



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

2008 ANNUAL REPORT



APRIL 2009

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

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CHAPTER 1 LETTER TO SHAREHOLDERS

1. Business Report for 2008

Under the impact of the financial crisis and global economic recession, our container business, amounting to 307 millions TEU, showed a slide of 2.26% in 2008. Our consolidated revenue, NT\$137.8 billion, marked a 3.0% increase. The net profit and earning per share for the year came to NT\$0.57 billion and NT\$0.21, which represents a slide of 90.5% and 91.1% respectively.

2. Business Plan for 2009

According to IMF, world growth will fall from 2.5% in 2008 to -0.6% in 2009, the lowest rate since World War II. Developed economies are falling into recession, and the growth of emerging economies and the developing economies plummeted and often became negative. Even China was projected to grow only 6.5%, compared to the splendid rates of 10% plus registered in past years. The global economic decline has weakened the demand for shipping.

Facing the serious oversupply in shipping capacity and the rarely seen cold winter of world economy, Yang Ming will take a series of measures. We will stay the course of reform for our core business chartered for the second half of 2008 and, at the same time, we will strengthen our various strategies in 2009. To ensure steady and sure business, we will take, among others, the following major strategies:

1. To merge inefficient services and enhance capacity management: Besides reducing capacity in Asia-Europe route and transpacific route, we will enhance multiple usages in Asia-Europe route and strengthen East Mediterranean, North Africa, and Intra-Asia service to boost revenue and consume redundant capacity.
2. To effectively reduce capacity: There was a reduction of the vacancies due to selling 10 obsolete S type container ships. Additionally, we will redeliver 5 charter ships, and try to waive 2 P-type ships in a reasonable way.
3. To restructure CKYH alliance, start new alliances and enhance global cooperation to collectively cut down costs.
4. To effectively cut down operational cost through cooperation with alliance partners and shipping chain suppliers.
5. To refine management and develop new business in coordination with cost reduction and structural adjustment based on the contribution to cargo load.
6. To strengthen the financial performance and the operation efficiency of subsidiary companies to enhance the whole group synergy.

Adversity is also opportunity. Amid the recession, we will upgrade our infrastructure development and strengthen our long-term competitiveness in preparation for the next business boom. These are our measures:

1. To complete the construction of Kaohsiung 6th container terminal (CT6): The BOT project is going on smoothly and successfully. The first berth is expected to be completed for serving 10,000 TEU jumbo container ships at the end of 2010. CT6 will become Far East's new transshipment center at that time.
2. To enhance our total business performance by seizing the opportunity of cross-strait direct shipping link, rationalizing our outpost deployment in China and strengthening our business structure as a whole.
3. To upgrade the management level of our core business process and to enhance our operational performance.
4. To strengthen our service to customers and enhance management efficiency to upgrade our international competitive advantage.
5. To reduce carbon emission and energy consumption for sustained cost reduction for long-term saving and for fulfilling corporate social responsibility.

The light of dawn always comes right after the deepest darkness. We will follow closely the market change and respond at the first sight of opportunity. Basing on the main theme of strategies, "Concentration, Cultivation, Innovation, Sustainability," we will do our best and with full preparation to compensate our shareholders and customers.

Yours truly,

Dr. Frank F.H. Lu

Chairman

CHAPTER 2 COMPANY UPATE

1. About the company

1972-1981

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

1982-1991

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

1992-2001

- Yang Ming Shares are listed on the Taiwan Stock Exchange.
- Three 3,604 TEU full-container ships are completed and join Yang Ming's worldwide service.

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

2002

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

2003

- Becomes a certificated member of the Customs-Trade Partnership Against Terrorism (C-TPAT) , authorized by U.S. Customs.

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

2004

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

2005

- YM HAWK, YM HORIZON, YM HARAMONY, and YM HEIGHTS join Yang Ming's fleet on January 7, March 28, June 3, and July 15 respectively.
- Yang Ming Group - Olympic Container Terminal LLC (OCT) starts its service in Tacoma Terminal 7D on July 21,2005 .
- Yang Ming's board of directors elects Mr. W. H. Huang, the incumbent president of Yang Ming, as its new chairman on September 30.
- Acquires the Certification of the OHSAS 18001 (Occupational Health and Safety Assessment Serial) and ISO 14001:2004 Environmental Management System on November 1.

- Establishes Yang Ming Cultural Foundation to promote the national awareness of the oceanic ecology and culture.

2006

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

2007

- An 8,200-TUE full container vessel, YM Ultimate, and six 1,805-TUE full container vessels, YM Initiative, YM Inventive, YM Instruction, YM Interaction, YM inauguration and YM Improvement join Yang Ming's fleet.
- Wins the 15th place in the Corporate Social Responsibility Evaluation conducted by the *CommonWealth* magazine.
- Obtains Container Contribution Award granted by Port Dalian
- Gets a 50-year concession and the priority of contract extension for Kaohsiung International Container Terminal BOT Project and holds a ground-breaking ceremony at the end of the year.
- Launches Asia-Black Sea Service in partnership with CSCL, "K"Line and ZIM.
- Launches Fareast-East Mediterranean (EMX) service with Cosco and "K"Line.
- Launches CTS service with SYMS.
- Robert Ho is appointed as president.
- Wins "Happy & Healthy Company Award" offered by Common Health Magazine.
- Yang Ming (Belgium) NV is jointly formed by the Yang Ming Group and the Royal Burger Group, through their subsidiary Müller Thomsen Antwerpen N.V.
- Inaugurates Kaohsiung YM Museum of Marine Exploration.
- Inaugurates Multi-temperature Warehousing Logistics Center in Kaohsiung.

2008

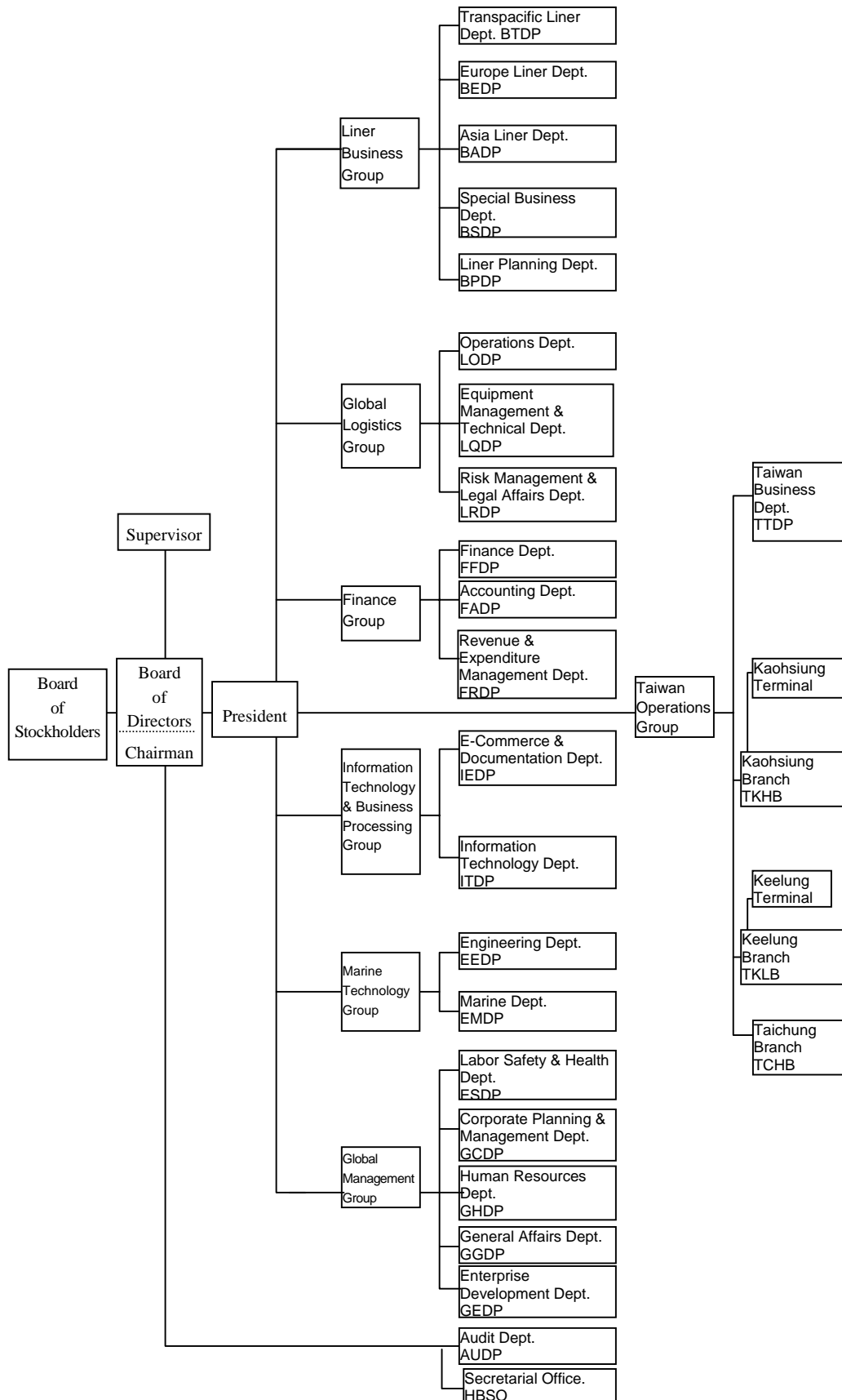
- Wins the Quest for Quality Award in 2007 offered by Logistics Management Magazine.
- Wins First Happy & Healthy Company Award by Common Health Magazine.
- Awarded 1st Runner-up for 2007 Williams-Sonoma's Carrier of the Year and 2nd Runner-up for 2008 LOG-NET E-Commerce Excellence Award.
- Holds 2008 Keelung Fairy Tale Festival jointly with Keelung City Government.
- 4,250 TEU full Container vessel, YM Eminence, joins YM 's fleet.
- Builds 8200-TEU U Type vessels, YM Uberty, YM Utopia, YM Upward and 4250-TEU E Type vessels, YM Eminence, YM Elixir, YM Enhancer and an 81,200 Panamax bulk carrier, KM Mt. Jade.
- Frank F. H. Lu is elected chairman by the board of directors
- The board of directors transfers bulk business to subsidiary, Kuang Ming Shipping Corp.
- CKYH's Euromax Terminal in Rotterdam is inaugurated.
- Wins Wen Xin Award granted by the Council for Cultural Affairs.
- The signing of an agreement on cross-strait direct shipping link is instrumental in this company's deployment and development on the Chinese mainland. On December 15, 2008, the company sent a 1500-TEU vessel, YM Heights, from Keelung in Taiwan to Shanghai on the mainland, opening the direct shipping route across the Taiwan Strait.

• 2009

- Two 8,200-TUE full container vessel, YM Utility and YM Uniform, and two 4,250-TUE full container vessels, YM Efficiency and YM Eternity join Yang Ming's fleet.
- Opens with CKYH the Far East/Red Sea Route (RES)
- Yang Ming Anatolia Shipping Agency S.A. comes into being.
- Selected by CommonWealth magazine as the 15th Corporate Citizen, the only domestic shipping company winning this honor.
- Rated as one of the 50 Outstanding Businesses by Global View magazine.
- YM Uberty wins the 2008 Ship Award granted by Taiwan Society of Naval Architects and Marine Engineers.

2. Organizational Structure

2.1 Yang Ming organizational structure is shown below:



2.2 Yang Ming organizational structure is shown below

APR. 30, 2009

Position	Chairman Board of Directors	Director	Director	Director	Director	Director	Director	Supervisor	Supervisor
Name	Lu Feng-hai	Chih-Tsong Hwang	Chang, Chiou-Chien	Wu, Younger	Lin, Tyh-Ming	Shuh-shun Ho	Benny T. Hu	Her-guey Chen	Wing-Kong Leung
Date appointed	Aug. 01, 2008	Aug. 01, 2008	Aug. 01, 2008	Aug. 01, 2008	Nov. 19, 2008	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007	Jun. 27, 2007
Term of appointment	Reelection upon expiration of effectual period								
Holding shares	shares	Directors and Supervisors herein as representatives of the MOTC, and holding a total of 909,856,491 shares (Note)					443,505	304,547	59,734,024
	ratio of holding shares(%)	which represent 35.51% of the company's stocks					0.02%	0.01%	2.33%
Spouse, under-aged children's holding shares	shares	0	32,058	0	0	0	0	0	0
	ratio of holding shares(%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

2.3 Top management

APR. 30, 2009

Position	Name	Date appointed	Entitled for other companies presently
President	Robert Shuh-shun Ho	OCT.01, 2007	Chairman of All Oceans Transportation Inc.
Senior Executive Vice President	R.B. Chiou	APR. 01, 2006	Director of Yang Ming Shipping Europe GmbH Hamburg
Senior Executive Vice President	J.S. Wang	AUG. 01, 2008	Director of Honming Terminal & Stevedoring Co., Ltd.
Executive Vice President	Herbert Lin	SEP. 01, 2008	Director of Yes Logistic Corporation
Executive Vice President	MIAU,SHYH-JEN	JAN. 10, 2009	Internal officer of Yang Ming Marine Transport Corp.

3. Capital and Shares Issuance

3.1 Capital and shares

3.1.1 Shares category

APR. 30, 2009

Shares category	Authorized capital					Amount of shares of convertible bonds
	Shares Issued			Non-issuance shares	Total shares	
	Listed	Unlisted	Total			
Common stock	2,562,466,476	0	2,562,466,476	437,533,524	3,000,000,000	

3.1.2 Shares issuance

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

Date	Par value (NT\$)	Authorized capital		Actual capital received		Notes	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Capital source other than cash
July 2007	10	2,400,000,000	24,000,000,000	2,299,005,213	22,990,052,130	2007 Q2 Convertible bonds transformation 4,793,936 Shares	
Oct. 2007	10	2,400,000,000	24,000,000,000	2,317,397,254	23,173,972,540	2006 Recapitalization new issuance of 18,392,041 shares	
Nov. 2007	10	2,400,000,000	24,000,000,000	2,320,743,953	23,207,439,530	2007 Q3 Convertible bonds transformation 3,346,699 Shares	
Jan. 2008	10	2,400,000,000	24,000,000,000	2,328,698,193	23,286,981,930	2007 Q4 Convertible bonds transformation 7,954,240 Shares	
May 2008	10	2,400,000,000	24,000,000,000	2,328,962,146	23,289,621,460	2008 Q1 Convertible bonds transformation 263,953Shares	
Aug. 2008	10	2,400,000,000	24,000,000,000	2,329,561,125	23,295,611,250	2008 Q2 Convertible bonds transformation 598,979 Shares	
Sep. 2008	10	3,000,000,000	30,000,000,000	2,562,466,476	25,624,664,760	2007 Recapitalization new issuance of 232,905,351 shares	

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

Unit : NT Dollars

Year		2007	2008	Jan. 1, 2009~ APR. 30, 2009
Market-price per share	Highest price	31.05	25.55	13.60
	Lowest price	17.20	6.66	8.58
	Average price	23.61	17.79	10.46
Net worth per share	Unappropriated	21.66	18.34	17.36
	Appropriated	19.61	-	-
Earnings per share	Weighted average number of outstanding shares	2,318,161 (Note) thousand shares	2,445,582 (Note) thousand shares	2,562,466(Note) thousand shares
	Earnings per share	2.60	0.21	-1.21
Dividends per share	Cash dividend	1.00	0.15	-
	Stock dividend	1.00	0	-
Return on Investment	Price / Earnings ratio	9.08	84.71	-
	Price / Cash dividends ratio	23.61	118.60	-
	Cash dividends/ Price ratio	0.042	0.008	-

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

4. Issuance of Corporate Bonds

4.1 Status of Corporate Bonds Issuance :

April 30,2009

Bond Category	Sixth Debenture Bonds	Seventh Debenture Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds	Thirteenth Debenture Bonds
Date of Issuance	June 1, 2000	Nov. 20, 2000	Jun 18, 2004	Oct 8, 2004	Dec 8, 2004	Oct 23, 2006
Par Value	NTD 1 million	NTD 1 million	NTD 10million	NTD 10 million	NTD 10 million	NTD 1 million
Place of Issuance and Exchange	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value
Total Amount	NTD 3,000 million	NTD 2,400 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 6,000 million
Interest Rate	7 years (1,200 million) -5.70% 10 years (1,800 million) -6.09%	6.02%	Note1	3.30%	2.99%	5 years (3,000 million) -2.09% 7 years (3,000 million) -2.32%
Terms of Reimbursement	7 years, Date of maturity: June 7, 2007 10 years, Date of maturity: June 9, 2010	12years,Date of maturity: Nov. 29, 2012	7years, Date of maturity: Jun 18, 2011	7years, Date of maturity: Oct 20, 2011	7years, Date of maturity: Dec 14, 2011	5 years, Date of maturity: Oct 23, 2011 7 years, Date of maturity: Oct 23, 2013
Guarantor	Nil	Nil	Nil	Nil	Nil	Nil
Trustee	Bank of Taiwan	Bank of Taiwan	Bank SinoPac	Bank SinoPac	Bank SinoPac	Chinatrust Commercial Bank
Underwriter	Taiwan International Securities Corp., Taiwan Securities Corp., Capital Securities Corp., MasterLink Securities Corp, Core Securities Corp.	Jih Sun Securities Corp. Taiwan Securities Corp.	Nil	Nil	Nil	Nil
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Way of Reimbursement	Maturity : 7years:For5,6,7years, 33%, 33%.34% due respectively. 10years: For8,9,10 years, 33%, 33%, 34% due respectively.	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Maturity: 5years-For 3.4.5years,33%. 33%.34%due respectively 7years-reimbursed in cash upon maturity
Unreimbursed Amount	NTD 1,206 million	NTD 2,400 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 6,000 million
Conditions of Recall or Recall in Advance	Nil	Nil	Nil	Nil	Nil	Nil
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corporation, Mar. 6, 2000 twA	Taiwan Ratings Corporation, Sep. 26, 2000 twA	Taiwan Ratings Corporation, May. 11, 2004 twA	Taiwan Ratings Corporation, Sep 3, 2004 twA	Taiwan Ratings Corporation, Nov 9, 2004 twA	Taiwan Ratings Corporation, Sep 12, 2006 twA
Amount of Converted Common Stock , GDR or other valuable securities	Nil	Nil	Nil	Nil	Nil	Nil

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

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

If $1.15\% \leq 6 \text{ Month USD LIBOR} \leq 3.5\%$, 4.40% p.a.

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

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

Tranche C: $4.5\% \times (\text{Range}/\text{Total})$ p.a. on the Nominal Amount in NTD.

“Range” is Number of observations that USD 6 Month LIBOR is Equal to or Higher than LO LIMIT AND Equal to or Lower than HI LIMIT within its Relevant Year for the corresponding Calculation Period.

Each observation of LIBOR is made 2 London Business Days prior to the 18th of each calendar month in a year. NTD Floating Interest Rate is Monthly Reset.

“LO LIMIT, HI LIMIT” are as following:

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

5. Issuance of GDR

Conditions of the issuance of GDR

Apr. 30, 2009

Items	Date of Issuance		
		Nov. 14, 1996	
Place of Issuance and Exchange		London Stock Exchange	
Total amount of Issuance		USD 116,392,201.2	
Issuance price		USD 11.64	
Total units of Issuance		9,999,330 units of GDR	
Underling security		Capital increase by public offering of common shares	
Units of underling security		99,993,300 common shares	
The right & obligation of GDR holders		Same right & obligation with the YMTC'S common shares	
Depository		Citibank N. A.	
Custodian		Citibank N. A. Taipei branch	
Outstanding shares (Apr 30,2009)		48,833,517 shares	
Allocation of related expenses for issuance and During existence.		To be borne by the company	
Major covenants of deposit agreement and Custody agreement		In accordance with the law of R.O.C. and State of New York, U.S.A.	
Market price per unit	2008	the highest	USD 8.31
		the lowest	USD 2.12
		the average	USD 5.73
	From Jan. 1, 2009 to Apr.30, 2009	the highest	USD 3.86
		the lowest	USD 2.52
		the average	USD 3.02

CHAPTER 3 BUSINESS UPDATE

1. Business Profile, Operating Fleet & Service Scope

1.1 Business Profile

1.1.1 Domestic and overseas marine shipment service.

1.1.2 Domestic and overseas marine passenger service.

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

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

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

1.1.6 Shipping agency.

1.1.7 G402011 Ocean freight forwarding service.

1.1.8 ZZ99999 Besides licensed business, all other business items that are not banned or restricted.

1.2 Operating Fleet & Service Scope

As of Dec. 31, 2008, YML operates 82 vessels consisting of 80 full container vessels, and 2 bulk carriers owned by Taiwan Power Company.

The service scope of year 2008 includes the following three categories:

- Container Liner Service

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

- Proxy Service

Operating 2 bulkers on behalf of other Carriers

1.3 Liner Services for full container vessels from 2006 to 2008

Unit : TEU

Items	2006	Pct.	2007	Pct	2008	Pct.
Cargo for Trans-ocean	1,823,967	67	2,228,893	71	2,186,373	71
Cargo for Intra-Asia	895,867	33	917,277	29	888,708	29
Total	2,719,834	100	3,146,170	100	3,075,081	100

2. Market Analysis

2.1 Transpacific Trade

According to JOC PIERS, YM's market share in 2008 accounted for 5.6%.

However, the total transpacific trade on eastbound leg has experienced a downturn, -5.7%, owing mainly to the worldwide financial crisis in 2008. As well as this, according to Drewry, it is forecasted that the total cargo volume in year 2009 would be further dropped by 3.2% for eastbound, but reversely the rate will increase by 4.8% for westbound.

2.2 F.E.-Europe/Mediterranean Trade

According to internal report, due to the expansion of NCP space, for YM the annual westbound cargo growth for F.E.-Europe trade reached 17.88% in 2008 even under the worldwide recession. On the contrary, F.E.-Mediterranean trade dropped by 2.4%. Besides that, Chinese export is still the leading contributor of exports from Asia to Europe.

Based on the said data, YM's market share in 2008 are around 3.7% on F.E.-Europe Trade and 3.6% on F.E.-Mediterranean Trade.

2.3 Transatlantic Trade

Transatlantic trade is still one of the few trade lanes where the trade imbalance is narrowing. Nevertheless, compared with Transpacific Trade and F.E.-Europe/Mediterranean Trade, worldwide recession has less impact on Transatlantic Trade. In 2009, the annual westbound volume shall decrease slightly at 0.73%, whereas eastbound volume will increase by 0.35% based on Drewry Report's forecast.

2.4 Intra-Asia Trade

Intra Asia market was strongly impacted due to the phase-in of new tonnages. Some shipping merchants therefore withdrew from this trade. As the Asian emerging countries, such as India and China, still keep growing, the market may recover soon once the world economy revives. However it is necessary to keep observing on the ship building and scrap market continually.

3. Employees Status

Year		2007	2008	Apr. 30, 2009
Number of employees	Office service	1,141	1,201	1,191
	Sea service	198	250	213
	Total	1,339	1,451	1,404
Average age		38.90	39.59	39.30
Average service years		11.60	11.72	11.88
Education level	Ph. D	1	3	3
	Master's degree	193	230	229
	College degree	947	960	937
	High school degree	152	192	176
	Middle school and below	46	66	59

4. Environmental Protection

4.1 In keeping with the increasingly strict regulation governing environmental control, this company will take the following actions this year:

4.1.1 To implement the Environmental Compliance Program (ECP) for all vessels sailing to US ports;

4.1.2 To obtain Vessel General Permits (VGP), in coordination with the requirement of the U.S. Environmental Protection Agency, for all vessels sailing to US ports;

4.1.3 To acquire bunker convention certificates from the signatory states of the 2001 Bunker Convention;

4.1.4 To observe the US 1990 Oil Pollution Act by carrying out the Non-Tanker Vessels Response Plan and obtaining Financial Guaranty and Financial Responsibility Certificate for all vessels sailing to US ports; and

4.1.5 To abide by the Panama Canal Shipboard Oil Pollution Emergency Plan for all vessels passing through the Panama Canal.

4.2 To carry out the foregoing plans, this company is expected to spend USD 150,000 in 2009.

5. Relationship with Employees

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

6. Important Contracts

Apr. 30, 2009

Name of contract	Party	Contract Period	Primary content
Vessel Sharing and Slot Allocation Agreement	K LINE HJS	3/22/2002 ~ the indefinite duration	Asia/U.S. West Coast ; Asia/U.S. East Coast ; Asia/Med/Europe ; U.S. East Coast / North Europe ; U.S. East Coast / North Europe liner service
Space Allocation & Operating Agreement	K LINE	3/22/2002~3/21/2012	Asia / U.S. East Coast ; Asia / Europe
Vessel Sharing and Slot Allocation Agreement	K LINE Wan Hai PIL	09/01/2007~the indefinite duration	Asia / Black Service
Vessel Sharing and Slot Allocation Agreement	K LINE HJS	02/026/2009~the indefinite duration	Far East / Red Sea Service
Joint Service Agreement	CNC / STX	9/18/2008 ~ the indefinite duration	China-Thailand service
Joint Service Agreement	PACC	7/28/2008 ~ the indefinite duration	Bangkok-Singapore-Jakarta service
Joint Service Agreement	STX	11/24/2008 ~ the indefinite duration	Pan Asia service
Joint Service Agreement	EMC / OOCL	4/4/2006 ~ the indefinite duration	Taiwan - Ho Chi Minh Express service
Slot Exchange Agreement	EMC	9/1/2002 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	CNC	1/13/2009 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	Mariana	3/20/2008 ~ the indefinite duration	Intra-Asia service
Slot Charter Agreement	Seacon	10/5/2006 ~ the indefinite duration	Taiwan - Indonesia Service
Slot Charter Agreement	YMUK	10/6/2006 ~ the indefinite duration	Intra-Asia service

Name of contract	Party	Contract Period	Primary content
Long-term Charter-in Vessels	SHOEI / Imabari	2003/Jun~2013/Jun 2003/Jul~2013/Jul 2003/Sep~2013/Sep	3 x 1620 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2004/Apr~2014/Apr 2004/May~2014/May	2 x 5500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Zodiac Maritime Agencies Ltd.	2004/Sep~2012/Sep 2004/Nov~2012/Nov 2005/Jan~2013/Jan	3 x 4000 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2006/4Q~2016/4Q 2006/4Q~2016/4Q	2 x 4920 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Continental Chartering GmbH & Co. KG	2006/Mar~2011/Mar 2006/Jul~2011/Jul	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (HHI)	2007/Mar~2019/Mar 2007/Sep~2019/Sep	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (Samsung)	2007/Sep~2019/Sep 2007/Nov~2019/Nov	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Peter Doehle Schiffahrts-KG	2007/Sep~2019/Sep	1 x 4444 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2010/Nov~2025/Nov 2010/Dec~2025/Dec 2011/Feb~2026/Feb	3 x 6250 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels(BBC)	Danaos Shipping Co. Ltd. (HHI)	2009/Nov ~ 2027/Nov 2010/Jan ~ 2028/Jan	2 x 6500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (HHI)	2010/Jan-Jul ~ 2025/Jan - Jul	3 x 6500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Synergy Group	2008/Dec ~ 2018/Dec 2009/Jan ~ 2019/Jan 2009/Feb ~ 2019/Feb 2009/Apr ~ 2019/Apr	4 x 4250 TEU Long-term Charter-in Container Vessels

CHAPTER 4 FINANCIAL STATEMENTS AND REPORTS

1. Condensed Balance Sheets and Income Statements

1.1 Balance Sheet

UNIT : NT\$1,000

Year		Accounting data for the recent 5 years					
		Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Mar. 31, 2009
Current Assets		39,891,136	31,249,907	24,183,162	17,695,469	11,446,296	9,728,792
Investments in Shares of Stock		13,354,483	16,784,797	18,800,905	23,304,253	26,461,125	26,393,733
Net Properties		17,030,994	12,886,377	15,363,071	17,594,143	15,507,976	14,871,631
Other Assets		7,524,106	19,117,753	24,198,088	29,023,551	33,713,920	39,066,945
Total Assets		77,800,719	80,038,834	82,545,226	87,617,416	87,129,317	90,061,101
Current Liabilities	Unappropriated	11,221,109	11,248,681	15,838,297	14,716,907	12,036,425	12,354,909
	Appropriated	18,151,099	17,079,693	16,632,457	17,148,838	-	-
Total Long-Term Debts		19,976,133	18,459,943	20,562,215	19,229,489	24,852,581	30,443,099
Other Liabilities		2,765,909	3,132,230	3,306,902	3,237,578	3,233,614	2,788,940
Total Liabilities	Unappropriated	33,963,151	32,840,854	39,707,414	37,183,974	40,122,620	45,586,948
	Appropriated	40,893,141	38,671,866	40,501,574	39,615,905	-	-
Capital stock		22,687,545	22,898,167	22,898,344	23,286,982	25,624,665	25,624,665
Capital surplus		7,908,492	8,496,473	8,774,975	8,980,008	8,988,582	8,988,582
Retained earnings	Unappropriated	13,490,305	15,816,055	11,128,198	16,170,046	11,956,355	8,868,189
	Appropriated	6,560,315	9,985,043	10,150,118	11,409,062	-	-
Unrealized loss on financial instruments		-	-	(35,588)	1,935,242	25,832	332,181
Unrealized loss on investments in shares of stock		(1)	-	-	-	-	-
Cumulative translation adjustments		28,301	191,616	168,626	100,131	447,853	697,126
Net loss not recognized as pension costs		(35,717)	(39,630)	(96,743)	(38,967)	(36,590)	(36,590)
Total Stockholders' Equities	Unappropriated	43,837,568	47,197,980	42,837,812	50,433,442	47,006,697	44,474,153
	Appropriated	36,907,578	41,366,968	41,859,731	45,672,458	-	-

1.2 Income Statement

UNIT : NT\$1,000

Year		Accounting data for the recent 5 years					
		Jan. 1, 2004~ Dec 31,2004	Jan. 1, 2005~ Dec 31,2005	Jan. 1, 2006~ Dec 31,2006	Jan. 1, 2007~ Dec 31,2007	Jan. 1, 2008~ Dec 31,2008	Jan. 1, 2009~ Mar. 31, 2009
Operating revenue		78,429,274	84,155,941	92,039,885	114,220,255	117,133,641	17,850,597
Gross profit (loss)		8,075,087	4,960,783	25,957	4,213,036	875,314	(2,997,697)
Operating income (loss)		6,035,003	3,031,936	(1,439,006)	2,110,972	(938,440)	(3,400,956)
Non-operating income		6,978,424	8,273,922	4,017,390	5,869,673	4,501,158	533,594
Non-operating expenses		1,113,750	1,280,799	949,389	975,557	2,771,343	444,586
Income (loss) before income tax		11,899,677	10,025,059	1,628,995	7,005,088	791,375	(3,311,948)
Cumulative effect of change in accounting principles		-	-	16,896	-	-	-
Net income (loss)		9,797,264	9,262,954	1,143,155	6,020,284	547,293	(3,088,166)
Earnings per share		4.57	4.11	0.50	2.36	0.21	(1.21)

1.3 CPA and Audit results for the past 5 years

Year	CPA name	Audit Opinion
Jan. 1, 2004 ~ Dec. 31, 2004	Lin An Hwei, Way Yung Do	Modify Unqualified
Jan. 1, 2005 ~ Dec. 31, 2005	Lin An Hwei, Way Yung Do	Modify Unqualified
Jan. 1, 2006 ~ Dec. 31, 2006	Lin An Hwei, Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2007 ~ Dec. 31, 2007	Hung Yu Mei, Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2008 ~ Dec. 31, 2008	Hung Yu Mei, Chen Chin Hsiang	Modify Unqualified

1.4. Financial Statement Analysis

Items		Year	Financial Analysis for the years from 2004 to 2009						
			Jan. 1, 2004~ Dec. 31, 2004	Jan. 1, 2005~ Dec. 31, 2005	Jan. 1, 2006~ Dec. 31, 2006	Jan. 1, 2007~ Dec. 31, 2007	Jan. 1, 2008~ Dec. 31, 2008	Jan. 1, 2009~ Mar. 31, 2009	
Financial conditions	Debt to Total Assets Ratio		43.65	41.03	48.10	42.44	46.05	50.62	
	Long-term funds to net properties		371.88	505.79	409.56	393.22	460.28	500.53	
Institutional solvency	Current ratio (%)		355.50	277.81	152.69	120.24	95.10	78.74	
	Acid-test ratio (%)		345.24	260.37	137.94	92.88	76.44	59.84	
	Time interest earned		18.72	13.63	3.08	9.67	2.00	(14.46)	
Operating performance	Receivables turnover		37.24	35.13	34.73	33.62	35.07	32.16	
	Average collection period(days)		9.80	10.39	10.51	10.86	10.41	11.35	
	Payables turnover		-	-	-	-	-	-	
	Turnover of the fixed assets		4.61	6.53	5.99	6.49	7.55	4.80	
	Turnover of the total assets		1.01	1.05	1.12	1.30	1.34	0.79	
Profitability	Return on total assets (%)		14.86	12.49	2.13	7.79	1.31	(13.22)	
	Return on stockholder's equity (%)		25.41	20.35	2.54	12.91	1.12	(27.01)	
	Ratio of income against paid-in capital (%)	Operating income (Loss)		26.60	13.24	(6.28)	9.07	(3.66)	(53.09)
		Pre-tax income (Loss)		52.45	43.78	7.19	30.08	3.09	(51.70)
	Profit Margin (%)		12.49	11.01	1.24	5.27	0.47	(17.30)	
	Earnings per share (note1)		4.57 4.34	4.11 4.06	0.50 0.50	2.60 2.36	0.21 -	(1.21) -	
Cash flow	Cash flow ratio (%)		86.05	70.95	9.25	41.91	26.49	(48.94)	
	Cash flow adequacy ratio (%)		62.25	60.64	54.57	53.53	43.86	(28.52)	
	Cash reinvestment ratio (%)		5.96	1.23	(5.11)	5.96	0.94	(6.38)	
Leverage	Operation Leverage		2.01	2.97	(3.07)	4.38	(7.88)	0.45	
	Finance Leverage		1.13	1.35	0.65	1.62	0.54	0.94	

Note 1 : According to the adjusted outstanding shares.

2. INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Yang Ming Line (Singapore) Pte. Ltd., Yang Ming Line Holding Co. and Ming Giant (Shanghai) International Logistics Company Limited as of and for the year ended December 31, 2008 and 2007 in which the Corporation has long-term investments accounted for using equity method. As shown in the accompanying balance sheets, the carrying values of these investments were 2.5% (NT\$2,177,591 thousand) and 2.5% (NT\$2,171,746 thousand) of the Corporation's total assets as of December 31, 2008 and 2007, respectively. The equity in these investees' net loss was (7.0%) (NT\$55,071 thousand) and (5.3%) (NT\$367,853 thousand) of the Corporation's income before income tax in 2008 and 2007, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 1 to the financial statements, on October 1, 2008, Yang Ming Marine Transport Corporation spun off the business, assets and liabilities of its tramp business department into a wholly owned subsidiary, Kuang Ming Shipping Corp., in exchange for 176,330 thousand common shares of Kuang Ming Shipping Corp. The income statements mentioned in the first paragraph included the operating results of the spun off department up to the date of the spin-off but disclosed pro forma information as if the spin off was effective on January 1, 2007.

As stated in Note 3, as of July 1, 2008, the Corporation adopted the amendments to the ROC Statement of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement” that require the reclassification of certain financial instruments when they meet specified conditions.

We have also audited the consolidated financial statements of Yang Ming Marine Transport Corporation and subsidiaries as of and for the years ended December 31, 2008 and 2007 and have issued a modified unqualified opinion thereon in our report dated March 11, 2009.

March 11, 2009

Notice to Readers

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

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

3.Financial Reports as Dec. 31,2008

YANG MING MARINE TRANSPORT CORPORATION

3.1 BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

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

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Notes 2 and 4)	\$ 4,692,315	5	\$ 4,982,024	6	Short-term loans (Note 13)	\$ 500,000	1	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 23)	162,625	-	1,278,914	2	Payable to related parties (Note 24)	2,763,370	3	2,013,095	2
Available-for-sale financial assets - current (Notes 2, 3, 6 and 23)	579,719	1	-	-	Income tax payable (Notes 2 and 20)	-	-	783,436	1
Accounts receivable, net of allowance for doubtful accounts of \$25,048 thousand and \$34,632 thousand at December 31, 2008 and 2007 (Note 2)	710,473	1	894,678	1	Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	145,134	-	1,944	-
Accounts receivable from related parties (Notes 2 and 24)	2,192,918	3	2,882,584	3	Accrued expenses (Note 15)	3,398,648	4	6,115,481	7
Other receivable from related parties (Note 24)	91,538	-	2,986,054	3	Payable for equipment	40,119	-	1,116,335	1
Shipping fuel, net (Note 2)	1,900,383	2	3,775,933	4	Advances from customers	1,167,264	1	1,612,255	2
Prepaid expenses	345,266	-	249,865	-	Current portion of long-term interest-bearing debts (Notes 2, 9, 14 and 25)	2,052,327	3	1,376,887	2
Advances to shipping agents (Note 24)	409,403	1	387,404	1	Payable to shipping agents	1,824,657	2	1,558,512	2
Other current assets (Notes 2 and 20)	361,656	-	258,013	-	Other current liabilities (Notes 2 and 5)	144,906	-	138,962	-
Total current assets	11,446,296	13	17,695,469	20	Total current liabilities	12,036,425	14	14,716,907	17
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 8 and 27)					LONG-TERM DEBTS, NET OF CURRENT PORTION				
Available-for-sale financial assets - noncurrent	2,855,096	3	4,011,988	5	Hedging derivative financial liabilities - noncurrent (Note 2)	-	-	2,871	-
Financial assets measured at cost - noncurrent	803,407	1	707,262	1	Bonds (Notes 2 and 14)	17,122,000	20	18,706,000	21
Hedging derivative financial assets - noncurrent	23,607	-	9,172	-	Long-term bank loans (Notes 14 and 25)	7,110,714	8	-	-
Investments accounted for using equity method	22,779,015	26	18,575,831	21	Capital lease obligations (Notes 2, 9, 14 and 26)	140,228	-	40,979	-
Total long-term investments	26,461,125	30	23,304,253	27	Total long-term debts	24,372,942	28	18,749,850	21
PROPERTIES (Notes 2, 9, 24, 25 and 26)					RESERVE FOR LAND VALUE INCREMENT TAX (Note 16)	479,639	-	479,639	-
Cost					OTHER LIABILITIES				
Land	330,069	-	330,069	-	Accrued pension liabilities (Notes 2 and 18)	967,372	1	926,479	1
Buildings	728,683	1	745,383	1	Deferred income tax liabilities - noncurrent (Notes 2 and 20)	2,123,197	3	2,156,542	3
Containers and chassis	23,566,163	27	22,523,772	26	Others(Notes 2, 17 and 25)	143,045	-	154,557	-
Ships	2,378,832	3	6,949,081	8	Total other liabilities	3,233,614	4	3,237,578	4
Leased containers and chassis	2,178,416	3	2,041,688	2	Total liabilities	40,122,620	46	37,183,974	42
Leasehold improvements	146,272	-	146,272	-	CAPITAL STOCK - \$10 PAR VALUE				
Miscellaneous equipment	2,527,228	3	2,474,611	3	Authorized - 3,000,000 thousand shares at December 31, 2008 and 2007				
Total cost	31,855,663	37	35,210,876	40	Issued - 2,562,466 thousand shares and 2,328,698 thousand shares at December 31, 2008 and 2007	25,624,665	29	23,286,982	27
Accumulated depreciation	16,436,353	19	18,304,134	21	CAPITAL SURPLUS				
Construction in progress	15,419,310	18	16,906,742	19	Paid-in capital in excess of par value	7,499,701	8	7,491,127	8
Net properties	15,507,976	18	17,594,143	20	Treasury stock transactions	1,480,009	2	1,480,009	2
OTHER ASSETS					From long-term equity-method investment	8,872	-	8,872	-
Assets leased to others, net (Notes 2, 10 and 25)	4,040,746	5	4,048,513	5	Total capital surplus	8,988,582	10	8,980,008	10
Nonoperating assets, net (Notes 2, 11 and 25)	218,058	-	218,058	-	RETAINED EARNINGS				
Advances on long-term rent agreements (Note 12)	942,627	1	292,190	-	Legal reserve	3,814,813	5	3,212,821	4
Deferred charges, net (Note 2)	71,852	-	110,486	-	Special reserve	2,067,513	2	2,067,513	2
Long-term receivables from related parties (Notes 8 and 24)	28,190,788	33	24,164,194	28	Unappropriated earnings	6,074,029	7	10,889,712	13
Miscellaneous	249,849	-	190,110	-	Total retained earnings	11,956,355	14	16,170,046	19
Total other assets	33,713,920	39	29,023,551	33	OTHER ITEMS OF STOCKHOLDERS' EQUITY				
TOTAL	\$ 87,129,317	100	\$ 87,617,416	100	Cumulative translation adjustments	447,853	1	100,131	-
					Net loss not recognized as pension cost	(36,590)	-	(38,967)	-
					Unrealized loss on financial instruments	25,832	-	1,935,242	2
					Total other items of stockholders' equity	437,095	1	1,996,406	2
					Total stockholders' equity	47,006,697	54	50,433,442	58
					TOTAL	\$ 87,129,317	100	\$ 87,617,416	100

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

(With Deloitte & Touche audit report dated March 11, 2009)

YANG MING MARINE TRANSPORT CORPORATION

3.2 STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 24)	\$117,133,641	100	\$114,220,255	100
OPERATING COSTS (Notes 2, 21 and 24)	<u>116,258,327</u>	<u>99</u>	<u>110,007,219</u>	<u>96</u>
GROSS INCOME	<u>875,314</u>	<u>1</u>	<u>4,213,036</u>	<u>4</u>
OPERATING EXPENSES (Notes 21 and 24)				
Selling	1,503,264	2	1,749,638	2
General and administrative	<u>310,490</u>	<u>-</u>	<u>352,426</u>	<u>-</u>
Total operating expenses	<u>1,813,754</u>	<u>2</u>	<u>2,102,064</u>	<u>2</u>
OPERATING (LOSS) INCOME	<u>(938,440)</u>	<u>(1)</u>	<u>2,110,972</u>	<u>2</u>
NONOPERATING INCOME AND GAINS				
Investment income recognized under equity method (Notes 2 and 8)	2,056,957	2	2,475,207	2
Gain on disposal of properties	1,049,584	1	1,694,775	2
Interest (Note 24)	838,062	1	896,434	1
Dividend income	220,786	-	6,629	-
Rent (Note 24)	161,371	-	123,811	-
Foreign exchange gain, net	-	-	212,951	-
Valuation gain on financial instruments, net (Note 2)	-	-	119,663	-
Gain on disposal of financial instruments, net	-	-	116,221	-
Others	<u>174,398</u>	<u>-</u>	<u>223,982</u>	<u>-</u>
Total nonoperating income and gains	<u>4,501,158</u>	<u>4</u>	<u>5,869,673</u>	<u>5</u>
NONOPERATING EXPENSES AND LOSSES				
Interest (Notes 2 and 9)	791,171	1	807,633	1
Foreign exchange loss, net	602,730	1	-	-
Provision for loss on shipping fuel (Note 2)	564,201	1	-	-
Loss on disposal of financial instruments, net	330,893	-	-	-
Valuation loss on financial assets, net (Note 2)	147,661	-	-	-
Valuation loss on financial liabilities, net (Note 2)	117,064	-	-	-
Impairment loss on financial assets measured at cost (Note 2)	53,855	-	51,240	-
Others	<u>163,768</u>	<u>-</u>	<u>116,684</u>	<u>-</u>
Total nonoperating expenses and losses	<u>2,771,343</u>	<u>3</u>	<u>975,557</u>	<u>1</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX EXPENSES	\$ 791,375	-	\$ 7,005,088	6
INCOME TAX EXPENSES (Notes 2 and 20)	<u>244,082</u>	<u>-</u>	<u>984,804</u>	<u>1</u>
NET INCOME	<u>\$ 547,293</u>	<u>-</u>	<u>\$ 6,020,284</u>	<u>5</u>
	2008		2007	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 0.31</u>	<u>\$ 0.21</u>	<u>\$ 2.75</u>	<u>\$ 2.36</u>
Diluted earnings per share	<u>\$ 0.31</u>	<u>\$ 0.21</u>	<u>\$ 2.73</u>	<u>\$ 2.35</u>

The pro forma information based on the assumption that Yang Ming Marine Transport Corporation had spun off the tramp business department into Kuang Ming Shipping Corp. on January 1, 2007 (Notes 1, 2 and 27) was as follows:

	2008	2007
OPERATING REVENUES	\$ 114,399,978	\$ 112,289,321
OPERATING COSTS	<u>(114,428,294)</u>	<u>(108,706,372)</u>
GROSS (LOSS) INCOME	<u>\$ (28,316)</u>	<u>\$ 3,582,949</u>
OPERATING (LOSS) INCOME	<u>\$ (1,834,171)</u>	<u>\$ 1,498,584</u>
NET INCOME	<u>\$ 547,293</u>	<u>\$ 6,020,284</u>

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

(With Deloitte & Touche audit report dated March 11, 2009)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

3.3 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Amounts Per Share)

	Capital Stock		Capital Surplus (Notes 2 and 19)			Retained Earnings (Notes 2 and 19)			Other Items of Stockholders' Equity (Notes 2, 3 and 19)			Total Stockholders' Equity
	(\$10 Par Value, Notes 2 and 19)		Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	From Long-term Equity-method Investment	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain or Loss on Financial Instruments	
	Shares (Thousands)	Amount										
BALANCE, JANUARY 1, 2007	2,289,835	\$ 22,898,344	\$ 7,286,090	\$ 1,480,009	\$ 8,876	\$ 3,098,505	\$ 2,074,929	\$ 5,954,764	\$ 168,626	\$ (96,743)	\$ (35,588)	\$ 42,837,812
Appropriation of 2006 earnings												
Legal reserve	-	-	-	-	-	114,316	-	(114,316)	-	-	-	-
Special reserve	-	-	-	-	-	-	(7,416)	7,416	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(58,478)	-	-	-	(58,478)
Cash dividends - \$0.3195 per share	-	-	-	-	-	-	-	(735,682)	-	-	-	(735,682)
Stock dividends - \$0.0799 per share	18,392	183,920	-	-	-	-	-	(183,920)	-	-	-	-
Net income for the year ended December 31, 2007	-	-	-	-	-	-	-	6,020,284	-	-	-	6,020,284
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(68,495)	-	-	(68,495)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	(4)	-	-	(356)	-	-	108,467	108,107
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	1,821,734	1,821,734
Changes in unrealized gain on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	40,629	40,629
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	57,776	-	57,776
Domestic convertible bonds converted into capital stocks and capital surplus	<u>20,471</u>	<u>204,718</u>	<u>205,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,755</u>
BALANCE, DECEMBER 31, 2007	2,328,698	23,286,982	7,491,127	1,480,009	8,872	3,212,821	2,067,513	10,889,712	100,131	(38,967)	1,935,242	50,433,442
Appropriation of 2007 earnings												
Legal reserve	-	-	-	-	-	601,992	-	(601,992)	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(102,876)	-	-	-	(102,876)
Cash dividends - \$1.0 per share	-	-	-	-	-	-	-	(2,329,054)	-	-	-	(2,329,054)
Stock dividends - \$1.0 per share	232,905	2,329,054	-	-	-	-	-	(2,329,054)	-	-	-	-
Net income for the year ended December 31, 2008	-	-	-	-	-	-	-	547,293	-	-	-	547,293
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	347,722	-	-	347,722
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(235)	(303,842)	(304,077)
Effect of reclassification of financial assets on July 1, 2008	-	-	-	-	-	-	-	-	-	-	(157,445)	(157,445)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(1,461,102)	(1,461,102)
Changes in unrealized loss on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	12,979	12,979
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	2,612	-	2,612
Domestic convertible bonds converted into capital stocks and capital surplus	<u>863</u>	<u>8,629</u>	<u>8,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,203</u>
BALANCE, DECEMBER 31, 2008	<u>2,562,466</u>	<u>\$ 25,624,665</u>	<u>\$ 7,499,701</u>	<u>\$ 1,480,009</u>	<u>\$ 8,872</u>	<u>\$ 3,814,813</u>	<u>\$ 2,067,513</u>	<u>\$ 6,074,029</u>	<u>\$ 447,853</u>	<u>\$ (36,590)</u>	<u>\$ 25,832</u>	<u>\$ 47,006,697</u>

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

(With Deloitte & Touche audit report dated March 11, 2009)

YANG MING MARINE TRANSPORT CORPORATION

3.4 STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 547,293	\$ 6,020,284
Depreciation	2,758,304	2,585,061
Amortization	65,583	77,408
Loss (gain) on disposal of financial instruments	330,893	(116,221)
Gain on disposal of properties, net	(1,048,801)	(1,692,881)
(Reversal of) provision for pension cost	(1,910)	19,174
Provision for (reversal of) allowance for loss on shipping fuel	564,201	(56,776)
Impairment loss on financial assets measured at cost	53,855	51,240
Investment income recognized under equity method	(2,056,957)	(2,475,207)
Cash dividends received on equity-method investee companies	720,970	107,781
Valuation loss on financial liabilities	117,064	-
Valuation gain on financial assets	(147,661)	(119,663)
Deferred income taxes	(206,093)	(103,189)
Others	5,420	5,403
Net changes in operating assets and liabilities		
Financial assets held for trading	73,231	(732,877)
Accounts receivable	192,872	(304,880)
Accounts receivable from related parties	689,666	(467,580)
Other receivable from related parties	2,132,018	2,716,772
Shipping fuel	1,311,349	(1,751,223)
Prepaid expenses	(170,077)	117,928
Advances to shipping agents	(21,999)	(150,919)
Other current assets	5,811	32,656
Payable to related parties	750,275	1,048,837
Income tax payable	(783,436)	546,508
Financial liabilities held for trading	155,988	1,555
Accrued expenses	(2,716,833)	439,208
Payable to shipping agents	266,145	(2,548)
Advances from customers	(444,991)	302,988
Other current liabilities	5,474	56,622
Advances on long-term rent agreements	41,106	12,004
Net cash provided by operating activities	<u>3,188,760</u>	<u>6,167,465</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets designated as at fair value through profit or loss	-	32,600
Acquisition of available-for-sale financial assets	(10,938,784)	(7,942,361)
Proceeds from disposal of available-for-sale financial assets	10,631,919	13,065,911
Proceeds of cash dividends from available-for-sale financial assets	18,984	127,365
Proceeds from capital reduction of investments in shares of stock	-	126,316
Acquisition of investments accounted for using equity method	(1,060,904)	(979,810)
Acquisition of financial assets measured at cost	(150,000)	(90,000)
Acquisition of properties and assets leased to others	(2,458,466)	(6,940,886)

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Proceeds from disposal of properties and nonoperating assets	\$ 1,140,617	\$ 5,523,718
Increase in long-term receivable from related parties	(4,870,225)	(2,815,960)
Increase in deferred charges	(101,197)	(65,971)
Increase in other assets	(75,068)	(38,039)
Decrease in restricted assets	<u>-</u>	<u>124,923</u>
Net cash (used in) provided by investing activities	<u>(7,863,124)</u>	<u>127,806</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	500,000	-
Increase in long-term bank loans	7,500,000	-
Repayments of principal of bonds	(1,076,933)	(3,848,000)
Payments of capital lease obligations	(104,368)	(113,958)
Decrease in other liabilities	(2,584)	(3,154)
Cash dividends and employees' bonus paid	<u>(2,431,460)</u>	<u>(794,253)</u>
Net cash provided by (used in) financing activities	<u>4,384,655</u>	<u>(4,759,365)</u>
NET (DECREASE) INCREASE IN CASH	(289,709)	1,535,906
CASH, BEGINNING OF YEAR	<u>4,982,024</u>	<u>3,446,118</u>
CASH, END OF YEAR	<u>\$ 4,692,315</u>	<u>\$ 4,982,024</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 797,645	\$ 889,125
Less: Capitalized interest	<u>-</u>	<u>(2,225)</u>
Interest paid (excluding capitalized interest)	<u>\$ 797,645</u>	<u>\$ 886,900</u>
Income tax paid	<u>\$ 1,312,417</u>	<u>\$ 495,640</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of nonoperating assets into assets leased to others	<u>\$ -</u>	<u>\$ 42,328</u>
Reclassification of assets leased to others into properties	<u>\$ -</u>	<u>\$ 257,364</u>
Reclassification of properties into assets leased to others	<u>\$ 21,219</u>	<u>\$ -</u>
Reclassification of construction in process into advances on long-term rent agreements	<u>\$ 691,543</u>	<u>\$ -</u>
Reclassification of investment into deduction to long-term receivables from related parties	<u>\$ -</u>	<u>\$ 112,363</u>
Current portion of interest-bearing long-term debts	<u>\$ 2,052,327</u>	<u>\$ 1,376,887</u>
Domestic unsecured convertible bonds converted into capital stock and capital surplus	<u>\$ 17,203</u>	<u>\$ 409,755</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS		
Increase in properties and assets leased to others	\$ 1,382,250	\$ 8,796,937
Decrease in payables for equipment	1,076,216	431,510
Decrease in payables to related parties	<u>-</u>	<u>(2,287,561)</u>
Cash paid	<u>\$ 2,458,466</u>	<u>\$ 6,940,886</u>
PROCEEDS FROM SALE OF PROPERTIES		
Total contracted selling prices	\$ 1,140,617	\$ 4,462,892
Decrease (increase) in long-term receivables from related parties	-	(1,503,519)
Decrease in other receivables from related parties	<u>-</u>	<u>2,564,345</u>
Cash received	<u>\$ 1,140,617</u>	<u>\$ 5,523,718</u>

SUPPLEMENTARY DISCLOSURE OF THE SPIN OFF TRANSACTION

On October 1, 2008, Yang Ming Marine Transport Corporation spun off the tramp business department into a subsidiary, Kuang Ming Shipping Corp.. The net assets of the spun off department were as follows:

Acquisition of equity-method investments - 176,330 thousand common shares of Kuang Ming Shipping Corporation	\$ 4,000,716
Interests receivable	(35,438)
Prepaid expenses	(75,365)
Investments accounted for by the equity-method - Kuang Ming (Liberia) Corporation	(1,060,904)
Miscellaneous equipment	(300)
Long-term receivables	<u>(2,828,709)</u>
Cash paid	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated March 11, 2009)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

3.5 NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(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. The MOTC owned 35.51% and 35.52% of the Corporation’s outstanding capital stock at December 31, 2008 and 2007.

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

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

As of December 31, 2008 and 2007, the Corporation had 1,451 and 1,339 employees, respectively.

To increase the Corporation’s competitiveness and performance through downsizing of organization and streamlining of operations, the shareholders had met and resolved to spin off its tramp business department into a subsidiary, Kuang Ming Shipping Corp., in accordance with the Business Mergers and Acquisitions Law, Company Act and other related regulations on October 1, 2008. The net assets of the department spun off were \$4,000,716 thousand. The Corporation exchanged the net assets for 176,330 thousand of Kuang Ming Shipping Corporation’s newly issued shares at NT\$22.6888 per share.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (“ROC”). Under these laws, guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, evaluation of financial assets and liabilities, provision for losses on shipping fuel, depreciation of properties, income tax, pension cost, loss on pending litigations, payables to shipping agents and bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretation of the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets include unrestricted cash, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purpose or to be settled within one year from the balance sheet date. All other assets and liabilities are classified as noncurrent.

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

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

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

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

Shipping Fuel

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

Financial Assets Carried at Cost

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

The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets.

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

Investments Accounted for by the Equity Method

Investments in which the Corporation holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the Corporation's proportionate share in the investee's equity was amortized by the straight-line method over 5 years. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

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

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

Spin-off

The Corporation had spun off the assets, liabilities and operations of its tramp business department into a subsidiary in exchange for all of the subsidiary's newly issued shares. The cost of the shares received is equal to the net book value of the spun-off assets minus the spun-off liabilities without recognizing any exchange gain. If the recoverable amount of the spun-off assets is estimated to be less than its carrying amount, the carrying amount of the spun-off assets will be reduced to its recoverable amount. The Corporation will recognize the recoverable amount as the cost of the shares received.

Properties and Assets Leased to Others

Properties and assets leased to others are stated at cost less accumulated depreciation. Borrowing

costs directly attributable to the acquisition or construction of property, plant, equipment and assets leased to others are capitalized as part of the cost of those assets. Major additions and improvements to property, plant, equipment and assets leased to others are capitalized, while costs of repairs and maintenance are expensed currently.

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

Depreciation is provided on a straight-line method over estimated useful lives as follows (plus one year to represent the estimated salvage value): buildings, 52 to 55 years; containers and chassis, 6 to 8 years; ships, 13 to 20 years; leased containers and chassis, 5 to 9 years; leasehold improvements, 5 to 10 years; and miscellaneous equipment, 3 to 18 years. Properties still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

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

Nonoperating Assets

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

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, nonoperating assets, deferred charges, leased assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

For long term equity investments for which the Corporation has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing. Long term equity investments over which the Corporation has control are evaluated for impairment using their cash-generating units on the basis consolidated financial statements.

Deferred Charges

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

Convertible Bonds

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

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

Pension Cost

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

Unrealized Gain (Loss) on Sale and Leaseback

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

Income Tax

The inter-period and intra-period allocation methods are used for income taxes. Whereby (1) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits and unused loss carryforward. Valuation allowance is recognized on deferred income tax assets that are not expected to be realized; (2) a portion of income tax expense is allocated to the income of tramp business department. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

Foreign Currencies

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

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

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

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

- a. Fair value hedge

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

- b. Cash flow hedge

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2008.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT\$44,446 thousand in net income and a decrease in after income tax basic earnings per share of NT\$0.02 for the year ended December 31, 2008.

Accounting for Financial Instruments

On July 1, 2008, the Corporation adopted the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The amendments to SFAS 34 mainly deal with the reclassification of financial assets at fair value through profit or loss if certain conditions are met. The adoption of SFAS No. 34 resulted in increase of NT\$290,307 thousand in net income and increase in after income tax basic earnings per share of NT\$0.11 for the year ended December 31, 2008. Please see Note 23 for relevant information regarding reclassifications of financial instruments..

4. CASH

	<u>December 31</u>	
	2008	2007
Cash		
Petty cash and cash on hand	\$ 2,341	\$ 2,110
Checking accounts and demand deposits	2,001,170	1,356,290
Time deposits: Interest - 0.15% to 2.33% in 2008 and 2.215% to 5.270% in 2007	<u>2,688,804</u>	<u>3,623,624</u>
	<u>\$ 4,692,315</u>	<u>\$ 4,982,024</u>

As of December 31, 2008 and 2007, time deposits with maturity of over one year amounted to \$747 thousand and \$747 thousand, respectively.

The overseas deposits as of December 31, 2008 and 2007 are summarized in the accompanying Schedules A and B.

5. FINANCIAL INSTRUMENTS AT FVTPL

a. Financial liabilities at FVTPL

	<u>December 31</u>	
Financial assets held for trading		
Oil swap option	\$ 125,669	\$ -
Mutual funds	31,859	996,262
Domestic quoted stocks	5,097	266,651
Oil swap	-	14,136
Convertible bonds	-	1,865
	<u>\$ 162,625</u>	<u>\$ 1,278,914</u>
Financial liabilities held for trading		
Oil swap option	\$ 145,134	\$ 461
Oil swap	-	1,483
	<u>\$ 145,134</u>	<u>\$ 1,944</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.

There were no outstanding foreign exchange contracts and options of the Corporation as of December 31, 2008 and 2007.

The purpose of holding the short crude oil swap and oil swap option 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. The Corporation's purpose for trading oil swap and oil swap option is to reduce the cost burden from oil price increase.

Derivates that held by the Corporation do not meet the criteria for hedge accounting; therefore, they are treated as financial assets or liabilities.

Outstanding oil swap option contracts as of December 31, 2008 were as:

	Due Date	Notional Amount	Fair Value
<u>December 31, 2008</u>			
Oil swap option	2009.04.30	US\$44,340 thousand	\$ 125,669
Oil swap option	2009.04.30	US\$59,205 thousand	(145,134)

As of December 31, 2008, the oil swap option settled amounted to \$88,062 thousand and were recognized as other current liabilities.

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

	Due Date	Unit (Barrel)	Notional Amount	Fair Value
Oil swap	2008.01.18-2008.03.18	65,000	US\$5,777 thousand	\$ 14,136
	2008.01.18	15,000	US\$1,380 thousand	(1,483)
	Due Date		Notional Amount	Fair Value
Oil swap option	2008.01.31-2008.02.28		US\$1,670 thousand	\$ (145)
	2008.01.31		US\$980 thousand	(316)

Net loss arising from financial assets held for trading were \$602,563 thousand (including realized settlement loss of \$454,902 thousand and valuation loss of \$147,661 thousand) for the year ended December 31, 2008; net gains were \$206,075 thousand (including realized settlement gains of \$86,002 thousand and valuation gains of \$120,073 thousand) for the year ended December 31, 2007.

Net gains arising from financial liabilities held for trading were \$12,798 thousand

(including realized settlement gains of \$129,862 thousand and valuation loss of \$117,064 thousand).

b. Financial assets designated as at FVTPL

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

Net gains arising from designated as financial assets at fair value through profit or loss were \$1,325 thousand (including realized settlement loss of \$20 thousand and interest revenue of \$1,345 thousand) for the year ended December 31, 2007.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2008	2007
Domestic quoted stocks	\$ 3,142,977	\$ 4,011,988
Bond fund	291,838	-
Less: Current portion	<u>579,719</u>	<u>-</u>
	<u>\$ 2,855,096</u>	<u>\$ 4,011,988</u>

7. FINANCIAL ASSETS MEASURED AT COST

	December 31			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Domestic unquoted common stocks				
Taipei Port Container Terminal Co., Ltd.	\$ 316,640	10.00	\$ 166,640	10.00
Domestic unquoted preferred stocks				
New Century Infocomm Co., Ltd.	427,789	1.68	481,644	1.68
Overseas unquoted common stocks				
Antwerp International Terminal	<u>58,978</u>	16.33	<u>58,978</u>	16.33
	<u>\$ 803,407</u>		<u>\$ 707,262</u>	

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

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
All Oceans Transportation, Inc.	\$ 5,539,339	100.00	\$ 5,668,915	100.00
Kuang Ming Shipping Corp.	5,070,113	100.00	823,261	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	4,955,560	100.00	5,054,031	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,628,322	100.00	1,568,296	100.00
Ching Ming Investment Co., Ltd.	1,281,101	100.00	1,716,588	100.00
Transyang Shipping Pte. Ltd.	856,048	49.00	203,708	49.00
Kao Ming Container Terminal Corp.	786,771	100.00	799,840	100.00
Chunghwa Investment Co., Ltd.	739,517	40.00	857,570	40.00
Yes Logistics Corp.	520,731	46.04	528,060	46.04
Honming Terminal & Stevedoring Co., Ltd.	357,842	79.17	361,971	79.17
Yang Ming Line Holding Co.	313,530	100.00	379,921	100.00
Ming Giant (Shanghai) International Logistics Co., Ltd.	235,739	100.00	223,529	100.00
Yunn Wang Investment Co., Ltd.	202,032	49.75	272,623	49.75
Yang Ming (Liberia) Corp.	171,509	100.00	(177,164)	100.00
Jing Ming Transportation Co., Ltd.	<u>120,861</u>	50.98	<u>117,518</u>	50.98
	22,779,015		18,398,667	
Add: Investment deducted from long-term receivables from related parties	-		<u>177,164</u>	
	<u>\$22,779,015</u>		<u>\$ 18,575,831</u>	

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

	Years Ended December 31	
	2008	2007
All Oceans Transportation, Inc.	\$ 870,424	\$ 752,024
Transyang Shipping Pte. Ltd.	757,372	137,775
Kuang Ming Shipping Corp.	670,624	517,925
Yang Ming (Liberia) Corp.	336,740	(114,072)
Yang Ming Line (Singapore) Pte. Ltd.	19,628	(501,690)
Honming Terminal & Stevedoring Co., Ltd.	13,463	20,934
Jing Ming Transportation Co., Ltd.	13,389	25,498
Yunn Wang Investment Co., Ltd.	3,964	1,678
Ming Giant (Shanghai) International Logistics Co., Ltd.	(6,280)	(19,366)
Kao Ming Container Terminal Corp.	(11,930)	(1,276)
Yes Logistics Corp.	(19,237)	8,415
Chunghwa Investment Co., Ltd.	(61,453)	59,997
Yang Ming Line Holding Co.	(68,419)	153,203
Ching Ming Investment Co., Ltd.	(172,189)	142,162
Yang Ming Line (B.V.I.) Holding Co., Ltd.	<u>(289,139)</u>	<u>1,292,000</u>
	<u>\$ 2,056,957</u>	<u>\$ 2,475,207</u>

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

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

In order to engage in the building and operation of Kaohsiung harbor intercontinental container center, the Corporation founded a chartered subsidiary, Kao Ming Container Terminal Corp., which had a contract namely “First stage of Kaohsiung harbor intercontinental container center construction and operation project” with MOTC Harbor Bureau. The contract commenced on September 28, 2007 and will last for 50 years including the building and operation periods. The board of directors of the Corporation resolved to increase investment in Kao Ming Container Terminal Corp. within the capital disbursement, NT\$3,700,000 thousand. Kao Ming Container Terminal Corp. secured a NT\$16,200,000 thousand syndicated loan from banks on December 18, 2008 so as to fund the construction of Kaohsiung Intercontinental Container Terminal.

For financing the investment project in Euromax terminal in Rotterdam, the board of directors of the Corporation resolved to increase the capital investment €12,620 thousand to Yang Ming Line (Singapore) Pte Ltd. on January 11, 2008. Due to March 11, 2009, the investment fund is still not remitted by Corporations.

The boards of directors resolved to invest NT\$1,060,904 thousand to establish a subsidiary, Kuang Ming (Liberia) Corp. to conform to the spin-off project on August 28, 2008. The fund is mainly for Kuang Ming (Liberia) Corp. to acquire the business, asset and liabilities of the tramp business department from All Oceans Transportation, Inc..The tramp department was spun off into a subsidiary, Kuang Ming Shipping Corp. on October 1, 2008. Please see Notes 1 and 27.

As required by the revised ROC SFAS No. 7 - “Consolidated Financial Statements”, control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless it can be clearly shown that such ownership does not constitute as a control interest. Thus, the consolidated financial statements as of and for the years ended December 31, 2008 and 2007 include the accounts of the Corporation and its direct and indirect subsidiaries. The Corporation doesn’t have control over Transyang Shipping Pte. Ltd., Chunghwa Investment Co., Ltd. and Yunn Wang Investment Co., Ltd. Therefore the accounts of these companies were not included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in the consolidation.

9. PROPERTIES

Year Ended December 31, 2008									
	Land	Buildings	Containers and Chassis	Ships	Leased Containers and Chassis	Leasehold Improvements	Miscellaneous Equipment	Construction in Process	Total
Cost									
Beginning balance	\$ 330,069	\$ 745,383	\$ 22,523,772	\$ 6,949,081	\$ 2,041,688	\$ 146,272	\$ 2,474,611	\$ 687,401	\$ 35,898,277
Addition	-	4,519	1,072,218	665	136,728	-	74,084	93,941	1,382,155
Sale or disposal	-	-	29,827	4,570,914	-	-	22,600	-	4,623,341
Reclassification	-	(21,219)	-	-	-	-	1,133	(692,676)	(712,762)
Ending balance	<u>\$ 330,069</u>	<u>728,683</u>	<u>23,566,163</u>	<u>2,378,832</u>	<u>2,178,416</u>	<u>146,272</u>	<u>2,527,228</u>	<u>\$ 88,666</u>	<u>31,944,329</u>
Accumulated depreciation									
Beginning balance	-	112,465	10,253,609	4,690,221	1,882,438	122,392	1,243,009	-	18,304,134
Addition	-	13,872	2,265,897	125,063	134,959	3,637	194,264	-	2,737,692
Sale of disposal	-	-	17,288	4,567,369	-	-	20,816	-	4,605,473
Reclassification	-	212	-	-	-	-	(212)	-	-
Ending balance	-	<u>126,549</u>	<u>12,502,218</u>	<u>247,915</u>	<u>2,017,397</u>	<u>126,029</u>	<u>1,416,245</u>	-	<u>16,436,353</u>
		<u>\$ 602,134</u>	<u>\$ 11,063,945</u>	<u>\$ 2,130,917</u>	<u>\$ 161,019</u>	<u>\$ 20,243</u>	<u>\$ 1,110,983</u>		<u>\$ 15,507,976</u>

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

Information about capitalized interest was as follows:

	December 31	
	2008	2007
Total interest expense	\$ 791,171	\$ 809,858
Capitalized interest (included in construction in process)	-	2,225
Capitalization rates	-	3.20%

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 26. The terms of the leases were from nine years to ten years for containers. The annual rent payable on leased containers under the agreements is US\$1,072 thousand. The Corporation has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US\$1 per unit. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to the Corporation at no additional cost. The details of these leases as of December 31, 2008 and 2007 were as follows:

	December 31			
	2008		2007	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	\$ 7,236	\$ 237,757	\$ 10,819	\$ 350,984
Less: Unamortized interest expense	<u>(563)</u>	<u>(18,488)</u>	<u>(843)</u>	<u>(27,347)</u>
	<u>\$ 6,673</u>	<u>\$ 219,269</u>	<u>\$ 9,976</u>	<u>\$ 323,637</u>

10. ASSETS LEASED TO OTHERS, NET

	<u>December 31</u>	
	2008	2007
Cost		
Land	\$ 2,928,721	\$ 2,928,721
Buildings	<u>1,244,328</u>	<u>1,223,014</u>
	4,173,049	4,151,735
Accumulated depreciation - buildings	<u>132,303</u>	<u>103,222</u>
	<u>\$ 4,040,746</u>	<u>\$ 4,048,513</u>

Future rental payments receivable were summarized as follows:

Fiscal Year	Amount
2009	\$ 101,814
2010	35,275
2011	23,093
2012	10,828
2013	3,542

11. NONOPERATING ASSETS, NET

	<u>December 31</u>	
	2008	2007
Cost		
Land	\$ 217,715	\$ 217,715
Buildings	<u>4,188</u>	<u>4,188</u>
	221,903	221,903
Accumulated depreciation - buildings	<u>3,845</u>	<u>3,845</u>
	<u>\$ 218,058</u>	<u>\$ 218,058</u>

12. ADVANCES ON LONG-TERM RENT AGREEMENT

For the purpose of managing storage, processing, transfer and distribution of goods, the Corporation collaborated with MOTC Harbor Bureau in building and operating the First and Second Logistics Centers of the Kaohsiung Third Container Center. The transferring procedures of First Logistics Center had been completed. According to the contract, the Corporation is entitled to the use of the center for 30 years based on the initial investment made by the Corporation. The project of the Second Logistics Center of the Kaohsiung Third Container Center had been completed in October, 2007 and the use of the center commenced in 2008. Owing to the remaining issues regarding the time frame for free tenancy, the Corporation reclassified the original investment of \$691,543 thousand (construction in process) into advances on long-term rent agreement which are amortized over 23 years and 10 months.

13. SHORT-TERM LOANS

	<u>December 31</u>	
	2008	2007
Unsecured bank loans - interest of 1.84%	<u>\$ 500,000</u>	<u>\$ -</u>

14. INTEREST-BEARING LONG-TERM DEBTS

	Current	Long-term	Total
<u>December 31, 2008</u>			
Long-term secured bank loans	\$ 389,286	\$ 7,110,714	\$ 7,500,000
Domestic unsecured bonds	1,584,000	17,122,000	18,706,000
Capital leases	<u>79,041</u>	<u>140,228</u>	<u>219,269</u>
	<u>\$ 2,052,327</u>	<u>\$ 24,372,942</u>	<u>\$ 26,425,269</u>
<u>December 31, 2007</u>			
Domestic unsecured bonds	\$ 1,034,000	\$ 18,706,000	\$ 19,740,000
Domestic unsecured convertible bonds	59,400	-	59,400
Interest premium - domestic unsecured convertible bonds	829	-	829
Capital leases	<u>282,658</u>	<u>40,979</u>	<u>323,637</u>
	<u>\$ 1,376,887</u>	<u>\$ 18,746,979</u>	<u>\$ 20,123,866</u>

Long-term Secured Bank Loans

On May 30, September 26 and December 30, 2008, the Corporation mortgaged ships as collaterals for both the eight-year secured loan of \$3,000,000 thousand and the five-year secured loan of \$1,000,000 thousand. Also, the Corporation mortgaged the ships of a subsidiary, All Oceans Transportation, Inc., as collaterals for the seven-year secured loan of \$4,500,000 thousand on December 30, 2008. As of December 31, 2008, the eight-year and the five-year loans had been fully drawn and the seven-year loan had been drawn up to \$2,000,000 thousand. The eight-year loan will be fully repaid by May 30, 2016. The loan will be repayable after 18 months from the date the loan was obtained and every six months thereafter in 14 equal installments. The five-year loan will be fully repaid by May 30, 2013. The loan will be repayable after 18 months from the date the loan was obtained and every six months thereafter in 8 equal installments. The seven-year loan will be fully repaid by December 30, 2015. The loan will be repayable after 18 months from the date the loan was obtained and every six months thereafter in 12 equal installments. The interest rates are the Fixing Rate of 90-day referred to in Reuters (Page 6165) plus spread. The interest rates ranged from 2.31% to 2.78% on December 31, 2008.

The Corporation mortgaged assets leased to others as collaterals for the seven-year secured loan of \$1,500,000 thousand. As of December 31, 2008, the loan was fully obtained and will be fully repaid by May 30, 2015. The loan will be repayable after one year from the date the loan was obtained and every six months thereafter in 12 equal installments of \$50,000 thousand and final payment for the remaining amount. The interest rates are the Fixing Rate of 90-day referred to in Reuters (Page 6165) plus spread. The interest rates ranged from 2.25% to 2.36% on December 31, 2008.

Domestic Unsecured Bonds

On various dates, the Corporation issued domestic unsecured bonds; the dates and the aggregate face values were as follows: \$1,800,000 thousand on June 1, 2000 (the "June 2000 Bonds"); \$2,400,000 thousand on November 20, 2000 (the "November 2000 Bonds"); \$1,100,000 thousand

on July 16, 2001 (the “July 2001 Bonds”), \$1,600,000 thousand on June 18, 2004 (the “June 2004 Bonds”), \$5,000,000 thousand from October 8 to October 20 in 2004 (the “October 2004 Bonds”); \$2,500,000 thousand from December 8 to December 14 in 2004 (the “December 2004 Bonds”) \$6,000,000 thousand on October 23, 2006 (the “October 2006 Bonds”).

Other bond features and terms are as follows:

June 2000 Bonds Repayments: 33% - June 1, 2008, 33% - June 1, 2009, and 34% June 1, 2010; 6.09% annual interest. The Corporation had paid \$594,000 thousand as of December 31, 2008.

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

July 2001 bonds Repayments: 20% - July 16, 2006, 40% - July 16, 2007, and 40% - July 16, 2008; 4.49% annual interest. The Corporation had repaid residual amount as of December 31, 2008.

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

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

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

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

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

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

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

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

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

Domestic 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;
- c. Reselling to the Corporation by the holders before maturity. The reselling of Type A bonds starts from August 7, 2005 at face value while that of Type B bonds starts from August 7, 2006 at 100.451% of the face value; or
- d. Redemption by the Corporation, under certain conditions, at face value before bond maturity.

As of December 31, 2008, the 2003 Convertible Bonds with aggregate face value of \$7,895,200 thousand had been converted into 313,780 thousand common shares of the Corporation, and bonds with aggregate face value of \$62,400 thousand had been sold to the Corporation by the holders. The Corporation had repaid residual amount \$42,400 thousand on the maturity date.

Capital Lease

Refer to the Note 9 to financial statements.

15. ACCRUED EXPENSES

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Fuel	\$ 1,401,176	\$ 3,312,412
Space hire	832,826	1,406,593
Container lease	562,879	411,671
Interest	167,463	173,973
Salary	181,761	549,091
Others	<u>252,543</u>	<u>261,741</u>
	<u>\$ 3,398,648</u>	<u>\$ 6,115,481</u>

16. 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.

17. UNREALIZED GAIN ON SALE AND LEASEBACK

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Chassis	<u>\$ 94</u>	<u>\$ 7,874</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.

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

18. PENSION PLAN

The Corporation adopted three pension plans when it was privatized on February 15, 1996. Before the Corporation’s privatization, qualified employees received pension payments for service years before the start of the privatization. The service years of the employees who received pre-privatization pension payments and continued to work in the Corporation after privatization will be excluded from the calculation of pension payments after privatization. These plans are as follows:

- a. The pension plan under the Labor Standards Law for onshore employees is a defined benefit plan. Benefits are based on service years and average basic salary of the year before retirement. The pension fund, to which the Corporation contributes amounts equal to 13% of salaries every month in 2008 and 2007, respectively, is administered by the employees’ pension reserve fund supervisory committee and deposited in the employee committee’s name in the Bank of Taiwan (the Central Trust of China Co., Ltd. merged with the Bank of Taiwan in 2007, with the Bank of Taiwan as survivor entity.)

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

Pension plan 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.

Because of spin-off, the service years of the employees transferred to Kuang Ming Shipping Corp. are continued from the service years in the Corporation. Benefits are based on the proportion of service years between the Corporation and Kuang Ming Shipping Corp. and are paid by individual pension accounts.

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

- 1) Net periodic pension cost was as follows:

	<u>Year Ended December 31</u>	
	2008	2007
Service cost	\$ 107,391	\$ 117,520
Interest cost	51,797	45,194
Projected return on plan assets	(13,834)	(10,581)
Amortization of net transition asset or obligation	(328)	(328)
Amortization of prior service cost	436	436
Amortization of unrecognized pension cost	<u>19,991</u>	<u>23,101</u>
Pension cost	165,453	175,342
Add: Investment deducted from long-term receivables from related parties	<u>(45,416)</u>	<u>(37,795)</u>
Net periodic pension cost	<u>\$ 120,037</u>	<u>\$ 137,547</u>

2) Reconciliation of funded status of the plan and accrued pension cost was as follows:

	<u>Year Ended December 31</u>	
	2008	2007
Benefit obligation		
Vested benefit obligation (VBO)	\$ 635,442	\$ 616,605
Non-vested benefit obligation	<u>753,075</u>	<u>707,179</u>
Accumulated benefit obligation (ABO)	1,388,517	1,323,784
Additional benefit based on future salaries	<u>553,000</u>	<u>436,809</u>
Projected benefit obligation	1,941,517	1,760,593
Fair value of plan assets	<u>(546,267)</u>	<u>(455,139)</u>
Plan funded status	1,395,250	1,305,454
Unrecognized net transition asset	1,346	1,674
Unrecognized prior service cost	34,562	(3,491)
Unrecognized pension cost	(500,141)	(416,125)
Additional minimum pension liability	<u>36,355</u>	<u>38,967</u>
Accrued pension cost	<u>\$ 967,372</u>	<u>\$ 926,479</u>
Vested benefit	<u>\$ 900,044</u>	<u>\$ 792,070</u>
3) Actuarial assumptions		
Discount rate	2.25%	3.00%
Rate of increase in compensation	2.75%	2.75%
Expected return on plan assets	2.25%	3.00%
4) Contributions to the fund	<u>\$ 80,030</u>	<u>\$ 79,608</u>
5) Payments from the fund	<u>\$ 5,915</u>	<u>\$ 13,932</u>

b. Pension plan is a defined contribution scheme under the Labor Pension Act for onshore employees and shipping crew. 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 \$32,884 thousand and \$25,001 thousand for the years ended December 31, 2008 and 2007, respectively.

19. STOCKHOLDERS' EQUITY

a. Global depositary receipts

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 dollars per unit. The holders of the GDRs may not exchange them for the Corporation's stocks. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the shares represented by the GDRs. As of December 31 2008, there were 4,883,344 units outstanding, representing 48,833,517 shares, 1.91% of total issued shares.

The holders of the GDR retain stockholder's rights that are the same as those of the Corporation's common stockholders, but the exercise of stockholder's rights should be under related laws and regulations in ROC and the terms of the GDR contracts. One of these rights is that GDR holders should be able to exercise the right of voting, sell the shares represented by

the GDRs, receive dividends and subscribe for the issued stock through the depository bank.

b. Capital surplus

Under the Corporation Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

c. Appropriation of earnings and dividend policy

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

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

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

For the year ended December 31, 2008, the bonus to employees of NT\$59,261 thousand, representing 1% of distributable retained earnings, was estimated based on past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

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

Under the Corporation 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 2007 and 2006 earnings on June 18, 2008 and June 27, 2007, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (Dollars)</u>	
	2007	2006	2007	2006
Legal reserve	\$ 601,992	114,316		
Special reserve	-	(7,416)		
Bonus to employees	102,876	58,478		
Cash dividends	2,329,054	735,682	\$1.00	\$0.32
Stock dividends	2,329,054	183,920	1.00	0.08

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Because of the conversion options exercised by the holders of the domestic unsecured bonds, dividends in 2006 were actually distributed at NT\$0.31953484 per share in cash and at NT\$0.07988370 per share in stock.

Had the Corporation recognized bonus to employees as expense in 2007 and 2006, the primary and diluted earnings per share in 2007 would have declined from NT\$2.60 to NT\$2.56 and from NT\$2.58 to NT\$2.54, and in 2006 would have declined from NT\$0.50 to NT\$0.47 and NT\$0.50 to NT\$0.47, respectively.

20. INCOME TAX

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

	<u>Year Ended December 31</u>	
	2008	2007
Income tax expense at 25% statutory rate	\$ 197,844	\$ 1,751,272
Tax effect on adjusting items:		
Permanent differences	(322,120)	(999,625)
Temporary differences	157,299	344,415
Loss carryforwards used	-	(162,927)
Additional income tax under the Alternative Minimum Tax Act	79,353	-
Additional 10% income tax on undistributed earnings	<u>65,731</u>	<u>5,076</u>
Income tax payable - current	178,107	938,211
Overseas income tax	188,885	113,621
Deferred income tax expenses		
Temporary differences	(157,299)	(266,116)
Loss carryforwards	-	162,927
Adjustment of prior years' taxes	34,125	37,323
Others	<u>264</u>	<u>(1,162)</u>
Income tax expense - current	<u>\$ 244,082</u>	<u>\$ 984,804</u>

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

	December 31	
	2008	2007
Current (included in other current assets)		
Deferred income tax assets		
Unrealized loss shipping fuel valuation losses	\$ 141,050	\$ -
Unrealized foreign exchange loss	64,652	37,191
Deferred contribution	4,898	-
Others	<u>2,526</u>	<u>7,514</u>
	<u>\$ 213,126</u>	<u>\$ 44,705</u>
Noncurrent		
Deferred income tax assets		
Deferred pension cost	\$ 140,473	\$ 126,362
Investment loss recognized on overseas equity-method investments	<u>6,411</u>	<u>50,280</u>
	<u>146,884</u>	<u>176,642</u>
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(2,134,312)	(2,055,411)
Differences in estimated service lives of containers	(129,867)	(276,198)
Unrealized gain on financial instruments	<u>(5,902)</u>	<u>(1,575)</u>
	<u>(2,270,081)</u>	<u>(2,333,184)</u>
	<u>\$ (2,123,197)</u>	<u>\$ (2,156,542)</u>

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

Income tax returns through 2005 had been assessed by the tax authorities.

c. Information about integrated income tax was as follows:

	December 31	
	2008	2007
Balance of the imputation credit account (ICA)	\$ 870,836	\$ 511,491
Unappropriated earnings generated before June 30, 1998	2,064,438	2,064,438

The creditable ratio for distribution of earnings of 2008 and 2007 was 16.90% (estimates) and 13.98%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2008			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Personnel expenses				
Salary	\$ 539,078	\$ 849,735	\$ -	\$ 1,388,813
Insurance	29,605	60,256	-	89,861
Pension	55,126	97,795	-	152,921
Others	61,234	136,986	-	198,220
Depreciation	2,650,474	78,748	29,082	2,758,304
Amortization	50,310	12,546	2,727	65,583
	<u>\$ 3,385,827</u>	<u>\$ 1,236,066</u>	<u>\$ 31,809</u>	<u>\$ 4,653,702</u>

	Year Ended December 31, 2007			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Personnel expenses				
Salary	\$ 511,658	\$ 1,224,227	\$ -	\$ 1,735,885
Insurance	22,658	56,718	-	79,376
Pension	65,590	96,958	-	162,548
Others	52,023	113,532	-	165,555
Depreciation	2,476,993	79,119	28,949	2,585,061
Amortization	66,174	7,326	3,908	77,408
	<u>\$ 3,195,096</u>	<u>\$ 1,577,880</u>	<u>\$ 32,857</u>	<u>\$ 4,805,833</u>

The expenses in the above table include the expenses of the continuing department and the spun off department up to the date of the spin off.

22. EARNINGS PER SHARE

	Year Ended December 31			
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS	<u>\$ 0.31</u>	<u>\$ 0.21</u>	<u>\$ 2.75</u>	<u>\$ 2.36</u>
Diluted EPS	<u>\$ 0.31</u>	<u>\$ 0.21</u>	<u>\$ 2.73</u>	<u>\$ 2.35</u>

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (in Thousand Shares)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>Net Income</u>		<u>Before Income Tax</u>	<u>Net Income</u>
<u>Year ended December 31, 2008</u>					
Basic EPS	\$ 791,375	\$ 547,293	2,562,170	\$ 0.31	\$ 0.21
Impact of dilutive potential common shares					
Bonus to employees	-	-	5,867		
Domestic unsecured convertible bonds	<u>78</u>	<u>58</u>	<u>297</u>		
Diluted EPS	<u>\$ 791,453</u>	<u>\$ 547,351</u>	<u>2,568,334</u>	<u>\$ 0.31</u>	<u>\$ 0.21</u>
<u>Year ended December 31, 2007</u>					
Basic EPS	\$ 7,005,088	\$ 6,020,284	2,549,977	\$ 2.75	\$ 2.36
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	<u>666</u>	<u>499</u>	<u>14,908</u>		
Diluted EPS	<u>\$ 7,005,754</u>	<u>\$ 6,020,783</u>	<u>2,564,885</u>	<u>\$ 2.73</u>	<u>\$ 2.35</u>

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses and stock dividends. This adjustment caused the basic and diluted after income tax EPS for the year ended December 31, 2007 to decrease from NT\$2.60 to NT\$2.36 and from NT\$2.58 to NT\$2.35, respectively.

The Corporation presumes that the bonus to employees will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus by the closing price of the shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year.

23. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 162,625	\$ 162,625	\$ 1,278,914	\$ 1,278,914
Available-for-sale financial assets - current	579,719	579,719	-	-
Available-for-sale financial assets - noncurrent	2,855,096	2,855,096	4,011,988	4,011,988
Investments accounted for using equity method	22,779,015	-	18,575,831	-
Financial assets measured at cost - noncurrent	803,407	-	707,262	-
Long-term receivables from related parties	28,190,788	28,190,788	24,164,194	24,164,194
Hedging derivative financial assets - noncurrent	23,607	23,607	9,172	9,172
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	145,134	145,134	1,944	1,944
Hedging derivative financial liabilities - noncurrent	-	-	2,871	2,871
Long-term bank loans	7,500,000	7,500,000	-	-
Bonds	18,706,000	18,949,368	19,800,229	20,218,813
Capital lease obligations	219,269	219,269	323,637	323,637

Place of transaction:

Place of Transaction	December 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial asset</u>				
Overseas (including foreign institutions in Taiwan)	\$ 149,276	\$ 149,276	\$ 23,308	\$ 23,308
<u>Financial liability</u>				
Overseas (including foreign institutions in Taiwan)	145,134	145,134	4,815	4,815

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

- 1) Cash, accounts receivable, accounts receivable from related parties, other receivable from related parties, advances to shipping agents, short-term bank loans, payable to related parties, accrued expenses and payables to shipping agents which are not shown among the financial instruments in the table above, are recorded at their carrying amounts because of the short maturities of these instruments.
- 2) Fair values of financial instruments designated as at FVTPL and available-for-sale financial assets are based on their quoted prices in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments. These estimation and assumptions are available to the Corporation.

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

- 3) Financial assets carried at cost and investments accounted equity method are investments in unlisted shares which have 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 receivables - related parties and long-term 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. Fair values of financial assets and financial liabilities, based on quoted prices or valuation techniques, were as follows:

	<u>Market Price</u>		<u>Valuation Techniques</u>	
	<u>December 31</u>		<u>December 31</u>	
	2008	2007	2008	2007
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 36,956	\$ 1,264,778	\$ 125,669	\$ 14,136
Available-for-sale financial assets - current	579,719	-	-	-
Available-for-sale financial assets - noncurrent	2,855,096	4,011,988	-	-
Hedging derivative financial assets noncurrent	-	-	23,607	9,172
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	145,134	1,944
Hedging derivative financial liability - noncurrent	-	-	-	2,871

- d. Net gain (loss) on changes of the fair value determined using valuation technique were \$(73,201) thousand and \$13,727 thousand for the years ended December 31, 2008 and 2007.
- e. Financial assets and liabilities affected by interest rate were as follows:

	December 31			
	2008		2007	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
<u>Risk of interest rate change</u>				
Fair value risk	\$ 2,670,057	\$ 18,425,269	\$ 3,590,024	\$ 19,123,866
Cash flow risk	1,949,909	8,500,000	1,276,840	1,000,000

- f. Information about financial risks

1) Market risk

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

For the years ended December 31, 2008 and 2007, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation use interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, the Corporation hedges most of the risks in the market. In addition, the Corporation evaluates the hedging effectiveness of the contracts periodically.

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

To control the risk of the derivative financial instruments for trading purpose, the Corporation sets the maximum loss limit on its derivative trading and periodically evaluates the market risk of the outstanding contracts to avoid losses that could significantly impact the Corporation's operation.

The Corporation uses credit-linked instruments for trading purposes to earn higher interest income. The Corporation chooses commodities highly correlated to interest rates. The Corporation's observance of proper procedures when buying contracts for trading purposes helps the Corporation control the market risk.

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

The Corporation's purpose for foreign currency derivative trading is to manage the exchange rate risk of foreign currency. By engaging in forward exchange or foreign exchange option, when exchange rate is lower than striking price, the Corporation can sell foreign currency with higher price or rely on premiums to offset a portion of exchange loss; when exchange rate is higher than striking price, the translation will result in exchange loss, but the loss will be offset by exchange gain derived from cash position.

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

2) Credit risk

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

3) Liquidity risk

The Corporation entered into interest rate swaps to hedge cash flow risks for the years ended December 31, 2008 and 2007. The interest rate swap contracts are settled at net amounts; thus, the expected cash demand is not significant.

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

4) Cash flow risk on interest rate

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

g. Cash flow hedge

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

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments				Expected Period of Cash Flows	Expected Period for Realization of Gains or Losses
		December 31					
		2008		2007			
		Notional Amount	Fair Value	Notional Amount	Fair Value		
Bonds with floating interest rate	Interest rate swap	\$ (500,000)	\$ 6,062	\$ (500,000)	\$ 9,172	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011
Bonds with floating interest rate	Interest rate swap	(500,000)	17,545	(500,000)	(2,871)	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011

h. Reclassifications

On July 1, 2008, the Corporation reclassified its financial assets in accordance with the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The fair values at the reclassification date were as follows:

	Before Reclassification	After Reclassification
Financial assets at fair value through profit or loss - current	\$ 1,098,188	\$ 345,176
Available-for-sale financial assets - current	<u>313,882</u>	<u>1,066,894</u>
	<u>\$ 1,412,070</u>	<u>\$ 1,412,070</u>

In view of the Corporation's intention of not selling the abovementioned financial assets held for trading within a short period of time as a result of the economic instability and deterioration of the world's financial markets that has occurred during the year of 2008, the Corporation reclassified these held for trading financial assets to available-for-sale financial assets.

The carrying amounts and fair values of the reclassified financial assets as at December 31, 2008 were as follows:

	Book Value	Fair Value
Available-for-sale financial assets - current	\$ 434,185	\$ 434,185

The changes in fair value of the reclassified financial assets recognized in profit and loss or shareholders' equity were as follows:

	<u>Year Ended December 31, 2008</u>				<u>Year Ended December 31, 2007</u>	
	<u>Before Reclassifications</u>	<u>Recognized in Shareholders' Equity</u>	<u>After Reclassifications</u>	<u>Recognized in Profit and Loss</u>	<u>Recognized in Profit and Loss</u>	<u>Recognized in Shareholders' Equity</u>
Held for trading financial assets - current	\$ (440,296)	\$ -	\$ (149,989)	\$ -	\$ 28,058	\$ -
Available-for-sale financial assets - current	-	-	431	(290,738)	-	-

The changes in fair value recognized in profit and loss or shareholders' equity from the reclassification date to December 31, 2008 and pro forma information assuming no reclassifications were made were as follows:

	<u>Amounts Recorded</u>		<u>Pro Forma Information Assuming No Reclassifications</u>
	<u>Recognized in Profit and Loss</u>	<u>Recognized in Shareholders' Equity</u>	<u>Recognized in Profit and Loss</u>
Available-for-sale financial assets - current	\$ 431	\$ (290,738)	\$ (290,307)

24. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2008 and 2007 and the related balances, in addition to those mentioned in Notes 14 and 26 and Schedules E and F, are summarized in the accompanying schedules C and D.

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

Compensation of directors, supervisors and management personnel:

	<u>Year Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Salaries	\$ 22,345	\$ 14,548
Incentives	17,839	11,230
Special compensation	-	-
Bonus	<u>919</u>	<u>778</u>
	<u>\$ 41,103</u>	<u>\$ 26,556</u>

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by shareholders in their annual meeting held in 2008.

25. ASSETS PLEDGED OR MORTGAGED

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

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Properties, net	\$ 2,120,824	\$ -
Restricted time deposits (included in other current assets)	1,435,535	-
Nonoperating assets, net	<u>89,230</u>	<u>89,230</u>
	<u>\$ 3,645,589</u>	<u>\$ 89,230</u>

26. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 23 and Schedule F, commitments and contingent liability as of December 31, 2008 were as follows:

- Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts expiring on various dates by September 2012. The daily compensation under the contracts is \$144 thousand for all the crews.

- b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until May 2030. The total rental for the year ended December 31, 2008 was \$8,126,597 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2009	\$ 5,727,479
2010	1,972,099
2011	1,269,259
2012	1,183,527
2013	1,043,763

Rentals after 2013 amount to \$2,015,820 thousand. The present value of those rentals, computed at an annual interest rate of 1.42%, is \$1,854,055 thousand.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until February 2018. Rental for the year ended December 31, 2008 was about \$244,956 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2009	\$ 85,342
2010	35,217
2011	21,571
2012	14,928
2013	14,887

- d. Guarantees of build ship agreements, loans obtained and operating needs by subsidiaries and investee companies accounted for using equity method were as follows:

Company Name	Nature of Relationship	Guarantee Amount (Thousands)
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	US\$ 5,000
Yang Ming (America) Corp.	Subsidiary	US\$ 1,500
Yang Ming (Liberia) Corp.	Subsidiary	US\$ 436,760
Kuang Ming (Liberia) Corp.	Subsidiary	US\$ 381,250
Kao Ming Container Terminal Corp.	Subsidiary	NT\$ 4,000,000
United Terminal Leasing LLC	Indirect equity-method investee	US\$ 15,238
West Basin Container Terminal LLC	Indirect equity-method investee	US\$ 16,264
Olympic Container Terminal LLC	Subsidiary	US\$ 4,700

27. SPIN OFF

To increase the Corporation's competitiveness and performance through downsizing of organization and streamlining of operations, the shareholders had met and resolved to spin off its tramp business department into a subsidiary, Kuang Ming Shipping Corp. , in accordance with the Business Mergers and Acquisitions Law, Company Act and other related regulations on October 1,

2008. The Corporation exchanged the net assets of the tramp business department for 176,330 thousand of Kuang Ming Shipping Corporation's newly issued shares.

- a. The spun-off assets were as follows:

Assets	
Interest receivable	\$ 35,438
Prepaid expenses	75,365
Investments accounted for by the equity-method - Kuang Ming (Liberia) Corp.	1,060,904
Miscellaneous equipment	300
Long-term receivables	<u>2,828,709</u>
Net assets	<u>\$ 4,000,716</u>

- b. The revenue gross profit, operating income, net income and earning per share of the spun-off department during January 1 to September 30, 2008 and January 1 to December 31, 2007 were as follows:

	<u>Year Ended December 31</u>	
	<u>2008</u>	<u>2007</u>
Operating revenue	\$ 2,733,663	\$ 1,930,934
Operating costs	<u>(1,830,033)</u>	<u>(1,300,847)</u>
Gross profit	903,630	630,087
Operating expense	<u>(7,899)</u>	<u>(17,699)</u>
Operating income	895,731	612,388
Nonoperating income and gains	292,253	542,667
Nonoperating expenses and income before income tax	<u>(92)</u>	<u>-</u>
Income before income tax	1,187,892	1,155,055
Income tax expense	<u>(296,973)</u>	<u>(288,764)</u>
Net income	<u>\$ 890,919</u>	<u>\$ 866,291</u>
Basic earnings per share (EPS)	<u>\$0.35</u>	<u>\$0.34</u>

28. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Please see Schedule 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: None;
- k. Information on investment in Mainland China
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Schedule 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.

29. SEGMENT INFORMATION

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

Line Service	2008		2007	
	Amount	%	Amount	%
U.S. Western coast line	\$ 39,823,325	34	\$ 38,500,490	34
Northwest European line	25,242,611	22	21,184,160	19
Asia line	15,601,529	13	16,027,026	14
U.S. Eastern coast line	15,170,071	13	15,982,636	14
Mediterranean line	8,457,739	7	8,716,669	8

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

4. Parents and Subsidiaries Financial Reports as of Dec. 31,2008

4.1 INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation (the "Corporation") and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements as of and for the years ended December 31, 2008 and 2007 of subsidiaries, Yang Ming Line (Singapore) Pte. Ltd., Yang Ming Line Holding Co. and Ming Giant (Shanghai) International Logistics Co., Ltd. which were included in the accompanying consolidated financial statements. The combined total assets of these subsidiaries were 3.7% (NT\$4,193,754 thousand) and 3.8% (NT\$4,321,088 thousand) of the total consolidated assets as of December 31, 2008 and 2007, respectively. The combined total operating revenues of these subsidiaries were 0.5% (NT\$703,508 thousand) and 0.6% (NT\$772,693 thousand) of the consolidated revenue in 2008 and 2007, respectively. Also, we did not audit the financial statements of West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited and Formosa International Development Corporation as of and for the year ended December 31, 2008, and those of West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Netherlands) B.V., Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited and Formosa International Development Corporation as of and for the year ended December 31, 2007, in which the Corporation and consolidated subsidiaries have equity-method investments. As shown in the accompanying balance sheets, the carrying values of these investments were 0.9% (NT\$1,053,108 thousand) and 0.9% (NT\$1,022,512 thousand) of the total consolidated assets as of December 31, 2008 and 2007, respectively. The equity in these investees' net income was 1.6% (NT\$16,312 thousand) and 1.1% (NT\$82,113 thousand) of the consolidated income before income tax in 2008 and 2007, respectively. The financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries and investees included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3, as of July 1, 2008, the Corporation adopted the amendments to the ROC Statement of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement” that require the reclassification of certain financial instruments when they meet specified conditions.

March 11, 2009

Notice to Readers

The accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.2 CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

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

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 8,033,608	7	\$ 9,605,600	9	Short-term debts	\$ 991,804	1	\$ 100,962	-
Financial assets at fair value through profit or loss - current	558,359	1	2,413,912	2	Notes payable	124,269	-	185,292	-
Available-for-sale financial assets - current	999,179	1	561,136	1	Financial liabilities at fair value through profit or loss - current	145,134	-	1,944	-
Held-to-maturity financial assets - current	5,902	-	9,570	-	Payable to related parties	241,426	-	238,501	-
Notes receivable, net	163,805	-	131,943	-	Income tax payable	130,346	-	986,588	1
Accounts receivable, net of allowance for doubtful accounts of \$74,303 thousand and \$72,459 thousand at December 31, 2008 and 2007	2,495,287	2	4,851,269	4	Accrued expenses	4,664,756	4	8,841,348	8
Accounts receivable from related parties	26,620	-	122,711	-	Payable for equipment	3,840,036	3	1,116,334	1
Shipping fuel, net	2,342,358	2	4,560,873	4	Advances from customers	2,110,581	2	2,046,528	2
Prepaid expenses	1,313,238	1	959,310	1	Current portion of long-term interest-bearing debts	4,290,256	4	2,400,616	2
Advances to shipping agents	297,563	-	281,813	-	Payable to shipping agents	2,758,617	3	3,066,295	3
Deferred income tax assets - current	232,974	-	41,064	-	Other current liabilities	263,797	-	421,324	-
Other current assets	562,488	1	523,505	-	Total current liabilities	19,561,022	17	19,405,732	17
Total current assets	17,031,381	15	24,062,706	21	LONG-TERM DEBTS, NET OF CURRENT PORTION				
LONG-TERM INVESTMENTS					Hedging derivative financial liabilities - noncurrent	-	-	2,871	-
Available-for-sale financial assets - noncurrent	2,875,472	3	4,047,709	4	Bonds	17,122,000	15	18,706,000	17
Financial assets measured at cost - noncurrent	908,877	1	845,891	1	Long-term debts	18,465,404	16	12,580,791	11
Hedging derivative financial assets - noncurrent	23,607	-	9,172	-	Capital lease obligations	5,432,721	5	7,325,155	6
Investments accounted for using equity method	2,850,704	2	2,356,413	2	Total long-term debts	41,020,125	36	38,614,817	34
Cash surrender value of life insurance	19,307	-	11,396	-	RESERVE FOR LAND VALUE INCREMENT TAX	479,639	1	479,639	1
Total long-term investments	6,677,967	6	7,270,581	7	OTHER LIABILITIES				
PROPERTIES					Accrued pension liabilities	1,270,296	1	1,151,018	1
Cost					Deferred income tax liabilities - noncurrent	2,156,771	2	2,229,688	2
Land	471,453	1	470,774	-	Unrealized gain on sale and leaseback	585,452	1	7,874	-
Buildings	1,172,813	1	1,181,824	1	Others	161,516	-	163,932	-
Containers and chassis	23,566,163	21	22,523,772	20	Total other liabilities	4,174,035	4	3,552,512	3
Ships	53,248,815	47	51,399,695	46	Total liabilities	65,234,821	58	62,052,700	55
Leased assets	8,132,791	7	7,956,260	7	YANG MING'S EQUITY				
Leasehold improvements	225,931	-	168,964	-	Capital stock - \$10 par value				
Miscellaneous equipment	3,848,349	4	3,766,492	3	Authorized - 3,000,000 thousand shares at December 31, 2008 and 2007				
Total cost	90,666,315	81	87,467,781	77	Issued - 2,562,466 thousand shares and 2,328,698 thousand shares at December 31, 2008 and 2007	25,624,665	23	23,286,982	21
Accumulated depreciation	28,033,604	25	28,555,660	25	Capital surplus				
	62,632,711	56	58,912,121	52	Paid-in capital in excess of par value	7,499,701	7	7,491,127	7
Construction in progress	14,583,790	13	9,291,610	8	Treasury stock transactions	1,480,009	1	1,480,009	1
Net properties	77,216,501	69	68,203,731	60	From long-term equity-method investment	8,872	-	8,872	-
OTHER ASSETS					Total capital surplus	8,988,582	8	8,980,008	8
Assets leased to others, net	4,059,378	4	4,067,471	4	Retained earnings				
Nonoperating assets, net	218,058	-	230,766	-	Legal reserve	3,814,813	3	3,212,821	3
Refundable deposits	5,910,650	5	8,365,116	8	Special reserve	2,067,513	2	2,067,513	2
Deferred charges, net	256,174	-	257,054	-	Unappropriated earnings	6,074,029	6	10,889,712	9
Advances on long-term rent agreements	942,628	1	292,190	-	Total retained earnings	11,956,355	11	16,170,046	14
Miscellaneous	386,231	-	197,457	-	Other items of stockholders' equity				
Total other assets	11,773,119	10	13,410,054	12	Cumulative translation adjustments	447,853	-	100,131	-
					Net loss not recognized as pension cost	(36,590)	-	(38,967)	-
					Unrealized loss on financial instruments	25,832	-	1,935,242	2
					Total other items of stockholders' equity	437,095	-	1,996,406	2
					Total controlling interest	47,006,697	42	50,433,442	45
TOTAL	\$ 112,698,968	100	\$ 112,947,072	100	MINORITY INTEREST	457,450	-	460,930	-
					Total stockholders' equity	47,464,147	42	50,894,372	45
					TOTAL	\$ 112,698,968	100	\$ 112,947,072	100

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

(With Deloitte & Touche audit report dated March 11, 2009)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.3 CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES	\$137,817,302	100	\$133,801,232	100
OPERATING COSTS	<u>130,361,653</u>	<u>95</u>	<u>121,938,446</u>	<u>91</u>
GROSS INCOME	<u>7,455,649</u>	<u>5</u>	<u>11,862,786</u>	<u>9</u>
OPERATING EXPENSES				
Selling	5,218,572	4	5,265,376	4
General and administrative	<u>824,635</u>	<u>-</u>	<u>873,501</u>	<u>-</u>
Total operating expenses	<u>6,043,207</u>	<u>4</u>	<u>6,138,877</u>	<u>4</u>
OPERATING INCOME	<u>1,412,442</u>	<u>1</u>	<u>5,723,909</u>	<u>5</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties	1,364,016	1	2,113,625	2
Investment income recognized under equity method	716,195	1	281,560	-
Dividends	253,401	-	27,465	-
Interest	552,147	1	634,453	1
Rent	157,578	-	122,375	-
Investment gain	-	-	337,713	-
Valuation gain on financial instruments, net	-	-	148,083	-
Foreign exchange gain, net	-	-	114,016	-
Others	<u>256,818</u>	<u>-</u>	<u>354,663</u>	<u>-</u>
Total nonoperating income and gains	<u>3,300,155</u>	<u>3</u>	<u>4,133,953</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Interest	1,431,263	1	1,663,331	1
Valuation of allowance for loss on shipping fuel	680,320	1	-	-
Foreign exchange loss, net	564,675	1	-	-
Valuation loss on financial assets, net	330,737	-	-	-
Investment loss	318,620	-	-	-
Valuation loss on financial liabilities, net	117,064	-	390	-
Impairment loss on financial assets measured at cost	69,670	-	671,792	1
Others	<u>200,868</u>	<u>-</u>	<u>149,124</u>	<u>-</u>
Total nonoperating expenses and losses	<u>3,713,217</u>	<u>3</u>	<u>2,484,637</u>	<u>2</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 999,380	1	\$ 7,373,225	6
INCOME TAX EXPENSE	<u>423,800</u>	<u>1</u>	<u>1,309,855</u>	<u>1</u>
CONSOLIDATED NET INCOME	<u>\$ 575,580</u>	<u>-</u>	<u>\$ 6,063,370</u>	<u>5</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 547,293	-	\$ 6,020,284	5
Minority interest	<u>28,287</u>	<u>-</u>	<u>43,086</u>	<u>-</u>
	<u>\$ 575,580</u>	<u>-</u>	<u>\$ 6,063,370</u>	<u>5</u>
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE				
Basic	<u>\$ 0.31</u>	<u>\$ 0.21</u>	<u>\$ 2.75</u>	<u>\$ 2.36</u>
Diluted	<u>\$ 0.31</u>	<u>\$ 0.21</u>	<u>\$ 2.73</u>	<u>\$ 2.35</u>

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

(With Deloitte & Touche audit report dated March 11, 2009)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

**4.4 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Amounts Per Share)**

	Capital Stock (\$10 Par Value)		Capital Surplus			Retained Earnings			Other Items of Stockholders' Equity				Total Stockholders' Equity
			Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	From Long-term Equity-method Investment	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain or Loss on Financial Instruments	Minority Interest	
	Shares (Thousands)	Amount											
BALANCE, JANUARY 1, 2007	2,289,835	\$ 22,898,344	\$ 7,286,090	\$ 1,480,009	\$ 8,876	\$ 3,098,505	\$ 2,074,929	\$ 5,954,764	\$ 168,626	\$ (96,743)	\$ (35,588)	\$ 372,209	\$ 43,210,021
Effect of changes in consolidated entities since 2007	-	-	-	-	-	-	-	-	-	-	-	18,614	18,614
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	1,152	1,152
Appropriation of 2006 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	114,316	-	(114,316)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(7,416)	7,416	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(58,478)	-	-	-	-	(58,478)
Cash dividends - \$0.32 per share	-	-	-	-	-	-	-	(735,682)	-	-	-	-	(735,682)
Stock dividends - \$0.08 per share	18,392	183,920	-	-	-	-	-	(183,920)	-	-	-	-	-
Consolidated net income in 2007	-	-	-	-	-	-	-	6,020,284	-	-	-	43,086	6,063,370
Changes in stockholders' equity accounted for using equity method	-	-	-	-	(4)	-	-	(356)	-	-	108,467	-	108,107
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(68,495)	-	-	38,140	(30,355)
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	1,821,734	-	1,821,734
Changes in unrealized gain on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	40,629	-	40,629
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	57,776	-	-	57,776
Domestic convertible bonds converted into capital stock and capital surplus	20,471	204,718	205,037	-	-	-	-	-	-	-	-	-	409,755
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	(12,271)	(12,271)
BALANCE, DECEMBER 31, 2007	2,328,698	23,286,982	7,491,127	1,480,009	8,872	3,212,821	2,067,513	10,889,712	100,131	(38,967)	1,935,242	460,930	50,894,372
Effect of changes in consolidated entities since 2008	-	-	-	-	-	-	-	-	-	-	-	4,411	4,411
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	1,431	1,431
Appropriation of 2007 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	601,992	-	(601,992)	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(102,876)	-	-	-	-	(102,876)
Cash dividends - \$1.0 per share	-	-	-	-	-	-	-	(2,329,054)	-	-	-	-	(2,329,054)
Stock dividends - \$1.0 per share	232,905	2,329,054	-	-	-	-	-	(2,329,054)	-	-	-	-	-
Consolidated net income in 2008	-	-	-	-	-	-	-	547,293	-	-	-	28,287	575,580
Reclassification of financial assets at July 1, 2008	-	-	-	-	-	-	-	-	-	-	(157,445)	-	(157,445)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(235)	(303,842)	-	(304,077)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	347,722	-	-	(15,989)	331,733
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(1,461,102)	-	(1,461,102)
Changes in unrealized loss on cash flow hedging derivative	-	-	-	-	-	-	-	-	-	-	12,979	-	12,979
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	2,612	-	-	2,612
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	(21,620)	(21,620)
Domestic convertible bonds converted into capital stock and capital surplus	863	8,629	8,574	-	-	-	-	-	-	-	-	-	17,203
BALANCE, DECEMBER 31, 2008	<u>2,562,466</u>	<u>\$ 25,624,665</u>	<u>\$ 7,499,701</u>	<u>\$ 1,480,009</u>	<u>\$ 8,872</u>	<u>\$ 3,814,813</u>	<u>\$ 2,067,513</u>	<u>\$ 6,074,029</u>	<u>\$ 447,853</u>	<u>\$ (36,590)</u>	<u>\$ 25,832</u>	<u>\$ 457,450</u>	<u>\$ 47,464,147</u>

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

(With Deloitte & Touche audit report dated March 11, 2009)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.5 CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 575,580	\$ 6,063,370
Depreciation	5,836,158	5,542,101
Amortization	206,203	310,629
Allowance for doubtful accounts	61,718	41,727
Provision for pension cost	103,933	101,374
Provision for (reversal of) allowance for loss on shipping fuel	680,320	(56,776)
Gain (loss) on disposal of financial instruments	318,620	(337,714)
Gain on disposal of properties, net	(1,364,016)	(2,108,865)
Investment income recognized under equity method	(716,195)	(281,560)
Cash dividends received on equity-method investee companies	182,913	6,422
Deferred income taxes	(271,788)	(85,940)
Valuation gain (loss) on financial instruments	330,737	(147,693)
Valuation loss on financial liabilities	117,064	-
Impairment loss on financial assets measured at cost	69,670	671,792
Others	(93)	(8,265)
Net changes in operating assets and liabilities		
Financial assets held for trading	(167,629)	(461,964)
Notes receivable	(31,862)	(121,004)
Accounts receivable	2,426,081	(1,771,397)
Accounts receivable from related parties	97,529	345,016
Shipping fuel	1,538,195	(2,120,534)
Prepaid expenses	(351,718)	(275,223)
Advances to shipping agents	(15,750)	(127,896)
Other current assets	(30,436)	(109,152)
Financial liabilities held for trading	155,988	1,555
Notes payable	(61,023)	164,165
Payables to related parties	(39,731)	(23,644)
Income tax payable	(857,366)	667,463
Accrued expenses	(4,314,714)	3,250,171
Advances from customers	64,053	441,026
Payables to shipping agents	(307,678)	1,205,502
Other current liabilities	(149,338)	165,579
Advances on long-term rent agreements	41,105	12,004
Net cash provided by operating activities	<u>4,126,530</u>	<u>10,952,269</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets designated as at fair value through profit or loss	-	32,600
Acquisition of available-for-sale financial assets	(11,565,566)	(9,565,269)
Proceeds from disposal of available-for-sale financial assets	11,684,735	14,391,983
Proceeds of cash dividends from available-for-sale financial assets	18,984	129,039
Proceeds from disposal of held-to-maturity financial assets	20,968	-
Acquisition of investments accounted for using equity method	-	(256,656)

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

	2008	2007
Acquisition of financial assets measured at cost	\$ (150,000)	\$ (90,000)
Proceeds from disposal of long-term investment	-	1,500
Proceeds from capital reduction of investments in share of stock	-	146,316
Acquisition of properties and assets leased to others	(22,344,215)	(18,576,772)
Proceeds from disposal of properties and nonoperating assets	11,670,270	3,409,138
Increase in cash surrender value of life insurance	(7,911)	(4,594)
Increase in deferred charges	(221,625)	(160,276)
Decrease (increase) in refundable deposits	365,425	(362,586)
Decrease in restricted assets	-	124,205
Decrease (increase) in other assets	(217,345)	14,271
Effect of first time consolidation of certain subsidiaries	<u>52,825</u>	<u>136,261</u>
Net cash used in investing activities	<u>(10,693,455)</u>	<u>(10,630,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	890,842	20,970
Repayment of principal of bonds	(1,076,933)	(3,848,000)
Proceeds from long-term borrowing	8,333,185	8,626,895
Repayments of principal of long-term borrowing	(986,440)	(733,419)
Payment of capital lease obligations	(112,830)	(50,070)
Increase (decrease) in other liabilities	2,045	(5,737)
Increase in minority interest	1,431	1,666
Increase (decrease) in guarantee deposits	(5,018)	1,746
Cash dividend and employees' bonus paid by Yang Ming	(2,431,460)	(794,253)
Cash dividend paid to minority interest by subsidiaries	<u>(21,620)</u>	<u>(12,271)</u>
Net cash provided by financing activities	<u>4,593,202</u>	<u>3,207,527</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>401,731</u>	<u>(77,860)</u>
NET (DECREASE) INCREASE IN CASH	(1,571,992)	3,451,096
CASH, BEGINNING OF YEAR	<u>9,605,600</u>	<u>6,154,504</u>
CASH, END OF YEAR	<u>\$ 8,033,608</u>	<u>\$ 9,605,600</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,611,755	\$ 1,654,520
Less: Capitalized interest	<u>161,670</u>	<u>78,975</u>
Interest paid (excluding capitalized interest)	<u>\$ 1,450,085</u>	<u>\$ 1,575,545</u>
Income tax paid	<u>\$ 1,592,942</u>	<u>\$ 637,502</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of nonoperating assets into assets leased to others	<u>\$ -</u>	<u>\$ 42,328</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

	2008	2007
Reclassification of properties into assets leased to others	<u>\$ 21,219</u>	<u>\$ 257,364</u>
Reclassification of construction in progress to advances on long-term rent agreement	<u>\$ 691,543</u>	<u>\$ -</u>
Current portion of interest-bearing long-term debts	<u>\$ 4,290,256</u>	<u>\$ 2,400,616</u>
Domestic unsecured convertible bonds converted into capital stock and capital surplus	<u>\$ 17,203</u>	<u>\$ 409,755</u>
CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS		
Increase in properties and assets leased to others	\$25,067,917	\$18,145,260
Decrease (increase) in payables for equipment	<u>(2,723,702)</u>	<u>431,512</u>
Cash paid	<u>\$22,344,215</u>	<u>\$18,576,772</u>

SUPPLEMENTARY INFORMATION ON A SUBSIDIARY ACQUISITION:

In January 2008, Yang Ming Marine Transport Corp. obtained the control of Yang Ming (Netherlands) B.V.; the fair value of total assets and total liabilities at the time of acquisition was as follows:

Cash	\$ 52,825
Accounts receivable, net	118,437
Other receivable	1,438
Prepaid expenses	2,210
Other current assets	8,545
Properties, net	13,150
Payables to related parties	(42,656)
Income tax payable	(1,124)
Accrued expenses	<u>(138,122)</u>
	14,703
Percentage of ownership	<u>70%</u>
	<u>\$ 10,292</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

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

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

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

(With Deloitte & Touche audit report dated March 11, 2009)

(Concluded)



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