	-	-	-	-	-	-	
Yang Ming (Korea) Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,059	-	-	-	-	-	-	-	-	-	
		<u>\$ 26,639</u>	<u>4</u>	<u>\$ 42,724</u>	<u>97</u>	<u>\$ 266,567</u>	<u>98</u>	<u>\$ 91,862</u>	<u>-</u>	<u>\$ 263,944</u>	<u>20</u>	<u>\$ 74,082</u>	<u>60</u>	<u>\$ 9,231</u>	<u>-</u>	<u>\$ 4,623,370</u>	<u>27</u>	<u>\$ 3,560,029</u>	<u>31</u>	<u>\$ 207,603</u>	<u>65</u>	<u>\$ 2,000</u>	<u>-</u>	<u>\$ 1,517,390</u>	<u>99</u>				
<u>2005</u>																													
Kuang Ming Shipping Corp.	A	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 18,144	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-		
All Oceans Transportation Inc.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,397,648	F	28	-	-	91,373	46	-	-	-	-	1,274,811	L	99
Honming Terminal & Stevedoring Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,300	1	-	-	-	-	-	-	-	-	-	-	-	
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	403,956	3	-	-	-	-	-	-	-	-	-	-	-	-	
Yang Ming (America) Corp.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	436,414	4	-	-	-	-	-	-	-	-	
Yangming (Japan) Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,072	1	-	-	-	-	-	-	-	-	
Young-Carrier Company Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	226,338	2	-	-	-	-	-	-	-	-	
Yangming (Cayman) Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143,859	G	1	-	-	-	-	-	-	-	-	-	-	
Yangming (U.K.) Ltd.	A	414,006	D	34	34,076	97	342,346	98	-	1,234	-	69,751	59	-	1,155,910	J	7	41,968	-	-	-	-	-	-	-	-	-	-	
Yang Ming Shipping Europe GmbH	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,613	1	-	-	-	-	-	-	-	-	
Yang Ming Line (Hong Kong) Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141,772	1	-	-	-	-	-	-	-	-	
Yangming Shipping (Singapore) Pte. Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,111	-	-	-	-	-	-	-	-	-	
Kuang Ming Shipping Corp. (Panama)	A	-	-	-	-	-	-	-	-	-	-	-	-	-	10,786	I	-	-	-	-	-	-	-	-	-	-	-	-	
Yang Ming Line (M) Sdn. Bhd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,040	-	-	-	-	-	-	-	-	-	
Yang Ming Italy S.p.A.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	54,644	1	-	-	-	-	-	-	-	-	
Yes Logistic Corp.	A	-	-	-	-	-	174,883	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Yang Ming (Netherlands) B.V.	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,797	-	-	-	-	-	-	-	-	-	
Yang Ming Line (India) Pvt. Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,096	-	-	-	-	-	-	-	-	-	
West Basin Container Terminal LLC	B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,065,298	10	-	-	-	-	-	-	-	-	
		<u>\$ 414,006</u>	<u>34</u>	<u>\$ 34,076</u>	<u>97</u>	<u>\$ 342,346</u>	<u>98</u>	<u>\$ 174,883</u>	<u>-</u>	<u>\$ 1,234</u>	<u>-</u>	<u>\$ 69,751</u>	<u>59</u>	<u>\$ -</u>	<u>\$ 6,220,603</u>	<u>40</u>	<u>\$ 2,248,163</u>	<u>20</u>	<u>\$ 91,373</u>	<u>46</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 1,274,811</u>	<u>99</u>					

(Continued)

- Notes:
- A. Subsidiary of the Corporation.
  - B. An equity-method investee of subsidiary of the Corporation.
  - C. Lease of 1 ship to Yangming (U.K.) Ltd. from January 11, 2006 to March 7, 2006; rent is receivable monthly.
  - D. Lease of 2 ships to Yangming (U.K.) Ltd. expiring on various dates until July 12, 2005; rent is receivable monthly.
  - E. Lease of 30 ships from All Oceans Transportation Inc. under several agreements expiring on various dates until September 2009; rent is payable monthly.
  - F. Lease of 29 ships from All Oceans Transportation Inc. under several agreements expiring on various dates until July 2006; rent is payable monthly.
  - G. Lease of one ship from Yang Ming (Cayman) Ltd. under an agreement expiring on June 30, 2012; rent is payable quarterly.
  - H. Lease of one ship from Kuang Ming Shipping Corp. (Panama) under an agreement expiring on December 31, 2006; rent is payable monthly.
  - I. Lease of one ship from Kuang Ming Shipping Corp. (Panama) under an agreement expiring on December 31, 2005; rent is payable monthly.
  - J. Lease of containers from Yangming (U.K.) Ltd. under several agreements expiring on various dates until December 2006; rent is receivable monthly.
  - K. Sale of two ships to All Oceans Transportation Inc. in February and April of 2006 at book value.
  - L. Sale of two ships to All Oceans Transportation Inc. in January and March of 2005 at book value.
  - M. Other related parties, with which the Corporation had no transactions for the six months ended June 30, 2006, are listed in Schedule J.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION

RELATED-PARTY ACCOUNT BALANCES  
JUNE 30, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties						Advances to Shipping Agents		Prepaid Expense		Long-term Receivable from Related Parties		Payables to Related Parties							
		Accounts Receivables		Other Receivables		Total		Amount	%	Amount	%	Amount	%	Accrued Expense		Payables to Shipping Agents		Receipts under Custody		Total	
		Amount	%	Amount	%	Amount	%							Amount	%	Amount	%	Amount	%	Amount	%
<b>2006</b>																					
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 760	-	\$ 760	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation, Inc.	A	-	-	7,659,633	D 68	7,659,633	68	-	-	-	-	10,693,428	G 71	-	-	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	43,311	5	-	-	-	-	-	43,311
Yang Ming (America) Co.	A	35,639	-	-	-	35,639	-	-	-	-	-	-	-	-	-	41,040	4	-	-	-	41,040
Yangming (Japan) Co., Ltd.	A	4,075	-	-	-	4,075	-	-	-	-	-	-	-	-	-	90,811	10	-	-	-	90,811
Yang Ming Line Holding Co.	A	-	-	20,091	-	20,091	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Young-Carrier Company Limited	A	694,910	6	-	-	694,910	6	-	-	-	-	-	-	-	-	268,220	29	-	-	-	268,220
Yangming (UK) Ltd.	A	101,694	-	1,953,402	F 17	2,055,096	17	123,124	30	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Shipping Europe GmbH	A	125,110	1	-	-	125,110	1	10,383	3	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line (Hong Kong) Ltd.	A	60,338	1	-	-	60,338	1	-	-	-	-	-	-	-	-	196,352	21	-	-	-	196,352
Yangming Shipping (Singapore) Pte. Ltd.	A	82	-	-	-	82	-	-	-	-	-	-	-	-	-	33,682	4	-	-	-	33,682
Yang Ming Line (M) Sdn. Bhd.	A	58,262	1	-	-	58,262	1	-	-	-	-	-	-	-	-	67,223	7	-	-	-	67,223
Yes Logistics Corp.	A	10,429	-	4,847	-	15,276	-	-	-	-	-	-	-	851	-	-	-	-	-	-	851
Yang Ming Italy S. p. A.	B	275,348	3	-	-	275,348	3	-	-	-	-	-	-	-	-	44,578	5	-	-	-	44,578
Yang Ming (Korea) Co., Ltd.	A	120,076	1	-	-	120,076	1	-	-	-	-	-	-	-	-	7,000	1	-	-	-	7,000
Yang Ming (Netherlands) B.V.	B	49,407	1	-	-	49,407	1	16,961	4	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	1,340,113	E 9	-	-	-	-	-	-	-	-
Yang Ming (Vietnam) Corp.	B	33,400	-	-	-	33,400	-	3,200	-	-	-	-	-	-	-	85,811	9	-	-	-	85,811
Yang Ming Line (India) Pvt. Ltd.	A	31,739	-	-	-	31,739	-	-	-	-	-	-	-	-	-	49,240	5	-	-	-	49,240
Yang Ming (Liberia) Corp.	A	-	-	56,470	1	56,470	1	-	-	-	-	3,056,744	H 20	-	-	-	-	-	-	-	-
Kuang Ming Shipping Corp. (Panama)	A	-	-	375	-	375	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	J	-	-	4,056	-	4,056	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>\$ 1,600,509</u>	<u>14</u>	<u>\$ 9,699,634</u>	<u>86</u>	<u>\$ 11,300,143</u>	<u>100</u>	<u>\$ 153,668</u>	<u>37</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 15,090,285</u>	<u>100</u>	<u>\$ 44,162</u>	<u>5</u>	<u>\$ 883,957</u>	<u>95</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 928,119</u>	<u>100</u>
<b>2005</b>																					
Kuang Ming Shipping Corp.	A	\$ -	-	\$ 1,071	-	\$ 1,071	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
All Oceans Transportation Inc.	A	-	-	10,576,790	D 73	10,576,790	73	-	-	-	-	4,438,948	G 100	-	-	-	-	-	-	-	-
Jing Ming Transportation Co., Ltd.	A	-	-	-	-	-	-	-	-	-	-	-	-	97,591	8	-	-	-	-	-	97,591
Yang Ming (America) Corp.	A	30,266	-	-	-	30,266	-	19,394	19	-	-	-	-	-	-	-	-	-	-	-	-
Yangming (Japan) Co., Ltd.	A	6,297	-	-	-	6,297	-	-	-	-	-	-	-	-	-	130,113	11	-	-	-	130,113
Yang Ming Line Holding Co.	A	-	-	62,294	-	62,294	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Young-Carrier Company Ltd.	A	777,450	5	-	-	777,450	5	-	-	-	-	-	-	-	-	418,691	34	-	-	-	418,691
Yangming (Cayman) Ltd.	A	-	-	-	-	-	-	-	-	2,656	1	-	-	-	-	-	-	-	-	-	-
Yangming (U.K.) Ltd.	A	142,367	1	1,339,423	F 10	1,481,790	11	-	-	-	-	-	-	-	-	81,510	7	-	-	-	81,510
Yang Ming Shipping Europe GmbH	A	118,402	1	-	-	118,402	1	-	-	-	-	-	-	-	-	41,685	3	-	-	-	41,685
Yang Ming Line (Hong Kong) Ltd.	A	76,182	1	-	-	76,182	1	-	-	-	-	-	-	-	-	274,401	23	-	-	-	274,401
Yangming Shipping (Singapore) Pte. Ltd.	A	8,337	-	-	-	8,337	-	-	-	-	-	-	-	-	-	40,778	3	-	-	-	40,778
Kuang Ming Shipping Corp. (Panama)	A	-	-	427	-	427	-	-	-	-	-	-	-	-	-	-	-	-	1,678	I	1,678
Yang Ming Line (M) Sdn. Bhd.	A	39,044	-	-	-	39,044	-	-	-	-	-	-	-	-	-	60,923	5	-	-	-	60,923
Yes Logistics Corp.	A	51,141	-	4,846	-	55,987	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Italy S.p.A.	B	265,579	2	-	-	265,579	2	-	-	-	-	-	-	-	-	66,800	6	-	-	-	66,800
Yang Ming (Netherlands) B.V.	B	73,346	1	-	-	73,346	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(Continued)

Related Party	Nature of Relationship (See Notes Below)	Receivables from Related Parties										Payables to Related Parties									
		Accounts Receivables		Other Receivables		Total		Advances to Shipping Agents		Prepaid Expense		Long-term Receivable from Related Parties		Accrued Expense		Payables to Shipping Agents		Receipts under Custody		Total	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	\$ -	-	\$ 858,799	E 6	\$ 858,799	6	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Transyang Shipping Pte. Ltd.	C	-	-	47,721	E	47,721	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming (Vietnam) Corp.	B	39,750	-	-	-	39,750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Line (India) Pvt. Ltd.	A	4,168	-	-	-	4,168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	K	-	-	2,575	-	2,575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		<u>\$ 1,632,329</u>	<u>11</u>	<u>\$12,893,946</u>	<u>89</u>	<u>\$ 14,526,275</u>	<u>100</u>	<u>\$ 19,394</u>	<u>19</u>	<u>\$ 2,656</u>	<u>1</u>	<u>\$ 4,438,948</u>	<u>100</u>	<u>\$ 97,591</u>	<u>8</u>	<u>\$ 1,114,901</u>	<u>92</u>	<u>\$ 1,678</u>	<u>-</u>	<u>\$ 1,214,170</u>	<u>100</u>

- Notes:
- A. Subsidiary of the Corporation
  - B. An equity-method investee of subsidiary of the Corporation.
  - C. An equity-method investee of the Corporation.
  - D. Including dividends receivable and the amount of proceeds from disposal of ships.
  - E. Dividends receivable.
  - F. Represents freight expense paid and held on behalf of Yangming (UK) Ltd.
  - G. The amount of proceeds from disposal of ships.
  - H. Including the amount of proceeds from disposal of ships and financing provided (Schedule E).
  - I. Represents rent revenue received and held on behalf of Kuang Ming Shipping Corp. (Panama)
  - J. Other related parties with individual balances less than 5% of the total of their respective accounts, including those of Yang Ming Cultural Foundation (the Corporation's donation is equal to the foundation's capital), Ching Ming Investment Corp. (a subsidiary of the Corporation) and Yang Ming Line B.V. (a subsidiary of the Corporation).
  - K. Other related parties with individual balances less than 5% of the total of their respective accounts, including those of Ching Ming Investment Corp. (a subsidiary of the Corporation) and Yang Ming Line B.V. (a subsidiary of the Corporation).
  - L. The receivables for proceeds from disposal of ships from All Oceans Transportation Inc. (a subsidiary) will be offset by rentals payable periodically.
  - M. Other related parties, with which the Corporation had no transactions for the six months ended June 30, 2006, are listed in Schedule J.

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES**

**FINANCING PROVIDED**

**JUNE 30, 2006**

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

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Year (Note H)	Ending Balance (Note H)	Interest Rate	Nature of Financing (Note A)	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
0	Yang Ming Marine Transport Corporation	Yang Ming (Liberia) Corp.	Long-term receivables	\$ 1,026,432 (US\$ 31,680,000)	\$ 1,026,432 (US\$ 31,680,000)	4.27%	2	\$ -	Acquisition of ships	\$ -	-	\$ -	\$ 2,135,246 (Note C)	\$ 17,081,970 (Note B)
1	Yang Ming (America) Corp.	Olympic Container Terminal LLC	Other receivables	194,400 (US\$ 6,000,000)	194,400 (US\$ 6,000,000)	4.00%	2	-	Obtain working capital	-	-	-	330,480 (Note G)	388,800
2	Yang Ming Shipping (B.V.I.) Inc.	Karman Properties Limited	Other receivables	101,300 (HK\$ 24,285,000)	101,300 (HK\$ 24,285,000)	-	2	-	Acquisition of office building	-	-	-	390,306 (Note E)	487,883 (Note D)
3	Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Line (India) Pvt. Ltd.	Other receivables	7,776 (US\$ 240,000)	7,776 (US\$ 240,000)	2.80%	2	-	Obtain working capital	-	-	-	950,447 (Note F)	1,900,895 (Note D)
	Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming (Korea) Co., Ltd.	Other receivables	16,200 (US\$ 500,000)	16,200 (US\$ 500,000)	5.14%	2	-	Obtain working capital	-	-	-	950,447 (Note F)	1,900,895 (Note D)
4	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line B.V.	Other receivables	35,665 (Note H)	35,665 (Note H)	1.50%-3.50%	2	-	Investment in Yang Ming Italy S.p.A., Yangming (UK) Ltd. and Yang Ming Shipping Europe GmbH	-	-	-	3,145,537 (Note E)	3,931,921 (Note D)

Notes:

A. Nature of Financing:

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

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

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

D. Represents the lender's net asset value.

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

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

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

H. Equivalent to GBP300,000 and EUR434,000 translated into New Taiwan dollars at the exchange rate of GBP1=NT\$59.3180 and EUR1=NT\$41.1739 as of June 30, 2006.

I. United States dollars and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.40 and HK\$1=NT\$4.1713 as of June 30, 2006.

J. Financial statements used as basis of investment amounts were unaudited, except Yang Ming Line (B.V.I.) Holding Co., Ltd.



**YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES**

**ENDORSEMENT/GUARANTEE PROVIDED**

**JUNE 30, 2006**

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

No.	Guarantor	Guaranteed Party		Maximum Amount of Guarantee to Individual Guaranteed Parties	Maximum Balance for the Year (Note G)	Ending Balance (Note G)	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Amount of Guarantee that Can be Provided by the Guarantor
		Name	Nature of Relationship						
0	Yang Ming Marine Transport Corporation	Yang Ming (America) Corp.	Subsidiary	\$ 18,318,675 (Note B)	\$ 48,600 (US\$ 1,500,000)	\$ 48,600 (US\$ 1,500,000)	\$ -	0.11%	\$ 22,898,344 (Note A)
		All Oceans Transportation, Inc.	Subsidiary	18,318,675 (Note B)	1,988,558 (US\$ 61,375,000)	983,350 (US\$ 30,350,000)	-	2.30%	22,898,344 (Note A)
		Yang Ming Line (B.V.I) Holding Co., Ltd.	Subsidiary	18,318,675 (Note B)	162,000 (US\$ 5,000,000)	162,000 (US\$ 5,000,000)	-	0.38%	22,898,344 (Note A)
		Yang Ming (Liberia) Corp.	Subsidiary	18,318,675 (Note B)	7,954,848 (US\$245,520,000)	7,189,107 (US\$221,886,000)	-	16.83%	22,898,344 (Note A)
		United Terminal Leasing LLC	Equity-method investee of subsidiary	18,318,675 (Note B)	180,695 (US\$ 5,577,000)	143,370 (US\$ 4,425,000)	-	0.34%	22,898,344 (Note A)
		West Basin Container Terminal LLC	Equity-method investee of subsidiary	18,318,675 (Note B)	425,449 (US\$ 13,131,000)	394,247 (US\$ 12,168,000)	-	0.92%	22,898,344 (Note A)
		Olympic Container Terminal LLC	Subsidiary	18,318,675 (Note B)	152,280 (US\$ 4,700,000)	152,280 (US\$ 4,700,000)	-	0.36%	22,898,344 (Note A)
		1	Yang Mine Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee of subsidiary	466,560 (Note D)	9,853 (US\$ 304,000)	8,259 (US\$ 255,000)	-
2	Yes Logistics Corp.	Yes Logistics (UK) Ltd.	Subsidiary	350,000 (Note F)	8,898 (GBP 150,000)	8,898 (GBP 150,000)	-	0.02%	700,000 (Note E)
3	Yang Ming Line (Hong Kong) Ltd.	Karman Properties Limited	Subsidiary	66,740 (Note H)	46,720 (HK\$11,200,000)	44,938 (HK\$10,773,000)	-	0.11%	83,426 (Note G)

Notes:

- A. Represents 100% of the paid-in capital of Yang Ming Marine Transport Corporation (the "Corporation").
- B. Represents 80% of the Corporation's paid-in capital.
- C. Represents US\$18,000,000.
- D. Represents 80% of the amount mentioned in Note C.
- E. Represents 100% of the paid-in capital of Yes Logistics Corp.
- F. Represents 50% of the amount mentioned in Note E.
- G. Represents HK\$20,000,000.
- H. Represents 80% of the amount mentioned in Note G.
- I. United States dollars, Great Britain's currency and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.40, GBP\$1=NT\$59.3180 and HKD\$1=NT\$4.1713 on June 30, 2006.
- J. Based on unaudited financial statements.

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

## MARKETABLE SECURITIES HELD

JUNE 30, 2006

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Yang Ming Marine Transport Corporation	<u>Common stock</u> Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	Investments accounted for using equity method	103,505,031	\$ 3,931,921	100.00	\$ 3,931,921	
	Yang Ming Line (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for using equity method	60,130,000	1,900,895	100.00	1,900,895	
	Yes Logistics Corp.	Subsidiary	Investments accounted for using equity method	55,251,100	477,227	78.93	477,227	
	Honming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for using equity method	31,667,630	350,310	79.17	350,310	
	Kuang Ming Shipping Corp.	Subsidiary	Investments accounted for using equity method	24,000,000	306,133	100.00	306,133	
	All Oceans Transportation, Inc.	Subsidiary	Investments accounted for using equity method	1,000	7,915,302	100.00	7,915,302	
	Yang Ming Line Holding Co.	Subsidiary	Investments accounted for using equity method	13,500	238,873	100.00	238,873	
	Jing Ming Transportation Co., Ltd.	Subsidiary	Investments accounted for using equity method	7,123,750	89,063	50.96	89,063	
	Ching Ming Investment Corp.	Subsidiary	Investments accounted for using equity method	150,000,000	1,602,070	100.00	1,610,395	Note G
	Yang Ming (Liberia) Corp.	Subsidiary	Investments accounted for using equity method	500	(85,912)	100.00	(85,912)	Note V
	Chunghwa Investment Co., Ltd.	Equity-method investee	Investments accounted for using equity method	80,000,000	791,555	40.00	791,555	
	Transyang Shipping Pte. Ltd.	Equity-method investee	Investments accounted for using equity method	686	51,831	24.99	51,831	
	Taipei Port Container Terminal Co., Ltd.	-	Financial asset measured at holding cost - noncurrent	8,000,000	76,640	10.00	-	
	Antwerp International Terminal	-	Financial asset measured at holding cost - noncurrent	1,460,030	58,979	16.33	-	
	Oriental Union Chemical Corp.	-	Financial assets at fair value through profit or loss - current	1,351,000	29,114	0.18	29,114	
	Gemtek Technology Co., Ltd	-	Financial assets at fair value through profit or loss - current	2,300,000	128,800	1.24	128,800	
	Ta Chong Bank Ltd.	-	Financial assets at fair value through profit or loss - current	2,427,538	21,362	0.13	21,362	
	Taiwan Green Point Enterprises Co., Ltd.	-	Financial assets at fair value through profit or loss - current	500,000	36,900	0.20	36,900	
	Radiant Opto-Electronics Corp.	-	Financial assets at fair value through profit or loss - current	185,000	5,976	0.05	5,976	
	Delta Electronics, Inc.	-	Financial assets at fair value through profit or loss - current	630,000	57,960	0.03	57,960	
	Asustek Computer Inc.	-	Financial assets at fair value through profit or loss - current	475,000	37,763	0.02	37,763	
	Chipbond Technology Corporation	-	Financial assets at fair value through profit or loss - current	340,000	10,914	0.13	10,914	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets at fair value through profit or loss - current	1,116,991	65,232	-	65,232	
	MediaTek Inc.	-	Financial assets at fair value through profit or loss - current	140,000	42,000	0.02	42,000	
	Hon Hai Precision Ind. Co., Ltd.	-	Financial assets at fair value through profit or loss - current	370,000	74,000	0.01	74,000	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	Acer Incorporated	-	Financial assets at fair value through profit or loss - current	906,085	\$ 51,556	0.04	\$ 51,556	
	Chi Mei Optoelectronics Corporation	-	Financial assets at fair value through profit or loss - current	1,400,000	50,330	0.02	50,330	
	Powertech Technology Inc.	-	Financial assets at fair value through profit or loss - current	480,000	46,128	0.12	46,128	
	Tera Autotech Corporation	-	Financial assets at fair value through profit or loss - current	88,000	7,612	0.15	7,612	
	Formosa Chemicals & Fibre Corporation	-	Financial assets at fair value through profit or loss - current	530,000	26,500	0.01	26,500	
	Formosa Plastics Corporation	-	Financial assets at fair value through profit or loss - current	600,000	29,460	0.01	29,460	
	Shihlin Electric & Engineering Corp.	-	Financial assets at fair value through profit or loss - current	690,000	23,460	0.13	23,460	
	Motech Industries Inc	-	Financial assets at fair value through profit or loss - current	3,000	2,286	-	2,286	
	Novatek Microelectronics Corp.	-	Financial assets at fair value through profit or loss - current	202,248	31,753	0.04	31,753	
	Taiwan Cooperative Bank	-	Financial assets at fair value through profit or loss - current	252,000	5,758	0.01	5,758	
	K Laser Technology Inc.	-	Financial assets at fair value through profit or loss - current	50,000	1,105	0.04	1,105	
	Polaris Taiwan Top 50 Tracher Fund	-	Financial assets at fair value through profit or loss - current	350,000	18,585	-	18,585	
	Kinsus Interconnect Technology Corp.	-	Financial assets at fair value through profit or loss - current	64,000	6,400	0.02	6,400	
	Xxentria Technology Materials Co., Ltd	-	Financial assets at fair value through profit or loss - current	150,000	6,548	0.26	6,548	
	Tatung System Technologies Inc.	-	Financial assets at fair value through profit or loss - current	90,000	2,430	0.16	2,430	
	Yorkey Optical Intl Cayman	-	Financial assets at fair value through profit or loss - current	500,000	5,527	0.25	5,527	
	<u>Mutual fund</u>							
	Yuanta Asset Management Ltd. - Certificate Wintek	-	Financial assets at fair value through profit or loss - current	1,206,280	35,645	-	35,645	
	Yuanta Asset Management Ltd. - Certificate Tcbank	-	Financial assets at fair value through profit or loss - current	2,853,720	25,113	-	25,113	
	Yuanta Asset Management Ltd. - Certificate Chipbond	-	Financial assets at fair value through profit or loss - current	750,740	24,099	-	24,099	
	Yuanta Asset Management Ltd. - Certificate Novatek	-	Financial assets at fair value through profit or loss - current	158,732	24,921	-	24,921	
	The First Global Investment Trust Asia Pacific Growth Fund	-	Financial assets at fair value through profit or loss - current	3,000,000	28,260	-	28,260	
	Jih Sun Small Cap Fund	-	Financial assets at fair value through profit or loss - current	1,557,963	17,636	-	17,636	
	The First Global Investment Trust International Trade Equity Fund	-	Financial assets at fair value through profit or loss - current	920,518	16,928	-	16,928	
	Grand Cathay Hi Tech Fund	-	Financial assets at fair value through profit or loss - current	734,754	8,832	-	8,832	
	Templeton Developing Markets Trust Fund	-	Financial assets at fair value through profit or loss - current	11,371	9,120	-	9,120	
	Prudential Financial Small & Medium Capital Fund	-	Financial assets at fair value through profit or loss - current	349,895	9,045	-	9,045	
	Prudential Financial OTC Fund	-	Financial assets at fair value through profit or loss - current	410,509	9,056	-	9,056	
	Invesco Energy Fund A	-	Financial assets at fair value through profit or loss - current	87,643	67,640	-	67,640	
	Investec Global Energy Fund	-	Financial assets at fair value through profit or loss - current	2,272	20,072	-	20,072	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	AIG Equity Fund Japan	-	Financial assets at fair value through profit or loss - current	1,261	\$ 9,199	-	\$ 9,199	
	S&P Sel Energy SPDR Fund	-	Financial assets at fair value through profit or loss - current	31,000	57,000	-	57,000	
	ABN AMRO Bond Fund	-	Available-for-sale financial asset - current	55,719,686	833,750	-	833,750	
	NT\$ High Yield Fund	-	Available-for-sale financial assets - current	16,841,575	278,130	-	278,130	
	Mega Diamond Bond Fund	-	Available-for-sale financial assets - current	12,471,597	142,497	-	142,497	
	NITC Bond Fund	-	Available-for-sale financial assets - current	3,705,443	605,495	-	605,495	
	AIG Taiwan Bond Fund	-	Available-for-sale financial assets - current	121,147,437	1,534,405	-	1,534,405	
	Fuh-Hwa Albatross Fund	-	Available-for-sale financial assets - current	13,463,903	150,955	-	150,955	
	ABN AMRO Select Bond Fund	-	Available-for-sale financial assets - current	66,012,422	743,010	-	743,010	
	ABN AMRO Income Fund	-	Available-for-sale financial assets - current	81,905,062	1,286,835	-	1,286,835	
	Ta Chong Bond Fund	-	Available-for-sale financial assets - current	58,178,317	752,316	-	752,316	
	Capital Income Fund	-	Available-for-sale financial assets - current	33,287,217	491,925	-	491,925	
	CITC Cash Reserves	-	Available-for-sale financial assets - current	23,220,514	270,454	-	270,454	
	Capital Money Market Fund	-	Available-for-sale financial assets - current	31,078,100	421,136	-	421,136	
	<u>Credit-linked notes</u>							
	TECO Credit-Linked Deposit	-	Financial assets at fair value through profit or loss - current	(Note Q)	65,118	-	65,118	
	Quanta Display Inc. Credit-Linked Deposit	-	Financial assets at fair value through profit or loss - current	(Note R)	99,044	-	99,044	
	Ya Hsin, Asia Optical, Quanta First-to-Default Credit-Linked Note	-	Financial assets at fair value through profit or loss - current	(Note X)	65,296	-	65,296	
	ASE Credit-Linked Deposit	-	Financial assets at fair value through profit or loss - noncurrent	(Note S)	32,434	-	32,434	
	<u>Preferred stock</u>							
	New Century Infocomm Co., Ltd.	-	Financial asset measured at holding cost - noncurrent	80,000,000	659,200	1.68	-	
Ching Ming Investment Co., Ltd.	<u>Common stock</u>							
	Yang Ming Marine Transport Corp.	Parent company	Financial assets at fair value through profit or loss - current	452,356	8,324	0.02	8,324	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets at fair value through profit or loss - current	2,595,476	150,593	0.01	150,593	
	China Steel Corporation	-	Financial assets at fair value through profit or loss - current	100,000	3,210	-	3,210	
	Gemtek Technology Co., Ltd	-	Financial assets at fair value through profit or loss - current	150,000	8,400	0.08	8,400	
	Polaris Taiwan TOP 50 Tracher Fund	-	Financial assets at fair value through profit or loss - current	380,000	20,178	-	20,178	
	U-Ming Marine Transport Corp.	-	Financial assets at fair value through profit or loss - current	675,000	25,245	0.08	25,245	
	Formosa Plastics Corporation	-	Financial assets at fair value through profit or loss - current	120,000	5,892	-	5,892	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	Powertech Technology Inc.	-	Financial assets at fair value through profit or loss - current	600,000	\$ 57,660	0.13	\$ 57,660	
	AU Optronics Corp.	-	Financial assets at fair value through profit or loss - current	525,000	23,993	0.01	23,993	
	Radiant Opto-Electronics Corp.	-	Financial assets at fair value through profit or loss - current	729,382	38,147	0.20	38,147	
	Novatek Microelectronics Corp.	-	Financial assets at fair value through profit or loss - current	130,000	20,410	0.02	20,410	
	MediaTek Inc.	-	Financial assets at fair value through profit or loss - current	80,000	24,000	0.01	24,000	
	Chipbond Technology Corporation	-	Financial assets at fair value through profit or loss - current	100,000	3,210	0.04	3,210	
	Hon Hai Precision Ind. Co., Ltd.	-	Financial assets at fair value through profit or loss - current	100,000	20,000	-	20,000	
	High Tech Computer Corp.	-	Financial assets at fair value through profit or loss - current	10,000	8,900	-	8,900	
	Acer Incorporated	-	Financial assets at fair value through profit or loss - current	300,000	17,070	0.01	17,070	
	Golden Gate Securities	-	Financial assets at fair value through profit or loss - current	144,000	12,456	0.25	12,456	
	Shin Kong Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	200,000	7,120	-	7,120	
	Fubon No.1 REIT	-	Financial assets at fair value through profit or loss - current	1,088,000	12,436	-	12,436	
	Cathay No.1 REIT	-	Financial assets at fair value through profit or loss - current	1,651,000	17,253	-	17,253	
	Shinkong No.1 REIT	-	Financial assets at fair value through profit or loss - current	1,747,000	18,081	-	18,081	
	Coretronic Corporation	-	Financial assets at fair value through profit or loss - current	300,000	13,665	0.06	13,665	
	Taiwan Green Point Enterprises Co., Ltd.	-	Financial assets at fair value through profit or loss - current	150,000	11,070	0.06	11,070	
	Huaku Construction Co., Ltd.	-	Financial assets at fair value through profit or loss - current	75,000	5,257	0.05	5,257	
	Honming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for using equity method	3,950,000	43,717	9.88	43,717	
	Yes Logistics Corp.	Subsidiary	Investments accounted for using equity method	9,437,090	81,512	13.48	81,512	
	Tytech Co., Ltd.	-	Financial asset measured at holding cost - noncurrent	150,000	1,500	1.25	-	
	SF Technology Venture Capital Investment Corp.	-	Financial asset measured at holding cost - noncurrent	3,200,000	20,534	7.24	-	
	United Venture Capital Corp.	-	Financial asset measured at holding cost - noncurrent	8,000,000	65,440	9.04	-	
	Ascentek Venture Capital Corp.	-	Financial asset measured at holding cost - noncurrent	2,000,000	20,080	2.14	-	
	China Technology Venture Capital Corporation	-	Financial asset measured at holding cost - noncurrent	3,000,000	30,000	8.96	-	
	Kingmax Technology Corp.	-	Financial asset measured at holding cost - noncurrent	1,644,231	21,835	1.38	-	
	<u>Mutual fund</u>							
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	5,996,730	79,391	-	79,391	
	Truwell Yi Li Shi	-	Financial assets at fair value through profit or loss - current	4,196,696	53,198	-	53,198	
	The First Global Investment Trust Duo Li Bond Fund	-	Financial assets at fair value through profit or loss - current	2,440,861	40,315	-	40,315	
	The First Global Investment Trust Duo Li-2 Bond Fund	-	Financial assets at fair value through profit or loss - current	2,802,806	40,664	-	40,664	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	CITC Cash Reserves	-	Financial assets at fair value through profit or loss - current	15,594,167	\$ 181,628	-	\$ 181,628	
	Capital Income Fund	-	Financial assets at fair value through profit or loss - current	7,147,618	105,629	-	105,629	
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	7,406,420	100,364	-	100,364	
	Ta Chong North America Income Trust Fund	-	Financial assets at fair value through profit or loss - current	500,000	4,995	-	4,995	
	Sunrise Full Return Balance Fund	-	Financial assets at fair value through profit or loss - current	999,001	9,900	-	9,900	
	Sunrise Balanced Fund	-	Financial assets at fair value through profit or loss - current	3,939,730	36,915	-	36,915	
	Fidelity European Smaller Companies Fund	-	Financial assets at fair value through profit or loss - current	3,744	3,753	-	3,753	
	Templeton Developing Markets Fund	-	Financial assets at fair value through profit or loss - current	2,254	1,807	-	1,807	
	Fidelity European Aggressive Fund	-	Financial assets at fair value through profit or loss - current	1,277	999	-	999	
	Fidelity Emerging Markets Fund	-	Financial assets at fair value through profit or loss - current	1,773	864	-	864	
	Fuh-Hwa Digital Economy Fund	-	Financial assets at fair value through profit or loss - current	712,251	9,038	-	9,038	
	The First Global Investment Trust Asia Pacific Growth Fund	-	Financial assets at fair value through profit or loss - current	3,000,000	28,260	-	28,260	
	AIG Global Medallion Fund of Funds	-	Financial assets at fair value through profit or loss - current	1,779,107	19,072	-	19,072	
	Cathay Greater China Fund	-	Financial assets at fair value through profit or loss - current	593,472	8,837	-	8,837	
	Cathay Small & Mediam Cap Fund	-	Financial assets at fair value through profit or loss - current	401,445	8,760	-	8,760	
	Jih Sun Upstream Fund	-	Financial assets at fair value through profit or loss - current	748,783	17,020	-	17,020	
	Capital Strategin Growth Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	9,860	-	9,860	
	Prudential Financial First Fund	-	Financial assets at fair value through profit or loss - current	1,106,541	17,616	-	17,616	
	JF (Taiwan) Japan Brilliance Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	9,120	-	9,120	
Yes Logistics Corp.	<u>Common stock</u>							
	Honming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,382,370	47,666	10.96	47,666	
	Yes Logistics Corp. (USA)	Subsidiary	Investments accounted for using equity method	800,000	10,040	100.00	10,040	
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for using equity method	340,000	(12,168)	100.00	(12,168)	Note D
	Nexus International Express Inc.	Equity-method investee	Investments accounted for using equity method	328,000	5,016	49.00	5,016	
	B2B. Com Holdings Ltd.	-	Financial asset measured at holding cost - noncurrent	800,000	5,041	8.00	-	
	United Raw Material Solutions Inc.	-	Financial asset measured at holding cost - noncurrent	800,000	5,898	2.76	-	
	Chongqing Changming Terminal Stevedoring Co., Ltd	Equity-method investee	Prepayment for investments accounted for using equity method	(Note U)	45,990	49.00	45,990	
	<u>Mutual fund</u>							
	Tiim High Yield Fund	-	Financial assets at fair value through profit or loss - current	621,758	7,663	-	7,663	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	Cathay Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	442,267	\$ 6,508	-	\$ 6,508	
	CITC High Yield	-	Financial assets at fair value through profit or loss - current	1,297,026	17,576	-	17,576	
	Capital Income Fund	-	Financial assets at fair value through profit or loss - current	2,251,140	33,268	-	33,268	
	CITC Cash Reserves	-	Financial assets at fair value through profit or loss - current	1,229,527	14,321	-	14,321	
	Fubon Chi-Hsiang I Fund	-	Financial assets at fair value through profit or loss - current	1,548,515	20,139	-	20,139	
	The Rsit Enhanced Bond Fund	-	Financial assets at fair value through profit or loss - current	730,534	8,002	-	8,002	
	Fuh Hwa Total Return Fund 3	-	Financial assets at fair value through profit or loss - current	2,000,000	20,420	-	20,420	
	Nam Short Term Fixed Income Fund	-	Financial assets at fair value through profit or loss - current	61,880	27,823	-	27,823	
Yes Yangming Logistics (Singapore)	<u>Common stock</u> Yes Logistics U.K. Ltd.	Subsidiary	Investments accounted for using equity method	200	(3,143)	100.00	(3,143)	Note D
	Yes Logistics Company Ltd.	Subsidiary	Investments accounted for using equity method	1,000,000	(9,554)	100.00	(9,554)	Note D
	Yes Logistics (Netherlands) B.V.	Subsidiary	Investments accounted for using equity method	(Note T)	324	100.00	324	
Yes Logistics Corp. (USA)	<u>Common stock</u> Golden Logistics Corporation	Subsidiary	Investments accounted for using equity method	(Note O)	8,889	70.00	8,889	
Yang Ming Line (Singapore) Pte. Ltd.	<u>Common stock</u> Yang Ming Shipping (B.V.I.) Inc.	Subsidiary	Investments accounted for using equity method	510	243,816	51.00	243,816	
	Young-Carrier Company Limited	Subsidiary	Investments accounted for using equity method	910,000	352,508	91.00	352,508	
	Yangming (Japan) Co., Ltd.	Subsidiary	Investments accounted for using equity method	3,000	48,259	100.00	48,259	
	Yangming Shipping (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for using equity method	1,000,000	35,719	100.00	35,719	
	Yang Ming Line (M) Sdn. Bhd.	Subsidiary	Investments accounted for using equity method	1,000,000	17,931	100.00	17,931	
	Yangming (Cayman) Ltd.	Subsidiary	Investments accounted for using equity method	20,000	(482)	100.00	(482)	Note D
	Yang Ming Line (Hong Kong) Ltd.	Subsidiary	Investments accounted for using equity method	510,000	(77,225)	51.00	(77,225)	Note M
	Yang Ming Line (India) Pvt. Ltd.	Subsidiary	Investments accounted for using equity method	300,000	5,927	60.00	5,927	
	Yang Ming (Korea) Co., Ltd.	Subsidiary	Investments accounted for using equity method	60,000	12,951	60.00	12,951	
	Yang Ming (Vietnam) Corp.	Equity-method investee	Investments accounted for using equity method	(Note J)	2,448	49.00	2,448	
	CPK-Bentham Joint Venture Company	Equity-method investee	Prepayment for investments accounted for using equity method	(Note H)	176,904	30.00	176,904	
	Yangtze River Express Airlines Company Limited	-	Financial asset measured at holding cost - noncurrent	(Note W)	552,679	12.00	-	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	<u>Global depository receipt</u> Via Source Policy Fund	-	Financial asset held-to-maturity - noncurrent	5	\$ 11,016	-	\$ -	
	World Energy Fund	-	Financial assets at fair value through profit or loss - current	-	64,797	-	64,797	
Yangming (Japan) Co., Ltd.	<u>Common stock</u> Manwa & Co., Ltd.	Subsidiary	Investments accounted for using equity method	200	2,552	100.00	2,552	
Yang Ming Shipping (B.V.I) Inc.	<u>Common stock</u> Karman Properties Limited	Subsidiary	Investments accounted for using equity method	1,000	(5,064)	100.00	(5,064)	Note D
Yang Ming Line (B.V.I.) Holding Co., Ltd.	<u>Common stock</u> Yang Ming Line N.V.	Subsidiary	Investments accounted for using equity method	1,500,000	(193,346)	100.00	(193,346)	Note D
	<u>Long-term investment in bonds</u> Genl Motors Accept Corp Note	-	Financial asset held-to-maturity - noncurrent	(Note I)	32,400	-	-	
Yang Ming Line N.V.	<u>Common stock</u> Yang Ming Line B.V.	Subsidiary	Investments accounted for using equity method	2,500	(196,268)	100.00	(196,268)	Note D
Yang Ming Line B.V.	<u>Common stock</u> Yangming (UK) Ltd.	Subsidiary	Investments accounted for using equity method	900,000	(284,966)	100.00	(284,966)	Note D
	Yang Ming Shipping Europe GmbH	Subsidiary	Investments accounted for using equity method	(Note B)	98,751	100.00	98,751	
	Yang Ming Italy S. p. A.	Equity-method investee	Investments accounted for using equity method	125,000	17,373	50.00	17,373	
	Yang Ming (Netherlands) B.V.	Equity-method investee	Investments accounted for using equity method	(Note K)	5,832	70.00	5,832	
Yangming (UK) Ltd.	<u>Common stock</u> Corstor Ltd.	Equity-method investee	Investments accounted for using equity method	(Note C)	28	50.00	28	
Yang Ming Shipping Europe GmbH	<u>Common stock</u> Yes Logistics Europe GmbH	Subsidiary	Investments accounted for using equity method	(Note L)	1,029	100.00	1,029	
Yang Ming Italy S. p. A.	<u>Common stock</u> Yang Ming (Naples) S.r.l.	Equity-method investee	Investments accounted for using equity method	(Note N)	238	60.00	238	
Yang Ming Line Holding Co.	<u>Common stock</u> West Basin Container Terminal LLC	Equity-method investee	Investments accounted for using equity method	(Note E)	369,393	40.00	369,393	
	United Terminal Leasing LLC	Equity-method investee	Investments accounted for using equity method	(Note F)	38,711	40.00	38,711	
	Yang Ming (America) Co.	Subsidiary	Investments accounted for using equity method	5,000	34,525	100.00	34,525	
	Triumph Logistics Inc.	Subsidiary	Investments accounted for using equity method	50	(1,782)	100.00	(1,782)	Note D
	Olympic Container Terminal LLC	Subsidiary	Investments accounted for using equity method	(Note P)	(178,758)	100.00	(178,758)	Note D

(Continued)



Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
Kuang Ming Shipping Corp.	Topline Transportation Inc.	Subsidiary	Investments accounted for using equity method	200	\$ 4,860	100.00	\$ 4,860	
	Coastal Tarheel Express Inc.	Subsidiary	Investments accounted for using equity method	200	2,430	100.00	2,430	
	<u>Mutual fund</u> S&P Sel Energy SPDR Fund	-	Financial assets at fair value through profit or loss - current	-	28,804	-	28,804	
	<u>Common stock</u> Kuang Ming Shipping Corp. (Panama)	Subsidiary	Investments accounted for using equity method	49,500	22,612	100.00	22,612	
	Polaris Taiwan Top 50 Tracker Fund	-	Financial assets at fair value through profit or loss - current	220,000	11,682	-	11,682	
	Taiwan Green Point Enterprises Co., Ltd.	-	Financial assets at fair value through profit or loss - current	300,000	22,172	0.11	22,172	
	Powertech Technology Inc.	-	Financial assets at fair value through profit or loss - current	250,000	24,059	-	24,059	
	Gemtek Technology Co., Ltd	-	Financial assets at fair value through profit or loss - current	300,000	16,824	0.16	16,824	
	Golden Gate Securities	-	Financial assets at fair value through profit or loss - current	100,000	8,662	0.21	8,662	
	<u>Mutual fund</u> Fuh-Hwa Yuli Bond Fund	-	Available-for-sale financial asset - current	6,501,937	80,073	-	80,073	
Honming Terminal & Stevedoring Co., Ltd.	<u>Common stock</u> Yes Logistics Corp.	Subsidiary	Investments accounted for using equity method	1,068,800	9,347	1.53	9,347	
	<u>Mutual fund</u> The Wan Pao Fund	-	Available-for-sale financial assets - current	3,337,940	50,000	-	50,000	
	Mega Diamond Bond Fund	-	Available-for-sale financial assets - current	4,405,752	50,000	-	50,000	

Notes:

- A. Market values were based on closing prices at June 30, 2006 or the net asset value of the fund on June 30, 2006, or, if market prices were unavailable, on the investees' net assets.
- B. The issued capital stock amounted to EUR818,000.
- C. This is equivalent to GBP500, and no shares were issued.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- E. This is equivalent to US\$1,520,000, and no shares were issued.
- F. This is equivalent to US\$400,000, and no shares were issued.
- G. Reclassified from investment in shares of stock to treasury stock in proportion to subsidiaries' stockholdings.
- H. This is equivalent to US\$5,460,000, and no shares were issued.
- I. There were 1,000 units, and each unit represented US\$1,000.
- J. This is equivalent to US\$94,000, and no shares were issued.
- K. This is equivalent to EUR13,000, and no shares were issued.
- L. This is equivalent to EUR25,000, and no shares were issued.
- M. The loss of subsidiary was recognized in proportion to the Company's equity. Because the minority interest commits to share in the investees' losses, the cumulative equity of the Corporation in the investee's net loss in excess of the related investments is not charged against the Corporation.
- N. This is equivalent to EUR6,000, and no shares were issued.
- O. This is equivalent to US\$700,000, and no shares were issued.
- P. This is equivalent to US\$1,000,000, and no shares were issued.
- Q. The principal amount was US\$2,000,000.
- R. The principal amount was US\$3,000,000.

(Continued)

- S. The principal amount was US\$1,000,000.
- T. This is equivalent to EUR30,000, and no shares were issued.
- U. This is equivalent to US\$1,400,000, and no shares were issued.
- V. This is a deduction of long-term receivables from related parties.
- W. This is equivalent to US\$17,058,000, and no shares were issued.
- X. The principal amount was US\$2,000,000.
- Y. Financial statements used as basis of investment amounts were unaudited, except those of All Oceans Transportation, Inc. and Yang Ming Line (B.V.I.) Holding Co., Ltd.

(Concluded)

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2006  
(In Thousands of New Taiwan Dollars, Except Shares/Units)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Yang Ming Marine Transport Corporation	<u>Common stock</u>													
	Taishin Financial Holding Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	5,216,640	\$ 129,894	-	\$ -	5,216,640	\$ 109,128	\$ 129,894	\$ (20,766)	-	\$ -
	Evergreen Marine Corp. (Taiwan) Ltd.	Financial assets at fair value through profit or loss - current	-	-	5,500,641	132,869	-	-	5,500,641	120,337	132,869	(12,532)	-	-
	Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	-	-	2,706,991	166,723	1,590,000	100,904	99,228	1,676	1,116,991	67,495
	DELTA Electronics, Inc.	Financial assets at fair value through profit or loss - current	-	-	-	-	2,102,000	161,146	1,472,000	109,909	104,273	5,636	630,000	56,873
	<u>Mutual fund</u>													
	Mega Diamond Bond Fund	Available-for-sale financial assets - current	-	-	62,646,490	711,088	31,849,906	362,497	82,024,799	934,497	931,088	3,409	12,471,597	142,497
	Fuh-Hwa Albatross Fund	Available-for-sale financial assets - current	-	-	-	-	26,927,807	300,955	13,463,903	150,955	150,000	955	13,463,904	150,955
	Fubon Chi-Hsiang III Fund	Available-for-sale financial assets - current	-	-	-	-	124,260,412	1,300,000	124,260,412	1,302,912	1,300,000	2,912	-	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current	-	-	-	-	11,608,944	150,005	11,608,944	150,466	150,005	461	-	-
	ABN AMRO Select Bond Fund	Available-for-sale financial assets - current	-	-	-	-	132,024,844	1,483,010	66,012,422	743,009	740,000	3,009	66,012,422	743,010
	ABN AMRO Income Fund	Available-for-sale financial assets - current	-	-	-	-	81,905,062	1,280,000	-	-	-	-	81,905,062	1,280,000
	Ta Chong Bond Fund	Available-for-sale financial assets - current	-	-	-	-	130,312,066	1,682,316	72,133,749	932,315	930,000	2,315	58,178,317	752,316
	Fubon Ju-I II Fund	Available-for-sale financial assets - current	-	-	92,892,887	1,335,112	-	-	92,892,887	1,335,437	1,335,112	325	-	-
	Fuhwa Bond Fund	Available-for-sale financial assets - current	-	-	38,969,860	491,765	-	-	38,969,860	493,474	491,765	1,709	-	-
	Fubon Ju-I III Fund	Available-for-sale financial assets - current	-	-	24,086,379	290,829	-	-	24,086,379	290,950	290,829	121	-	-
	ABN AMRO Bond Fund	Available-for-sale financial assets - current	-	-	61,751,030	917,626	61,068,236	913,750	67,099,580	1,003,750	997,626	6,124	55,719,686	833,750
	NT\$ High Yield Fund	Available-for-sale financial assets - current	-	-	28,980,738	475,417	16,841,575	278,130	28,980,738	478,130	475,417	2,713	16,841,575	278,130
	NITC Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	80,921,766	1,124,772	-	-	80,921,766	1,131,016	1,124,772	6,244	-	-
	NITC Bond Fund	Available-for-sale financial assets - current	-	-	3,705,443	601,304	3,705,443	605,495	3,705,443	605,495	601,304	4,190	3,705,443	605,495
	AIG Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	121,147,437	1,523,696	121,147,438	1,534,405	121,147,438	1,534,405	1,523,696	10,709	121,147,437	1,534,405
	Capital Income Fund	Available-for-sale financial assets - current	-	-	-	-	63,190,911	932,923	29,903,695	441,923	441,000	923	33,287,216	491,923
	CITC Cash Reserves	Available-for-sale financial assets - current	-	-	-	-	49,016,754	570,454	25,796,240	300,454	300,000	454	23,220,514	270,454
	Capital Money Market Fund	Available-for-sale financial assets - current	-	-	-	-	62,156,199	841,136	31,078,100	421,136	420,000	1,136	31,078,099	421,136

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Ching Ming Investment Co., Ltd.	<u>Common stock</u> Yang Ming Marine Transport Corporation	Financial assets at fair value through profit or loss - current	-	Parent company	21,778,356	\$ 400,749	-	\$ -	21,326,000	\$ 426,488	\$ 392,425	\$ 34,063	452,356	\$ 8,324
	Taiwan Semiconductor Manufacturing Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	100,000	5,472	2,795,476	169,381	300,000	18,960	17,665	1,295	2,595,476	157,188
	<u>Mutual fund</u> Fuh-Hwa Bond Fund	Financial assets at fair value through profit or loss - current	-	-	5,165,635	67,939	7,962,109	105,391	7,131,014	94,391	93,939	452	5,996,730	79,391
	Truwell Yi Li Shi	Financial assets at fair value through profit or loss - current	-	-	12,104,156	152,569	4,196,696	53,198	12,104,156	153,198	152,569	629	4,196,696	53,198
	The First Global Investment Trust Duo Li-2 Bond Fund	Financial assets at fair value through profit or loss - current	-	-	6,950,671	100,275	2,802,806	40,664	6,950,671	100,666	100,275	391	2,802,806	40,664
	CITC Cash Reserves	Financial assets at fair value through profit or loss - current	-	-	12,985,365	150,184	26,815,961	311,628	24,207,159	281,628	280,184	1,444	15,594,167	181,628
	Capital Income Fund	Financial assets at fair value through profit or loss - current	-	-	2,730,692	40,034	11,564,543	170,629	7,147,618	105,629	105,034	595	7,147,617	105,629
	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	14,812,840	200,364	7,406,420	100,364	100,000	364	7,406,420	100,364
	Ta Chong Everybody's Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	12,427,572	160,000	12,427,572	160,389	160,000	389	-	-
Yang Ming Line (Singapore) Pte. Ltd.	<u>Common stock</u> CPK-Bentham Joint Venture Company	Investments accounted for using equity method	-	-	-	-	-	176,904	-	-	-	-	-	176,904
Yes Logistics Corp.	<u>Mutual fund</u> Nam Short Term Fixed Income Fund	Financial assets at fair value through profit or loss - current	-	-	16,120	7,231	315,442	140,262	269,682	119,996	119,719	277	61,880	27,774

Notes:

A. Amounts were based on unaudited financial statements.

(Concluded)

**YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES**

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

**JUNE 30, 2006**

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	A	\$ 18,353,061 (Note E)	-	\$ -	-	\$ 532,243	\$ -
	Yang Ming (Liberia) Corp.	A	3,113,214 (Note F)	-	-	-	-	-
	Yangming (UK) Ltd.	A	2,055,096 (Note H)	-	-	-	69,517	-
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	1,340,113 (Note G)	-	-	-	-	-
	Young-Carrier Company Ltd.	A	694,910	-	-	-	648,648	-
	Yang Ming Italy S.p.A.	B	275,348	-	-	-	211,653	-
	Yang Ming (Korea) Co., Ltd.	A	120,076	-	-	-	119,874	-
	Yang Ming Shipping Europe GmbH	A	125,110	-	-	-	70,680	-
All Oceans Transportation, Inc.	Kuang Ming Shipping Corp.	C	232,050	-	-	-	2,644	-
Young-Carrier Company Ltd. (Note H)	Yang Ming Marine Transport Corporation	D	268,220	-	-	-	268,220	-
Yang Ming Line (Hong Kong) Ltd. (Note H)	Yang Ming Marine Transport Corporation	D	196,352	-	-	-	196,352	-

Notes:

- A. Subsidiary of the Corporation.
- B. An equity-method investee of subsidiary of the Corporation.
- C. The same parent company.
- D. Parent company.
- E. Dividend receivables and proceeds from sale of ships.
- F. Financing providing and proceeds from sale of ship.
- G. Dividends receivable.
- H. Receivables, net of agency collections and payments.
- I. Collections between related parties have been made according to "Agency Accounting Procedure" by the Corporation and local business conventions.
- J. Financial statements used as basis of investment amounts were unaudited, except All Ocean Transportation, Inc. and Yang Ming Line (B.V.I.) Holding Co., Ltd.

## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
SIX MONTHS ENDED JUNE 30, 2006  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note B)		Balance as of June 30, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2006	December 31, 2005	Shares	Percentage of Ownership	Carrying Value			
Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	\$ 3,272,005	\$ 3,272,005	103,505,031	100.00	\$ 3,931,921	\$ 51,796	\$ 51,796	Subsidiary
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency	1,113,356	1,113,356	60,130,000	100.00	1,900,895	47,002	47,002	Subsidiary
	Ching Ming Investment Corp.	Taipei, Taiwan	Investment	1,500,013	1,500,013	150,000,000	100.00	1,602,070	(8,290)	(42,354)	Subsidiary
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	7,915,302	1,927,274	1,927,274	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	551,944	551,944	55,251,100	78.93	477,227	(8,774)	(6,926)	Subsidiary
	Kuang Ming Shipping Corp.	Taipei, Taiwan	Shipping service, shipping agency and forwarding agency	143,168	143,168	24,000,000	100.00	306,133	27,330	27,092	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	316,780	316,780	31,667,630	79.17	350,310	13,304	10,355	Subsidiary
	Jing Ming Transportation Co., Ltd.	Kaohsiung, Taiwan	Container transportation	35,808	35,808	7,123,750	50.96	89,063	9,417	4,541	Subsidiary
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	143,860	111,400	13,500	100.00	238,873	(48,891)	(48,891)	Subsidiary
	Transyang Shipping Pte. Ltd.	Singapore	Shipping services; chartering, sale and purchase of ships; forwarding agency and shipping agency	24,842	24,842	686	24.99	51,831	4,081	1,020	Equity-method investee
Ching Ming Investment Corp.	Chunghwa Investment Co., Ltd	Taipei, Taiwan	Investment	800,000	800,000	80,000,000	40.00	791,555	40,003	16,001	Equity-method investee
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,378	3,378	500	100.00	(85,912) (Note N)	(67,184)	(67,184)	Subsidiary
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	39,500	39,500	3,950,000	9.88	43,717	13,304	-	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	94,371	94,371	9,437,090	13.48	81,512	(8,774)	-	Subsidiary
Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	369,393	97,026	-	Equity-method investee
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation machine lease	34,750	34,750	(Note G)	40.00	38,711	4,164	-	Equity-method investee
	Yang Ming (America) Corp.	New Jersey, U.S.A.	Shipping agency, forwarding agency and shipping managers	17,305	17,305	5,000	100.00	34,525	1,225	-	Subsidiary
	Triumph Logistics INC.	U.S.A.	Container transportation	1,699	1,699	50	100.00	(1,782) (Note E)	3,400	-	Subsidiary
	Olympic Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	31,530	31,530	(Note M)	100.00	(178,758) (Note E)	(134,493)	-	Subsidiary
	Topline Transportation Inc. Coastal Tarheel Express Inc.	U.S.A. U.S.A.	Container transportation Container transportation	4,860 2,430	- -	200 200	100.00 100.00	4,860 2,430	- -	- -	Subsidiary Subsidiary
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(193,346) (Note E)	(264,979)	-	Subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Amsterdam, The Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	(196,268) (Note E)	(264,894)	-	Subsidiary
Yang Ming Line B.V.	Yangming (UK) Ltd.	London, U.K.	Investment, shipping agency, forwarding agency and shipping managers	42,408	42,408	900,000	100.00	(284,966) (Note E)	(308,891)	-	Subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Investment, shipping agency, forwarding agency and shipping managers	29,697	29,697	(Note B)	100.00	98,751	35,241	-	Subsidiary
	Yang Ming Italy S.p.A.	Genova, Italy	Shipping agency	4,319	4,319	125,000	50.00	17,373	5,756	-	Equity-method investee
	Yang Ming (Netherlands) B.V.	Amsterdam, The Netherlands	Shipping agency	540	540	(Note I)	70.00	5,832	3,793	-	Equity-method investee

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note B)		Balance as of June 30, 2006			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2006	December 31, 2005	Shares	Percentage of Ownership	Carrying Value			
Yangming (UK) Ltd.	Corstor Ltd.	U.K.	Shipping agency, forwarding agency and shipping managers	\$ 25	\$ 25	(Note C)	50.00	\$ 28	\$ -	\$ -	Equity-method investee
Yang Ming Italy S.p.A.	Yang Ming Naples S.r.l.	Naples, Italy	Shipping agency	238	238	(Note K)	60.00	238	-	-	Equity-method investee
Yang Ming Shipping Europe GmbH	Yes Logistics Europe GmbH	Hamburg, Germany	Shipping agency	945	945	(Note H)	100.00	1,029	(5)	-	Subsidiary
Yangming Shipping (Singapore) Pte Ltd.	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	352,508	22,047	-	Subsidiary
	Yang Ming Shipping (B.V.I) Inc.	British Virgin Islands	Forwarding agency and shipping agency	16	16	510	51.00	243,816	(15,179)	-	Subsidiary
	Yangming (Japan) Co., Ltd.	Tokyo, Japan	Shipping services; chartering, sale and purchase of ships; and forwarding agency	36,235	36,235	3,000	100.00	48,259	7,133	-	Subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	510,000	51.00	(77,225)	(6,550)	-	Subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	35,719	2,430	-	Subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	5,784	1,000,000	100.00	17,931	350	-	Subsidiary
	Yangming (Cayman) Ltd.	Cayman Island	Shipping lease	629	629	20,000	100.00	(482)	(64)	-	Subsidiary
	Yang Ming Line (India) Pvt. Ltd.	India	Shipping agency, forwarding agency and shipping managers	2,228	2,228	300,000	60.00	5,927	5,129	-	Subsidiary
	Yang Ming (Vietnam) Corp.	Vietnam	Shipping agency, forwarding agency and shipping managers	3,197	3,197	(Note J)	49.00	2,448	(1,187)	-	Equity-method investee
	Yang Ming (Korea) Co., Ltd.	Korea	Shipping agency, forwarding agency and shipping managers	10,107	-	60,000	60.00	12,951	4,715	-	Subsidiary
	CPK-Bentham Joint Venture Company	Vietnam	Invest industry district and real estate	176,904	-	(Note P)	30.00	176,904	-	-	Equity-method investee
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	2,552	-	-	Subsidiary
Yang Ming Shipping (B.V.I) Inc.	Karman Properties Limited	Hong Kong	Property agency	4	4	1,000	100.00	(5,064)	(363)	-	Subsidiary
								(Note E)			
Kuang Ming Shipping Corp.	Kuang Ming Shipping Corp. (Panama)	Panama	Forwarding agency	30,887	30,887	49,500	100.00	22,612	24,408	-	Subsidiary
Honming Terminal & Stevedoring Co., Ltd.	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	10,610	10,610	1,068,800	1.53	9,347	(8,774)	-	Subsidiary
Yes Logistics Corp.	Yes Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	26,035	26,035	800,000	100.00	10,040	(5,150)	-	Subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment and subsidiaries management	6,608	6,608	340,000	100.00	(12,168)	(6,142)	-	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	43,824	43,824	4,382,370	10.96	47,666	13,304	-	Subsidiary
	Nexus International Express Inc.	California, USA	Terminal operation and stevedoring	10,283	10,283	328,000	49.00	5,016	(4,744)	-	Equity-method investee
	Chongqing Changming Terminal Stevedoring Co., Ltd	Chongqing, China	Terminal operation and stevedoring	46,466	46,466	(Note D)	49.00	45,990	-	-	Equity-method investee
Yes Logistics Corp. (U.S.A.)	Golden Logistics Corporation	Shanghai, China	Forwarding agency	22,722	22,722	(Note L)	70.00	8,889	(6,165)	-	Subsidiary
Yes Yangming Logistics (Singapore) Pte. Ltd.	Yes Logistic UK Ltd.	U.K.	Shipping agency	344	344	200	100.00	(3,143)	(1,037)	-	Subsidiary
	Yes Logistics Company Ltd.	Hong Kong	Shipping agency	4,304	4,304	1,000,000	100.00	(9,554)	(4,591)	-	Subsidiary
	Yes Logistics (Netherlands) R.V.	Netherlands	Shipping agency	1,216	1,216	(Note O)	100.00	324	(458)	-	Subsidiary

Notes:

- A. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.  
B. This is equivalent to EUR818,000, and no shares were issued.

(Continued)

- C. This is equivalent to GBP500, and no shares were issued.
- D. This is equivalent to US\$1,400,000, and no shares were issued.
- E. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- F. This is equivalent to US\$1,520,000, and no shares were issued.
- G. This is equivalent to US\$400,000, and no shares were issued.
- H. Paid-in capital was equivalent to EUR25,000, and no shares were issued.
- I. Paid-in capital was equivalent to EUR13,000, and no shares were issued.
- J. This is equivalent to US\$94,000, and no shares were issued.
- K. This is equivalent to EUR6,000, and no shares were issued.
- L. This is equivalent to US\$700,000, and no shares were issued.
- M. This is equivalent to US\$1,000,000, and no shares were issued.
- N. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as the deduction of long-term receivables form related parties.
- O. This is equivalent to EUR30,000, and no shares were issued.
- P. This is equivalent to US\$5,460,000, and no shares were issued.
- Q. Financial statements used as basis of investment amounts were unaudited, except those of All Oceans Transportation, Inc. and Yang Ming Line (B.V.I.) Holding Co., Ltd.

(Concluded)



## YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA  
SIX MONTHS ENDED JUNE 30, 2006

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

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of June 30, 2006	Accumulated Inward Remittance of Earnings as of June 30, 2006	Accumulated Investment in Mainland China as of June 30, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
						Outflow	Inflow								
Yang Ming Marine Transportation Corporation	Yangtze River Express Airlines Company Limited (Note A)	Shipping agency	RMB 500,000,000	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	-	\$ 552,679 (US\$ 17,058,000)		\$ 552,679 (US\$ 17,058,000)	12%	\$ -	\$ 552,679 (US\$ 17,058,000)	-	\$ 552,679 (US\$17,058,000)	\$ 622,080 (US\$19,200,000)	\$10,040,985
Yes Logistics Corp.	Golden Logistics Corporation (Note B)	Shipping agency	US\$ 1,000,000	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	-	\$ 22,680 (US\$ 700,000)	-	\$ 22,680 (US\$ 700,000)	70%	(4,316)	8,889				
	Chongqing Changming Terminal Stevedoring Co., Ltd. (Note C)	Shipping agency	RMB 104,000,000	Investee's direct investment in Mainland China.	-	45,360 (US\$ 1,400,000)	-	45,360 (US\$ 1,400,000)	49% (Note D)	-	45,360 (US\$ 1,400,000)	-	\$ 68,040 (US\$2,100,000)	\$ 230,040 (US\$7,100,000)	\$241,848 (Note E)

## Notes:

- A. The Corporation was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on November 23, 2005.
- B. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on June 3, 2004.
- C. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on April 11, 2005.
- D. The investment amount has not yet reached the target equity ownership of 49% but already reached the authorized investment limit. Yes Logistics Corp. (the subsidiary of the Corporation) had already made a new application to increase the amount of investment with the investment commission, MOEA.
- E. It represents 40% (\$604,621 thousand) of the net assets of Yes Logistics Corp. as of June 30, 2006.
- F. U.S. dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.40.
- G. Based on unaudited financial statements.