YANG MING MARINE TRANSPORT CORPORATION

2005 ANNUAL REPORT

APRIL 2006

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

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CHAPTER 1 LETTER TO SHAREHOLDERS

1. Business Report, 2005

Following a brilliant performance in 2004, Yang Ming continuously achieved further accomplishment for business operations in 2005. The entire staff at Yang Ming was very pleased to another milestone in success with the total quantity of operating containers reaching 2.2 million TEU at a steady growth rate of 4% in 2005. Furthermore, operating revenues amounted to NT$84.1 billion accounting for a 7% increase, and after-tax net profits for that same year closed to NT$9.3 billion which was a slight decline of 5%.

In retrospect of the year 2005, the global political and economic situation was greatly shaped by several variables, such as fuel prices standing at all-time highs, the impact of Hurricane Katrina, the steady increase of interest rates by the U.S. Federal Reserve Bank, macro-level adjustments and controls in Mainland China, the continued spread of the N2H5 bird flu, and rising inflationary pressures from depots, feeders, inland transportation, and canals, which have brought about further challenges for our shipping industry regarding operational effectiveness. Fortunately, with the help of our shareholders' strong support, our board of directors' leadership, and all of our employees' team efforts, Yang Ming has successfully reached our operation goals.

2. Business Outlook and Strategies for 2006

The outlook of the shipping industry is looking moderate in 2006. According to the forecasts of most economy think tanks, the projected growth of the global economy for this year will approximately maintain the same steady expansion pace as in last year and will still remain stronger in emerging markets. Worldwide container trade growth is believed to likely reach 10% in 2006 and around 4% in the bulk trade market, which is nearly the same as in last year.

For container transportation, tonnage supply is at a high growth rate in 2006, especially in the second half of this year, which is due to the considerable deployment of new vessels with a capacity of over 8,000 TEU. However, affected by the bottleneck in both port operations and inland transportation, as well as market seasonal fluctuations, the growth rate of the real tonnage supply could be somewhat suppressed and the variability of ocean freight could be possibly eased a little.

As for the bulk market, BDI has gone down quite substantially since the second half of 2004, but now it is gradually developing into a steadier trend. In view of strong demand supported by emerging markets, especially those of China and India, it is agreed that average BDI for this year will be still higher than the long-term average levels of the past.

As to the cost aspect, fuel costs are still the key factor in affecting marine shipping profits. The industry also faces high cost-inflation pressures from depots, feeders, inland transportation, and canals. Besides these influences, the bottleneck of railroad transportation, especially in the U.S., not only decreases the inland transportation efficiency but also increases transit cost burdens.

To cope with the changing business environment and to meet the requirements of our customers, new vessel orders of four 8,200-TEU and six 1,500-TEU full-container vessels are expected to be delivered this year. Yang Ming’s business strategies for 2006 are as follows:

a. To strengthen strategic cooperation among our partners in our main liner markets of the Northwest of Europe, the Mediterranean, the U.S. East Coast, the U.S. West Coast, and Intra-Asia routes.

b. To rationalize the services from Asia to the U.S. Northwest Coast to strengthen this market and to mitigate the port congestion pressure on the U.S. Southwest Coast.

c. To deploy new services from the U.S. East Coast to the East Coast of South America, Intra East-Mediterranean, and Intra North Europe to broaden the service scope.

d. To expand non-liner services at the right time to enlarge the source of profits. To enhance the development and operations of the emerging markets of Vietnam, China, India and the Middle East.

e. To seek new undertaking opportunities to diversify the investments and lower the risks of liner business operations.

In light of a future full of opportunities and challenges, Yang Ming is fully committed to making every effort to improve our operations and empower ongoing innovation to assure sustained growth for years to come. Yang Ming is extremely grateful to all of our shareholders, customers and employees for their significant contributions and hope that our whole-hearted endeavors will continue to earn your trust and support.

Yours truly,

W. H. Huang
Chairman

CHAPTER 2 COMPANY UPATE

1. About our company

Yang Ming was established on December 28, 1972, and publicly listed on the Taiwan Stock Exchange in 1992. Originally, we were a state-owned enterprise and later privatized in February 1996 as part of the government's privatization program. Our headquarters was set up at No. 271, Ming De 1st Road, Chidu, Keelung, Taiwan, and maintains branch offices in Keelung, Taichung, and Kaohsiung. To provide global transportation services, we also have subsidiaries, agents, and representatives' offices in all service districts around the world.

International shipping of containers is our core business with additional operations via bulk carriers and oil tankers. We have established a close-knit and rapid global shipping network with various kinds of vessels including bulk carriers, and oil tankers operated on behalf of the Chinese Petroleum Corporation, as well as large numbers of full-container vessels, which connect all major ports in Asia, North and South America, Europe, the Mediterranean, and the Middle East, through more than 170 business stations.

To enhance our global competitiveness, we have won the following awards and accreditations since 1996:

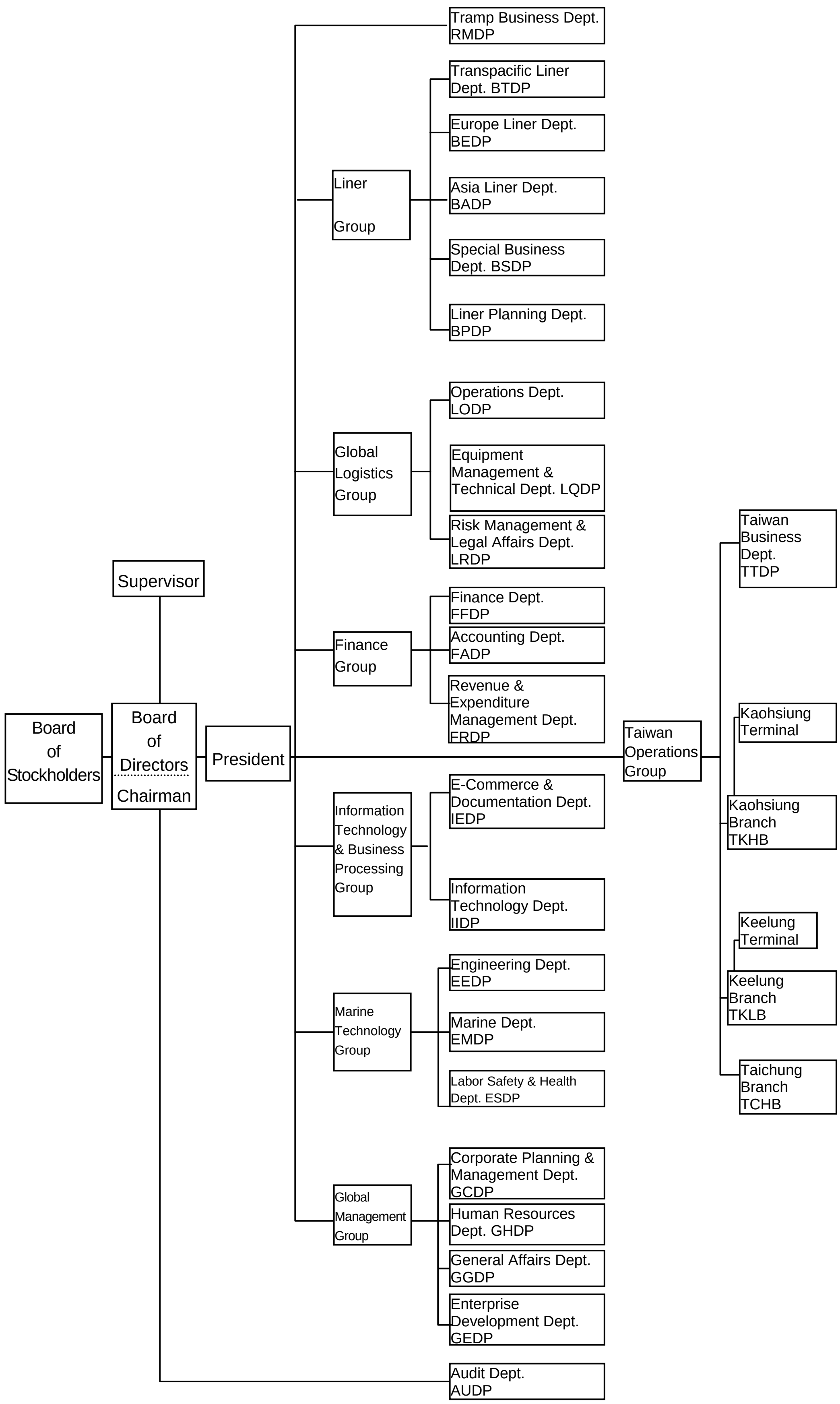
1. National Outstanding Quality Award of R.O.C.
2. International Management Code for the Safe Operation of Ships and for Pollution Prevention (ISM Code)
3. International Ship and Port Facility Security Code Certificate (ISPS Code)
4. ISO 9001 Quality Management System Certificate
5. ISO 14001 Environmental Management System Certificate
6. OHSAS 18001 certificate for Occupational Health & Safety Management System
7. C-TPAT member

Based on the policy of diversification, Yang Ming has gradually become an international conglomerate by extending our antenna of services to the fields of international logistics, wharf operations, inland transportation, and holding companies. We have also entered into strong alliances with other carriers to strengthen our competitiveness, enabling us to greatly expand our business realms, increase our shipping routes, shorten the time of transportation, and reduce the costs of operations. Since 2002, we have been actively rejuvenating our fleet to provide better services and make more business breakthroughs. Owing to these persistent efforts, we have reached record highs in revenue in recent years, and were credited by *Common Wealth Magazine* as one of the most reputable enterprises in the marine industry. Furthermore, in an evaluation of “the Best Corporate Governance Models in emerging markets all over the world“ we were rated by *Euromoney Magazine* as the only winner of the award of the best governance model in the shipping industry of Taiwan.

Besides business operations, we pay great attention to contributing back to society by holding international art carnivals, children’s drawing contests, and by making marine visual materials for distribution to primary schools throughout the nation as teaching aids. When the devastating tsunami hit Southeast Asia, we shipped large amounts of relief goods to the disaster area for free. In addition, we have regularly sponsored various public-interest and environmental-protection activities, including the International Container Art Festival, the Hakka Tong-flower Festivities, and the Clean Beach Campaign. To play an active cultural role, Yang Ming established a Cultural Foundation to promote oceanic activities and opened the “Oceanic Culture & Art Museum (OCAM),” which is housed in a building refurbished from a 100-year-old former office of the company’s Keelung branch on December 28, 2004. Focused on oceanic culture and humanist works of art, the museum will be able to provide a venue for diversified activities and leisure. With our efforts and devotion in environmental protection, education, and participation in social activities, we were credited as one of the best corporate citizens by *Common Wealth Magazine* in 2006.

2. Organizational Structure

2.1 Yang Ming organizational structure is shown below:



2.2 Yang Ming organizational structure is shown below

Dec. 31, 2005

<table>
<tr><td colspan="2">Position</td><td>Chairman Board of Directors</td><td>Director</td><td>Director</td><td>Director</td><td>Executive Supervisor</td><td>Supervisor</td><td>Director</td><td>Director</td></tr>
<tr><td colspan="2">Name</td><td>Wong-hsiu Huang</td><td>Jin-yuan Chen</td><td>Adam Hung</td><td>Fu-mei Chu</td><td>Pin-Jan Ku</td><td>He-gui Chen</td><td>Benny T. Hu</td><td>Nina Kung</td></tr>
<tr><td colspan="2">Date appointed</td><td>Jun. 24, 2004</td><td>Jun. 24, 2004</td><td>Dec. 28, 2005</td><td>Jun. 24, 2004</td><td>Jun. 24, 2004</td><td>Jun. 24, 2004</td><td>Jun. 24, 2004</td><td>Jun. 24, 2004</td></tr>
<tr><td colspan="2">Term of appointment</td><td colspan="8">Reelection upon expiration of effectual period</td></tr>
<tr><td rowspan="2">Holding shares</td><td>shares</td><td colspan="6">Directors and Supervisors herein as representatives of the MOF, and holding a total of 820,603,367 shares (Note)</td><td>971,875</td><td>53,874,366</td></tr>
<tr><td>ratio of holding shares(%)</td><td colspan="6">which represent 35.84％of the company’s stocks</td><td>0.04%</td><td>2.35%</td></tr>
<tr><td rowspan="2">Spouse, under-aged children’s holding shares</td><td>shares</td><td>805</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>ratio of holding shares(%)</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
</table>

Note: The holding shares of the MOTC shifted to the MOF on March 8,2005

2.3 Top management

Dec. 31, 2005

Position	Name	Date appointed	Entitled for other companies presently
President	Wong-hsiu Huang	Aug. 1, 2001	Chairman of Ching Ming Investment Co.,Ltd.
Executive Vice President	Robert Shuh-shun Ho	Feb. 15, 1996	Chairman of All Oceans Transportation Inc.
Executive Vice President	R.B.Chiou	Nov. 1, 1998	Director of Yang Ming Shipping Europe GmbH Hamburg
Executive Vice President	Chi-shung Liu	Jan. 1, 2001	President of All Oceans Transportation Inc.

3. Capital and Shares Issuance

3.1 Capital and shares

3.1.1 Shares category

Apr. 24, 2006

Shares category	Authorized capital					Amount of shares of convertible bonds
	Shares Issued			Non-issuance shares	Total shares	
	Listed	Unlisted	Total			
Common stock	2,289,834,417	—	2,289,834,417	110,165,583	2,400,000,000	23,345,132

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	

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

Unit：NT Dollars

Items \ Year		2004	2005	Jan. 1, 2006~ Apr. 30, 2006
Market-price per share	Highest price	44.80	33.40	21.40
	Lowest price	24.50	18.30	19.05
	Average price	31.73	26.29	20.66
Net worth per share	Unappropriated	19.32	20.81	20.96
	Appropriated	16.50	-	-
Earnings per share	Weighted average number of outstanding shares	2,143,187(Note) thousand shares	2,252,812(Note) thousand shares	2,281,622(Note) thousand shares
	Earnings per share	4.57	4.11	-
Dividends per share	Cash dividend	2.98	2.50	-
	Stock dividend	0	0	-
Return on Investment	Price / Earnings ratio	6.94	6.40	-
	Price / Cash dividends ratio	10.65	10.52	-
	Cash dividends/ Price ratio	0.094	0.095	-

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

4. Issuance of Corporate Bonds

4.1 Status of Corporate Bonds Issuance：

April 30,2006

Bond Category	Sixth Debenture Bonds	Seventh Debenture Bonds	Eighth Debenture Bonds	Ninth Debenture Bonds	Second Domestic Convertible Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds
Date of Issuance	June 1, 2000	Nov. 20, 2000	July 16, 2001	Jun 27, 2002	Aug. 7, 2003	Jun 18, 2004	Oct 8, 2004	Dec 8, 2004
Par Value	NTD 1 million	NTD 1 million	NTD 1 million	NTD 1 million	NTD 100 thousand	NTD 10million	NTD 10 million	NTD 10 million
Place of Issuance and Exchange	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value
Total Amount	NTD 3,000 million	NTD 2,400 million	NTD 1,100 million	NTD 3,000 million	NTD 8,000 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million
Interest Rate	7 years（1,200 million）-5.70% 10 years（1,800 million）-6.09%	6.02%	4.49%	3.85%	0%	Note1	3.30%	2.99%
Terms of Reimbursement	7 years, Date of maturity: June 7, 2007 10 years, Date of maturity: June 9, 2010	12years,Date of maturity: Nov. 29, 2012	7years, Date of maturity: July 20, 2008	5years, Date of maturity: July 5, 2007	5years, Date of maturity: Aug 7, 2008	7years, Date of maturity: Jun 18, 2011	7years, Date of maturity: Oct 20, 2011	7years, Date of maturity: Dec 14, 2011
Guarantor	Nil	Nil	Nil	First Commercial Bank Keelung Branch、Land Bank of Taiwan Business Dept、The International Commercial Bank of China Foreign Dept、Chiao Tung Bank Loan Dept、Hua Nan Commercial Bank Chi Du Branch.	Nil	Nil	Nil	Nil
Trustee	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Central Trust of China Trust Dep.	Land Bank Of Taiwan Trust Dep.	Bank SinoPac Trust Division	Bank SinoPac Trust Division	Bank SinoPac Trust Division
Underwriter	Taiwan International SecuritiesCorp.、Taiwan Securities Corp.、Capital Securities Corp.、MasterLink Securities Corp.、Core Securities Corp.	Jih Sun Securities Corp. Taiwan Securities Corp.	Yuanta Core Pacific Securities	Nil	KGI Securities Co.Ltd	Nil	Nil	Nil
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Way of Reimbursement	Maturity : 7years:For5,6,7years, 33%, 33%,34% due respectively. 10years: For8,9,10 years, 33%, 33%, 34% due respectively.	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Maturity : For 5,6,7 years, 20%, 40%,40% due respectively.	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity
Unreimbursed Amount	NTD 2,640 million	NTD 2,400 million	NTD 1,100 million	NTD 3,000 million	NTD 527.6million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million
Conditions of Recall or Recall in Advance	Nil	Nil	Nil	Nil	Yes	Nil	Nil	Nil
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corporation, Mar. 6, 2000 twA	Taiwan Ratings Corporation, Sep. 26, 2000 twA	Taiwan Ratings Corporation, June 21, 2001 twA	Nil	Taiwan Ratings Corporation, Jan. 27, 2003 twBBB+	Taiwan Ratings Corporation, May. 11, 2004 twA	Taiwan Ratings Corporation, Sep 3, 2004 twA	Taiwan Ratings Corporation, Nov 9, 2004 twA
Amount of Converted Common Stock , GDR or other valuable securities	Nil	Nil	Nil	Nil	NTD 7,472.4 million	Nil	Nil	Nil

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

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

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

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

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

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

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

"LO LIMIT, HI LIMIT "are as following:

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

4.2 Issuance of Convertible Bonds

Bond Category		Second Domestic Convertible Bonds					
		2A			2B		
Items \ Period		2004	2005	Jan. 1, 2006~ Apr.30, 2006	2004	2005	Jan. 1, 2006~ Apr.30, 2006
Market Price	the highest	170.00	135.00	100.50	168.00	138.00	101.70
	the lowest	103.00	100.00	100.50	102.70	100.50	100.80
	the average	130.69	117.05	100.50	129.97	114.38	101.29
Convertible Price		24.10	22.60	22.60	24.10	22.60	22.60
Issuance Date		Aug. 7, 2003					
Convertible Price at Issuance Date		NT$26.13					

5. Issuance of GDR

Conditions of the issuance of GDR

Apr. 30, 2006

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 30,2006)			44,839,307 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	2005	the highest	USD 10.75
		the lowest	USD 5.45
		the average	USD 8.26
	From Jan. 1, 2006 to Apr.30, 2006	the highest	USD 6.60
		the lowest	USD 5.85
		the average	USD 6.21

CHAPTER 3 BUSINESS UPDATE

1. Business Profile, Operating Fleet & Service Scope

1.1 Business Profile

1.1.1 Domestic and overseas marine shipment service.
1.1.2 Domestic and overseas marine passenger service.
1.1.3 Warehouse, pier, tug boat, barge, container freight station and terminal operations.
1.1.4 Maintenance and repairs, chartering, sales and purchase of ships.
1.1.5 Maintenance and repairs, lease, sales and purchase of containers as well as chassis.
1.1.6 Shipping agency.
1.1.7 G402011 Ocean freight forwarding service.
1.1.8 Besides licensed business, all other business items that are not banned or restricted.

1.2 Operating Fleet & Service Scope

As of Dec. 31, 2005, YML operates 79 vessels consisting of 71 full container vessels, 6 panamax bulk carriers and 2 tankers.

The service scope of year 2005 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, Asia / North Europe, Asia / Mediterranean, US East Coast / North Europe, US East Coast / Mediterranean, and Intra-Asia regional routes.

—Tramp Service
Providing bulk cargo service.

—Proxy Service
Operating 2 tankers on behalf of other Carriers.

1.3 Liner Services for full container vessels from 2003 to 2005

Unit：TEU

Items	2003	Pct.	2004	Pct.	2005	Pct.
Cargo for Trans-ocean	1,290,166	64	1,466,646	63	1,576,623	65
Cargo for Intra-Asia	737,790	36	851,698	37	839,078	35
Total	2,027,956	100	2,318,344	100	2,415,701	100

2. Market Analysis

2.1 Transpacific Trade

Due to the expansion of YML's Transpacific service in 2005, YML's market share in 2005 has been slightly enhanced up to 4.80% according to the JOC PIERS report.
The eastbound transpacific trade has experienced a return due to shippers' regained confidence upon the reliability of West Coast gateways. Growth rate of 10.9% in year 2005 and 8% in year 2006 are expected for eastbound. Westbound growth rate reach 10.4% in year 2005 and it's estimated as 5.3% in year 2006.

2.2 F.E.-Europe/Mediterranean Trade

The annual westbound cargo growth for 2005 F.E.-Europe trade reached 10.6% and 23% for F.E-Mediterranean trade. Chinese export is still the leading contributor of exports from Asia to Europe. Estimated export from China /Hong Kong went up by 24%, comparing with 6% from Japan and 4% from Korea.
Based on the relatively strong import in 2005 in a weak European economy, Drewry Report forecast demand growth of 10.4% for F.E-Europe trade and 18.1%for F.E. –Mediterranean for 2006.

2.3 Transatlantic Trade

Transatlantic trade is currently one of the few trade lanes where the trade imbalance is narrowing. The annual westbound cargo growth for 2005 went to 4.1% and 5.9% for eastbound. Being sensitive to currency swings of eastbound cargo, it's expected that eastbound demand may suffer in 2006 with 3.1% growth in the face of the adverse dollar/euro currency changes. On the contrary, trade growth of westbound goes upto 6.2% by a depreciation of the euro against the US currency.

2.4 Intra-Asia Trade

Despite the slot supply of vessel enlarge a lot by carriers, expected slot demand for Intra-Asia trade still booming in year 2006.
In the meantime, to match deploying of new building vessels, we are planning to replace charter vessels and provide more competent service network.

3. Employees Status

Year		2004	2005	Apr. 30, 2006
Number of employees	Office service	959	996	1,008
	Sea service	279	227	228
	Total	1,238	1,223	1,236
Average age		40.45	40.37	40.60
Average service years		11.84	12.10	12.40
Education level	Ph. D	4	3	2
	Master's degree	103	123	131
	College degree	910	905	912
	High school degree	163	140	140
	Middle school and below	58	52	51

4. Environmental Protection

All of our company's vessels are installed with pollution prevention equipment which is periodically inspected in order to meet the requirements of international conventions.

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, 2006

Name of contract	Party	Contract Period	Primary content
Vessel Sharing and Slot Allocation Agreement	K LINE HJS SEN	1/1/2003 ~ the indefinite duration	Asia/U.S. West Coast ; Asia/U.S. East Coast ; Asia/Med/Europe ; U.S. East Coast / North Europe ; U.S. East Coast / Med liner service
Slot Release Agreement	MOL HMM	5/29/2003 ~ 11/28/2006	Asia/Med liner service Asia/North-Europe Service
Slot Exchange Agreement	CNC	9/16/2005 ~ 9/15/2006	Intra-Asia service
Vessel Sharing and Slot Allocation Agreement	CNC / SYMS	8/25/2005~8/24/2006	China-Indonesia Liner Service
Slot Exchange Agreement	EMC	9/1/2005 ~ 8/31/2006	Intra-Asia service
Vessel Sharing and Slot Allocation Agreement	EMC / YTL	9/1/2005 ~ 8/31/2006	Taiwan-Hongkong Liner Service
Slot Release Agreement	YTL	2/26/2005 ~ 2/25/2006	Intra-Asia service
Slot Charter Agreement	TNC	12/16/2005 ~ 12/15/2006	Taiwan – China liner service
Slot Charter Agreement	TNC	12/28/2005 ~ 12/27/2006	Taiwan – China liner service
Joint Service Agreement	WHL / HLCL	2/24/2006 ~ 2/23/2007	Taiwan-Middle East Service
Slot Exchange Agreement	MOL	4/16/2006 ~ 9/12/2006	Intra-Asia Service
Vessel Sharing and Slot Allocation Agreement	WHL / EMC	9/27/2005 ~ 9/26/2006	Intra-Asia Service
Vessel Sharing and Slot Allocation Agreement	EMC	9/16/2005 ~ 9/15/2006	Intra-Asia Service
Long-term Charter-in Vessels	SHOEI / Imabari	2003/Jun~2013/Jun 2003/Jul~2013/Jul 2003/Sep~2013/Sep	3 x 1620 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2004/Apr~2014/Apr 2004/May~2014/May	2 x 5500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Zodiac Maritime Agencies Ltd.	2004/Sep~2012/Sep 2004/Nov~2012/Nov 2005/Jan~2013/Jan	3 x 4000 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2006/4Q~2016/4Q 2006/4Q~2016/4Q	2 x 4920 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Continental Chartering GmbH & Co. KG	2006/Mar~2011/Mar 2006/Jul~2011/Jul	2 x 4300 TEU Long-term Charter-in Container Vessels
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

CHAPTER 4 FUND UTILIZATION PLAN

Fund Utilization for the Eleventh Debenture Bonds and Twelfth Debenture Bonds issued in 2004

UNIT：NT$1,000

Items of Plan	Utilization		Accumulated
Build four 1,500 TEU container vessels	Expenditure	Planned	2,253,506
		Actual	2,169,155
	Completion	Planned	100%
		Actual	96.26%
Build four 1,799 TEU container vessels	Expenditure	Planned	896,558
		Actual	982,692
	Completion	Planned	33.34%
		Actual	36.54%
Build four 1,799 TEU container vessels	Expenditure	Planned	74,713
		Actual	0%
	Completion	Planned	2.78%
		Actual	0%
Total	Expenditure	Planned	3,224,777
		Actual	3,151,847
	Completion	Planned	42.25%
		Actual	41.29%

CHAPTER 5 FINANCIAL STATEMENTS AND REPORTS

1. Condensed Balance Sheets and Income Statements

1.1 Balance Sheet

UNIT：NT$1,000

Items \ Year		Accounting data for the recent 5 years					
		Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Mar. 31, 2006
Current Assets		10,572,307	13,993,990	29,895,976	39,891,136	31,249,907	31,221,493
Investments in Shares of Stock		8,383,490	7,761,195	10,357,106	13,354,483	16,784,797	18,181,077
Net Properties		19,443,064	12,538,377	13,208,046	17,030,994	12,886,377	13,574,141
Other Assets		7,106,119	12,108,382	7,424,229	7,524,106	19,117,753	18,138,238
Total Assets		45,504,980	46,401,944	60,885,357	77,800,719	80,038,834	81,114,949
Current Liabilities	Unappropriated	9,067,338	6,553,383	8,962,103	11,221,109	11,248,681	11,488,165
	Appropriated	9,067,338	7,677,086	13,750,601	18,151,099	-	-
Total Long-Term Debts		11,210,422	13,917,769	16,633,644	19,976,133	18,459,943	18,504,984
Other Liabilities		1,174,189	1,573,808	1,999,666	2,765,909	3,132,230	3,146,668
Total Liabilities	Unappropriated	21,451,949	22,044,960	27,595,413	33,963,151	32,840,854	33,319,817
	Appropriated	21,451,949	23,168,663	32,383,911	40,893,141	-	-
Capital stock		18,343,160	18,343,160	19,569,299	22,687,545	22,898,167	22,898,344
Capital surplus		3,828,660	2,400,244	4,316,068	7,908,492	8,496,473	8,764,499
Retained earnings	Unappropriated	1,413,423	3,981,532	9,506,926	13,490,305	15,816,055	16,269,631
	Appropriated	2,844,810	2,857,829	3,693,041	6,560,315	-	-
Unrealized loss on financial instruments		-	-	-	-	-	(29,802)
Unrealized loss on investments in shares of stock		(3,172)	(21,293)	(1)	(1)	-	-
Cumulative translation adjustmenrs		470,960	186,469	338,729	28,301	191,616	119,465
Net loss not recognized as pension costs		-	(7,687)	(18,457)	(35,717)	(39,630)	(39,630)
Total Stockholders' Equities	Unappropriated	24,053,031	24,356,984	33,289,944	43,837,568	47,197,980	47,975,132
	Appropriated	24,053,031	23,233,281	28,501,446	36,907,578	-	-

1.2 Income Statement

UNIT：NT$1,000

Items \ Year	Accounting data for the recent 5 years					
	Jan. 1, 2001~ Dec 31,2001	Jan. 1, 2002~ Dec 31,2002	Jan. 1, 2003~ Dec 31,2003	Jan. 1, 2004~ Dec 31,2004	Jan. 1, 2005~ Dec 31,2005	Jan. 1, 2006~ Mar. 31, 2006
Operating revenue	45,411,519	45,511,610	62,932,016	78,429,274	84,155,941	19,439,332
Gross profit (loss)	46,021	1,147,639	6,284,113	8,075,087	4,960,783	(477,331)
Operating income (loss)	(813,886)	159,815	4,500,875	6,035,003	3,031,936	(782,171)
Non-operating income	1,471,354	2,334,577	4,631,925	6,978,424	8,273,922	1,551,603
Non-operating expenses	1,106,870	1,350,002	894,274	1,113,750	1,280,799	288,056
Income (loss) before income tax	(449,402)	1,144,390	8,238,526	11,899,677	10,025,059	481,376
Cumulative effect of change in accounting principles	-	-	-	-	-	16,896
Net income (loss)	(675,045)	1,135,451	6,649,097	9,797,264	9,262,954	453,575
Earnings per share	(0.37)	0.64	3.70	4.57	4.11	0.20

1.3 CPA and Audit results for the past 5 years

Year	CPA name	Audit Opinion
Jan. 1, 2001 ~ Dec. 31, 2001	Chen Chin Hsiang、Wang Chin San	Modify Unqualified
Jan. 1, 2002 ~ Dec. 31, 2002	Chen Chin Hsiang、Wang Chin San	Modify Unqualified
Jan. 1, 2003 ~ Dec. 31, 2003	Lin An Hwei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2004 ~ Dec. 31, 2004	Lin An Hwei、Way Yung Do	Modify Unqualified
Jan. 1, 2005 ~ Dec. 31, 2005	Lin An Hwei、Way Yung Do	Modify Unqualified

2. Financial Statement Analysis

Items \ Year			Financial Analysis for the years from 2001 to 2006					
			Jan. 1, 2001~ Dec. 31, 2001	Jan. 1, 2002~ Dec. 31, 2002	Jan. 1, 2003~ Dec. 31, 2003	Jan. 1, 2004~ Dec. 31, 2004	Jan. 1, 2005~ Dec. 31, 2005	Jan. 1, 2006~ Mar. 31, 2006
Financial conditions	Debt to Total Assets Ratio		47.14	47.51	45.32	43.65	41.03	40.86
	Long-term funds to net properties		178.90	301.44	374.35	371.88	505.79	486.22
Institutional solvency	Current ratio（%）		116.60	213.54	333.58	355.50	277.81	271.77
	Acid-test ratio（%）		106.68	202.18	323.86	345.24	260.37	252.94
	Time interest earned		0.34	2.59	13.45	18.72	13.63	13.46
Operating performance	Receivables turnover		26.15	26.47	35.13	37.24	35.13	37.64
	Average collection period(days)		13.96	13.79	10.39	9.80	10.39	9.70
	Payables turnover		-	-	-	-	-	-
	Turnover of the fixed assets		2.34	3.63	4.76	4.61	6.53	5.73
	Turnover of the total assets		1.00	0.98	1.03	1.01	1.05	0.96
Profitability	Return on total assets（%）		(0.36)	3.65	13.32	14.86	12.49	0.75
	Return on stockholder's equity（%）		(2.75)	4.69	23.07	25.41	20.35	0.95
	Ratio of income against paid-in capital（%）	Operating income	(4.44)	0.87	23.00	26.60	13.24	(3.42)
		Pre-tax income	(2.45)	6.24	42.10	52.45	43.78	2.10
	Profit Margin（%）		(1.49)	2.49	10.57	12.49	11.01	2.33
	Earnings per share (note1)		(0.37) (0.37)	0.64 0.64	3.70 3.24	4.57 4.34	4.11 4.06	0.20 0.20
Cash flow	Cash flow ratio（%）		31.15	27.08	111.62	86.05	70.95	12.84
	Cash flow adequacy ratio（%）		50.15	60.80	91.30	62.25	60.64	70.67
	Cash reinvestment ratio（%）		4.23	3.10	13.36	5.96	1.23	1.69
Leverage	Operation Leverage		-	37.80	2.40	2.01	2.97	-
	Finance Leverage		0.54	(0.29)	1.17	1.13	1.35	0.79

Note 1：According to the adjusted outstanding shares.

3. Financial Reports as of Dec. 31,2005
3.1 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, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. as of and for the year ended December 31, 2005 and Transyang Shipping Pte. Ltd. and Yang Ming Line (Singapore) Pte. Ltd. as of and for the year ended December 31, 2004 in which the Corporation has long-term investments in shares of stocks accounted for by the equity method. As shown in the accompanying balance sheets, the carrying values of these investments were 2.7% (NT$2,138,562 thousand) and 1.5% (NT$1,184,469 thousand) of the Corporation's total assets as of December 31, 2005 and 2004, respectively. The equity in these investees' net income was 1.5% (NT$151,978 thousand) and 1.3% (NT$150,816 thousand) of the Corporation's income before income tax in 2005 and 2004, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Yang Ming Marine Transport Corporation as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

March 1, 2006

Notice to Readers

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

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

YANG MING MARINE TRANSPORT CORPORATION

3.2 BALANCE SHEETS

DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2005 Amount	%	2004 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 3)	$ 9,725,245	12	$10,223,922	13
Short-term investments, net (Notes 2 and 4)	8,142,095	10	15,625,880	20
Accounts receivable, net of allowance for doubtful accounts of $45,828 thousand in 2005 and $34,986 thousand in 2004 (Note 2)	770,061	1	769,083	1
Accounts receivable from related parties (Note 18)	1,511,173	2	1,741,438	2
Other receivables from related parties (Notes 17 and 18)	8,271,880	10	9,282,259	12
Shipping fuel, net (Note 2)	1,676,704	2	829,992	1
Prepaid expenses (Note 18)	285,381	1	321,117	1
Advances to shipping agents (Note 18)	229,274	-	226,343	-
Other current assets (Notes 2, 14 and 22)	638,094	1	871,102	1
Total current assets	31,249,907	39	39,891,136	51
INVESTMENTS IN SHARES OF STOCK (Notes 2 and 5)				
Equity method	15,980,651	20	12,548,973	16
Cost method	804,146	1	805,510	1
Total investments in shares of stock	16,784,797	21	13,354,483	17
PROPERTIES (Notes 2, 6, 18, 19 and 20)				
Cost				
Land	133,014	-	133,014	-
Buildings	572,029	1	549,722	1
Containers and chassis	18,336,402	23	15,273,092	20
Ships	5,564,775	7	8,886,839	11
Leased containers and chassis	2,041,688	3	2,041,688	3
Leasehold improvements	209,070	-	209,070	-
Miscellaneous equipment	2,024,620	2	1,699,212	2
Total cost	28,881,598	36	28,792,637	37
Accumulated depreciation	16,925,281	21	15,058,830	19
	11,956,317	15	13,733,807	18
Construction in progress	930,060	1	3,297,187	4
Net properties	12,886,377	16	17,030,994	22
OTHER ASSETS				
Assets leased to others, net (Notes 2, 6 and 7)	2,879,254	4	2,769,931	4
Nonoperating assets, net (Notes 2, 6, 8 and 19)	307,829	-	360,807	1
Advances on long-term rent agreements	309,548	1	321,377	-
Deferred charges, net (Note 2)	67,971	-	78,031	-
Long-term receivables from related parties (Notes 5 and 18)	15,368,741	19	3,946,328	5
Miscellaneous (Notes 2, 19 and 22)	184,410	-	47,632	-
Total other assets	19,117,753	24	7,524,106	10
TOTAL	$80,038,834	100	$77,800,719	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2005 Amount	%	2004 Amount	%
CURRENT LIABILITIES				
Payables to related parties (Note 18)	$ 1,301,446	2	$ 1,822,601	2
Income tax payable (Notes 2 and 14)	45,470	-	1,126,658	1
Accrued expenses	4,603,548	6	3,105,449	4
Advances from customers	1,005,435	1	901,900	1
Current portion of interest-bearing long-term debts (Notes 2, 6, 9 and 19)	1,397,151	2	1,196,088	2
Payables for equipment	678,792	1	623,058	1
Payables to shipping agents	2,091,656	2	2,241,445	3
Other current liabilities (Note 2)	125,183	-	203,910	-
Total current liabilities	11,248,681	14	11,221,109	14
INTEREST-BEARING LONG-TERM DEBTS, NET OF CURRENT PORTION				
Bonds (Notes 2, 9 and 19)	17,588,000	22	18,925,423	24
Capital lease obligations (Notes 2, 6 and 9)	392,304	-	571,071	1
Total interest-bearing long-term debts	17,980,304	22	19,496,494	25
RESERVE FOR LAND VALUE INCREMENT TAX (Note 10)	479,639	1	479,639	1
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 17)	796,181	1	699,415	1
Deferred income tax liabilities - noncurrent (Notes 2 and 14)	2,166,989	3	1,870,386	3
Others (Notes 2, 11 and 19)	169,060	-	196,108	-
Total other liabilities	3,132,230	4	2,765,909	4
Total liabilities	32,840,854	41	33,963,151	44
STOCKHOLDERS' EQUITY				
Capital stock - $10 par value				
Authorized - 2,400,000 thousand shares				
Issued - 2,289,817 thousand shares and 2,268,755 thousand shares in 2005 and 2004	22,898,167	28	22,687,545	29
Capital surplus				
Paid-in capital in excess of par value	7,285,865	9	6,986,846	9
Treasury stock transactions	1,199,572	2	915,830	1
Equity on capital surplus reported by equity-method investees	11,036	-	5,816	-
Total capital surplus	8,496,473	11	7,908,492	10
Retained earnings				
Legal reserve	2,172,931	3	1,193,205	2
Special reserve	1,149,355	1	1,141,939	1
Unappropriated earnings	12,493,769	16	11,155,161	14
Total retained earnings	15,816,055	20	13,490,305	17
Other items of stockholders' equity				
Unrealized loss on investments in shares of stock	-	-	(1)	-
Cumulative translation adjustments	191,616	-	28,301	-
Net loss not recognized as pension cost	(39,630)	-	(35,717)	-
Total other items of stockholders' equity	151,986	-	(7,417)	-
Treasury stocks - 22,248 thousand shares and 32,607 thousand shares in 2005 and 2004	(164,701)	-	(241,357)	-
Total stockholders' equity	47,197,980	59	43,837,568	56
TOTAL	$80,038,834	100	$77,800,719	100

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

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

YANG MING MARINE TRANSPORT CORPORATION

3.3 STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

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

	2005		2004	
	Income Before Income Tax	Net Income	Income Before Income Tax	Net Income
BASIC EARNINGS PER SHARE (Note 16)	$ 4.45	$ 4.11	$ 5.55	$ 4.57
DILUTED EARNINGS PER SHARE (Note 16)	$ 4.39	$ 4.06	$ 5.27	$ 4.34

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

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

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

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

YANG MING MARINE TRANSPORT CORPORATION

3.4 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

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

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

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

YANG MING MARINE TRANSPORT CORPORATION

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

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

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

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

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

3.6 NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND OPERATIONS

Yang Ming Marine Transport Corporation (the "Corporation") was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation. To comply with the administration rule of the central government, MOTC transferred its holdings in the Corporation to the Ministry of Finance (MOF) of the Republic of China on March 8, 2005. The MOF and MOTC owned 35.84% and 36.17% of the Corporation's outstanding capital stock as of December 31, 2005 and 2004, respectively.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Short-term Investments

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

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

Allowance for Doubtful Accounts

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

Shipping Fuel

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

Investments in Shares of Stock and Deferred Income

Investments in shares of stock of companies in which the Corporation owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Under this method, the investment is carried at cost on the acquisition date and then adjusted proportionately for the Corporation's equity in net income or net loss. The difference between the cost of the investment and the Corporation's equity in the investee's net assets on the acquisition date is amortized over five years. If an investee issues additional shares and the Corporation subscribes for these shares at a percentage different from its current equity in the investee, the resulting increase in the Corporation's equity in its investee's net assets is debited to capital surplus. Any decrease in the Corporation's equity in the investee's net assets is credited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. Any cash dividends received are recognized as a reduction of the carrying value of the investments.

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

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

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

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

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

Properties and Assets Leased to Others

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

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

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

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

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

Nonoperating Assets

Nonoperating assets are stated at the carrying value.

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

Deferred Charges

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

Convertible Bonds

Convertible bonds are issued at face value, and the interest expense is recognized on the basis of their face value and interest rate. The effective interest rate is calculated using the repayment price, and the interest compensation expense should be recognized over the term of the convertible bonds. Direct and necessary costs of issuing convertible bonds are recorded as deferred charges and amortized over the term of the convertible bonds using the straight-line method.

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

Pension

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

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

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

Unrealized Gain (Loss) on Sale and Leaseback

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

Treasury Stocks

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

Revenue Recognition

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

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

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

Capital Expenditures and Other Expenditures

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

Income Tax

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

Income tax credits for certain purchases of eligible equipment, research and development expenses, personnel training expenditures and stock investments are recognized in the current year.

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

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

Foreign-currency Transactions

Foreign-currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. On balance sheet date, the balances of foreign-currency assets and liabilities are restated at prevailing exchange rates, and the resulting differences are recorded as follows:

a. Equity-method investments in shares of stock - as part of cumulative translation adjustments under stockholders' equity;

b. Cost- method investments in shares of stock - same as in (a) above when the restated amounts are lower than their carrying amounts, otherwise, no adjustment is made;

c. Other assets and liabilities - as credits or charges to income.

Financial Derivatives

The Corporation accounts for derivative transactions as follows:

a. Currency options

Amounts received on options written are recognized as liabilities and amounts paid on options bought are treated as assets. Options unexercised as of the balance sheet dates are marked to market, with the unrealized gains or losses arising from changes in market values recognized as current income. The carrying amounts (either assets or liabilities) of the options are credited or charged to income once the options are exercised.

b. Currency swaps

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

c. Interest rate swaps

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

d. Forward contract transactions

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

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

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

e. Equity-linked notes

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

f. Interest-linked notes

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

g. Credit-linked notes and structured time deposits

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

Reclassifications

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

3. CASH AND CASH EQUIVALENTS

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

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

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

4. SHORT-TERM INVESTMENTS

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

5. INVESTMENTS IN SHARES OF STOCK

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

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

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

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

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

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

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

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

Cost-method investments were as follows:

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

6. PROPERTIES

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

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 20. The terms of the leases were from five years to nine years for containers and from five years to eight years for chassis. The annual rent payable on leased containers under the agreements is US$5,471,000. The Corporation has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US$1 per unit. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to the Corporation at no additional cost. The details of these leases as of December 31, 2005 and 2004 were as follows:

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

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

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

7. ASSETS LEASED TO OTHERS, NET

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

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

8. NONOPERATING ASSETS, NET

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

9. INTEREST-BEARING LONG-TERM DEBTS

	Current	Long-term	Total
December 31, 2005			
Domestic unsecured bonds	$ 616,000	$ 14,588,000	$ 15,204,000
Domestic secured bonds	-	3,000,000	3,000,000
Domestic unsecured convertible bonds	528,000	-	528,000
Interest premium - domestic unsecured convertible bonds	3,178	-	3,178
Capital leases (Note 6)	249,973	392,304	642,277
	$ 1,397,151	$ 17,980,304	$ 19,377,455
December 31, 2004			
Unsecured bank loans	$ 233,470	$ -	$ 233,470
Domestic unsecured bonds	396,000	15,204,000	15,600,000
Domestic secured bonds	-	3,000,000	3,000,000
Domestic unsecured convertible bonds	316,700	718,900	1,035,600
Interest premium - domestic unsecured convertible bonds	1,112	2,523	3,635
Capital leases (Note 6)	248,806	571,071	819,877
	$ 1,196,088	$ 19,496,494	$ 20,692,582

Unsecured Bank Loans

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

Domestic Unsecured Bonds

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

Other bond features and terms are as follows:

June 2000 Bonds

Type A - Aggregate face value: $1,200,000 thousand; repayments: 33% - June 1, 2005, 33% - June 1, 2006, and 34% - June 1, 2007; 5.7% annual interest. The Corporation had repaid 396,000 thousand as of December 31, 2005.

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

November 2000 Bonds	Repayments: 20% - November 20, 2010, 40% - November 20, 2011, and 40% - November 20, 2012; 6.02% annual interest.
July 2001 bonds	Repayments: 20% - July 2006, 40% - July 2007, and 40% - July 2008; 4.49% annual interest.
June 2004 bonds	Type A - Aggregate face value of $600,000 thousand and maturity on June 18, 2011; 2.46% annual interest.
	Type B - Aggregate face value of $500,000 thousand and maturity on June 18, 2011 at USD 6-month LIBOR rate (the target rate) when the target rate is smaller than 1.15%; at 4.4% when the target rate is between 1.15% and 3.5%; at 6% less the target rate when the target rate is greater than 3.5%. The interest rate should not be smaller than 0% and will be reseted quarterly.
	Type C - Aggregate face value of $500,000 thousand and maturity on June 18, 2011 at 4.5% interest multiplied by a ratio (interest-bearing days per month divided by interest-bearing days per year) when USD 6-month LIBOR rate (the target rate) is between a certain interest range; at 0% when the target rate is out of the interest range.
October 2004 Bonds:	Type A, B, D, E, G, H, I - Aggregate face value of $500,000 thousand and maturity from October 8 to October 20 in 2011; 3.30% annual interest.
	Type C - Aggregate face value of $800,000 thousand and maturity on October 12, 2011; 3.30% annual interest.
	Type F - Aggregate face value of $700,000 thousand and maturity on October 15, 2011; 3.30% annual interest.
December 2004 Bonds:	Aggregate face value of $2,500,000 thousand and maturity from December 8 to 14 in 2011; 2.99% annual interest.

Domestic Secured Bonds

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

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

Domestic Unsecured Convertible Bonds

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

a. Lump-sum payment to the holders upon maturity (in 2004) at face value plus accrued interest;

b. Conversion by the holders, starting September 2, 1997, into the Corporation's common shares at the prevailing conversion price; and

c. Redemption by the Corporation, under certain conditions, at varying prices before bond maturity.

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

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

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

b. Conversion by the holders, from November 2003 to 10 days before the due date, into the Corporation's common shares at the prevailing conversion price (NT$22.60 per share as of December 31, 2005);

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

d. Redemption by the Corporation, under certain conditions, at face value before bond maturity.

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

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

10. RESERVE FOR LAND VALUE INCREMENT TAX

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

11. UNREALIZED GAIN ON SALE AND LEASEBACK

	December 31	
	2005	2004
Chassis	$ 23,435	$ 31,215
Vessel Ming North	7,471	8,620
	$ 30,906	$ 39,835

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

12. STOCKHOLDERS' EQUITY

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US$11.64 per unit. The holders of the GDRs may not exchange them for the Corporation's stocks. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the shares represented by the GDRs. As of December 31, 2005, there were 4,762,602 units outstanding, representing 47,626,077 shares.

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

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

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

a. 10% as legal reserve;

b. 10% as special reserve, as needed; and

c. Dividends, and at least 1% as bonus to employees and up to 2% as remuneration to directors and supervisors.

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

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

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

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

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

The stockholders resolved to appropriate the 2004 and 2003 earnings on June 23, 2005 and June 24, 2004, respectively, as follows:

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

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

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

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

13. TREASURY STOCKS

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

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

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

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

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

Although the Corporation's shares held by subsidiaries are treated as treasury stocks instead of investments, the subsidiaries retain stockholders' rights on those shares, except the right of voting under the revised Company Law effective on June 22, 2005 and the right to subscribe for new shares issued by the Corporation.

14. INCOME TAX

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

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

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

b. Income tax expense consisted of:

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

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

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

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

d. Integrated income tax system information was as follows:

	December 31	
	2005	2004
Balance of the imputation credit account (ICA)	$ 709,062	$ 40,914

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

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

e. As of December 31, 2005 and 2004, the balances of the special reserve and unappropriated retained earnings generated before June 30, 1998 aggregated $2,064,438 thousand.

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

15. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2005		
	Operating Costs	Operating Expenses	Total
Personnel expenses			
Salary	$ 529,188	$ 1,119,222	$ 1,648,410
Insurance	22,439	50,461	72,900
Pension	57,526	79,526	137,052
Others	44,881	81,765	126,646
Depreciation	2,065,382	64,968	2,130,350
Amortization	22,310	15,739	38,049
	$ 2,741,726	$ 1,411,681	$ 4,153,407

	2004		
	Operating Costs	Operating Expenses	Total
Personnel expenses			
Salary	$ 558,414	$ 1,348,166	$ 1,906,580
Insurance	24,036	45,257	69,293
Pension	64,589	56,464	121,053
Others	42,166	79,001	121,167
Depreciation	1,856,403	57,072	1,913,475
Amortization	23,477	24,660	48,137
	$ 2,569,085	$ 1,610,620	$ 4,179,705

16. EARNINGS PER SHARE

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

	Amount (Numerator)			Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income	Capital Stock (Denominator) (in Thousand Shares)	Income Before Income Tax	Net Income
2005					
Basic EPS	$ 10,025,059	$ 9,262,954	2,252,812	$ 4.45	$ 4.11
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	1,680	1,260	29,385		
Diluted EPS	$ 10,026,739	$ 9,264,214	2,282,197	$ 4.39	$ 4.06
2004					
Basic EPS	$ 11,899,677	$ 9,797,264	2,143,187	$ 5.55	$ 4.57
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	9,750	7,313	116,318		
Diluted EPS	$ 11,909,427	$ 9,804,577	2,259,505	$ 5.27	$ 4.34

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

	Amount (Numerator)			Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income	Capital Stock (Denominator) (in Thousand Shares)	Income Before Income Tax	Net Income
2005					
Pro forma basic EPS	$10,033,191	$ 9,271,086	2,283,795	$ 4.39	$ 4.06
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	1,680	1,260	29,385		
Pro forma diluted EPS	$10,034,871	$ 9,272,346	2,313,180	$ 4.34	$ 4.01
2004					
Pro forma basic EPS	$12,186,424	$10,084,011	2,195,408	$ 5.55	$ 4.59
Impact of dilutive potential common shares					
Domestic unsecured convertible bonds	9,750	7,313	116,318		
Pro forma diluted EPS	$12,196,174	$10,091,324	2,311,726	$ 5.28	$ 4.37

17. PENSION PLAN

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

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

Pension plan under the Labor Standards Law for onshore employees is a defined benefit plan. Benefits are based on service years and average basic salary of the six months before retirement. The pension fund, to which the Corporation contributes amounts equal to 13% and 9% of salaries every month in 2005 and 2004, respectively, is administered by each company's pension reserve fund supervisory committee and deposited in each company's committee's name in the Central Trust of China Co., Ltd.

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

Pension plan is a defined contribution type scheme, under the Act for onshore employees and shipping crews. Starting on July 1, 2005, the Corporation makes monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries every month. The pension cost under the defined contribution plan was $7,116 thousand from July to December in 2005.

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

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

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

a. Components of net pension costs:

	2005	2004
Service cost	$ 142,883	$ 134,703
Interest cost	36,913	29,645
Expected return on plan assets	(7,216)	(5,979)
Amortization of net transition assets	(328)	(7,249)
Amortization of prior service cost	436	436
Amortization of net loss	10,773	4,259
Actuarial pension cost	183,461	155,815
Less: Pension costs included in other receivables from related parties	(53,525)	(34,762)
Net pension cost	$ 129,936	$ 121,053

b. Reconciliation of funded status of the pension plan to accrued pension cost at end of year

	December 31	
	2005	2004
Benefit obligation:		
Vested benefit obligation	$ 355,803	$ 251,324
Non-vested benefit obligation	575,639	513,220
Accumulated benefit obligation	931,442	764,544
Additional benefits based on future salaries	335,416	292,802
Projected benefit obligation	1,266,858	1,057,346
Fair value of plan assets	(264,517)	(198,291)
Funded status	1,002,341	859,055
Unrecognized net transition assets	2,330	2,658
Unrecognized prior service cost	(4,363)	(4,799)
Unrecognized net loss	(243,041)	(187,949)
Additional liability	38,914	30,450
Accrued pension cost	$ 796,181	$ 699,415

c. Vested benefits $ 455,866 $ 339,322

d. Assumptions used

	Years Ended December 31	
	2005	2004
Discount rate	3.00%	3.50%
Rate of increase in compensation	2.75%	2.75%
Expected rate of return on plan assets	3.00%	3.25%

e. Changes in pension fund

	2005	2004
Contributions	$ 75,620	$ 50,209
Payment of benefits	$ 32,160	$ 22,633

18. RELATED-PARTY TRANSACTIONS

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

The transactions with related parties were conducted under contract terms.

19. ASSETS PLEDGED OR MORTGAGED

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

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

20. COMMITMENTS AND CONTINGENT LIABILITY

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

a. Obligations to provide crews to two ships of Chinese Petroleum Corporation under contracts expiring on various dates by October 2006. The daily compensation under the contracts is $273 thousand for all the crews.

b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until April 2014. The total rents for the year ended December 31, 2005 were $16,380,956 thousand, and future minimum rentals are as follows:

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

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

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

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

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

d. Guarantee of loans obtained by three subsidiaries, Yang Ming Line (B.V.I.) Holding Co., Ltd. (US$5,000,000), All Oceans Transportation Inc. (US$61,100,000) and Yang Ming (Liberia) Corp. (US$245,520,000); Yang Ming (America) Corp., an indirect subsidiary (US$1,500,000); three investees of a subsidiary, United Terminal Leasing LLC (US$5,577,000), West Basin Container Terminal LLC (US$12,180,000) and Olympic Container Terminal LLC (US$4,700,000).

e. Agreement between the Corporation and China Shipbuilding Corp. (CSBC) for CSBC to construct 8 vessels for US$179,120,000 for delivery by 2007. As of December 31, 2005, the Corporation had paid US$26,868,000 to CSBC.

f. Claim against the Corporation. The buyer of one vessel sold in June 2003 alleged that the Corporation knowingly did not comply with vessel specifications and demanded that the Corporation pay damages of US$2,800,000. The certificate deposit of US$310,000 was pledged as arbitration guarantee. No liability was accrued since management and appointed lawyers believed the Corporation's work was in line with buyer's specifications.

g. Claim against the Corporation. One vessel leased by the Corporation to a third party was alleged to have fuel oil leaks, which caused water pollution. As of December 31, 2005, the Corporation had paid US$1,000,000 as refundable deposits in line with the ongoing legal proceedings on this case. On the basis of the conservatism principle, the Corporation had accrued a loss of US$1,000,000.

h. Purchase contract. On April 22, 2005, the board of directors resolved to buy two vessels at carrying value from All Oceans Transportation Inc. (a subsidiary). The vessels had not been delivered as of December 31, 2005.

i. Agreement to acquire containers. As of December 31, 2005, the Corporation had not yet received the containers and thus had not paid made the related payment of US$42,420,000. The Corporation was granted an option to buy 7,400 units containers US$22,134,000.

j. An agreement entered into on October 8, 2004 for the Corporation to build the second logistics center in Kaohsiung jointly with the MOTC Harbor Bureau. The center, to be used to package, store, process, transfer and distribute goods, will be built by April 2006. The estimate investment for the logistics center is around $200,000 thousand. As of December 31, 2005, the Corporation had paid $9,568 thousand for this center.

21. SUBSEQUENT EVENT

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

22. FINANCIAL INSTRUMENTS

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

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

   1) Open contracts and credit risk

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

a) Nontrading purposes

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

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

b) Trading purposes

i. Type of transaction

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

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

ii. Place of transaction

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

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

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

2) Market risk

The Corporation is exposed to market risk arising from adverse exchange rate fluctuations on the forward exchange contracts, foreign currency option contracts, interest rate swap and cross-currency swap contract. The Corporation and two subsidiaries entered into these contracts to hedge the effects of adverse exchange rate fluctuations on foreign-currency assets or liabilities. In addition, the contracts will be settled at net or nominal amounts. Thus, the market risk is not material. Further, the Corporation's observance of proper procedures when buying contracts for trading purposes as well as setting up break-even points helps the Corporation avoid losses that could significantly impact its operations.

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

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

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

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

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

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

As of December 31, 2005, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation and subsidiaries use interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, the Corporation and subsidiaries hedges most of the risks in the market. The interest rates on the contracts are fixed. In addition, the Corporation and subsidiaries evaluate the hedging effectiveness of the contracts periodically.

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

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

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

5) Presentation method of derivative instruments in the financial statements

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

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

	December 31	
	2005	**2004**
Yang Ming Marine Transport Corporation		
Other financial instruments - current (included in other current assets)	$ 259,950	$ 38,630
Other financial instruments - noncurrent (included in other assets - miscellaneous)	118,550	-
Interest receivables (included in other current assets)	3,321	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.		
Other financial instruments - current	98,550	31,920
Other financial instruments - noncurrent	-	159,600
Interest receivables	114	-
Yes Logistics Corp.		
Other financial instruments - current	-	17,441

	2005	**2004**
Yang Ming Marine Transport Corporation		
Investment income (loss), net - equity linked notes	$ 18,361	$ (3,102)
Interest income - credit linked notes	14,509	-
Interest income - credit linked structured time deposit	1,314	12,878
Foreign exchange income (loss), net - credit linked structured time deposit	6,733	(4,707)
Yes Logistics Corp.		
Investment gain, net	-	84
Interest income	377	973

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

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

	2005	**2004**
a) Trading purposes		
Yang Ming Marine Transport Corporation		
Currency options	$ 3,614	$ 4,278
Forward exchange contracts	(263)	-
	$ 3,351	$ 4,278
Yang Ming Line (B.V.I.) Holding Co., Ltd.		
Forward exchange contracts	$ -	$ 326

	2005	2004
b) Nontrading purposes		
Yang Ming Line (B.V.I.) Holding Co., Ltd.		
Cross-currency swaps	$ -	$ 264

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

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

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

1) The carrying values of short-term financial instruments, except for short-term investments, approximate fair values because of the short maturities of these instruments.

2) Fair values of short-term investments and investments in shares of stock are based on market prices or, if market prices are unavailable, on the Corporation's equity in the equity-method investee's net assets or on investment costs of stocks with no quoted market prices.

3) Fair values of long-term receivable from related parties, bank loans and bonds are based on market prices or, if market prices are unavailable, on the present values of the expected cash inflows or outflows. Discount rate used in determining the present values is based on the interest rate for bank loans that the Corporation can obtain under similar conditions.

4) Fair values of derivatives are calculated at exchange rates quoted from the Reuter's New Agency and market value quoted by banks. The Corporation entered into the interest rate swap contracts with foreign institutions in order to hedge future cashflow risk, and the fair value fluctuation arising from exchange rate fluctuations would not cause additional risk to the Corporation.

23. ADDITIONAL DISCLOSURES

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

24. SEGMENT INFORMATION

a. The Corporation operates in a single business, namely, ocean freight transport.

b. The Corporation has no revenue-generating unit (branch or office) outside Taiwan.

c. Cargo transport revenues

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

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

4. Parents and Subisidiaries Financial Reports as of Dec. 31,2005
4.1 INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2005 and 2004, 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, 2005 of subsidiaries, Yang Ming Line Holding Co. and Yang Ming Line (Singapore) Pte. Ltd. and 2004 of a subsidiary, Yang Ming Shipping Europe GmbH, included in the accompanying consolidated financial statements. The assets of these subsidiaries were 4.9% (NT$4,461,927 thousand) and 0.4% (NT$365,147 thousand) of the total consolidated assets as of December 31, 2005 and 2004, respectively. The operating revenues of these subsidiaries were 0.1% (NT$85,046 thousand) and 0.0% (NT$2,416 thousand) of the consolidated revenue in 2005 and 2004, respectively. Also, we did not audit the financial statements of Nexus International Express, Inc., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming Italy S.p.A., Yang Ming (Netherlands) B.V., Yang Ming (Vietnam) Corp. and Corstor Ltd. as of and for the year ended December 31, 2005, and those of Transyang Shipping Pte. Ltd., Yang Ming Line (Singapore) Pte. Ltd., Corstor Ltd., Yang Ming Italy S.p.A. and Yang Ming (Netherlands) B.V. as of and for the year ended December 31, 2004, 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 0.4% (NT$403,262 thousand) and 1.3% (NT$1,210,180 thousand) of the total consolidated assets as of December 31, 2005 and 2004, respectively. The equity in these investees' net income was 1.4% (NT$138,834 thousand) and 1.3% (NT$155,969 thousand) of the consolidated income before income tax in 2005 and 2004, respectively. The financial statements of these investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to these investees' amounts 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, 2005 and 2004, and the results of their operations and cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 2, the entities included in the consolidated financial statements as of and for the year ended December 31, 2005 are those in which the Corporation owns a controlling interest, as required under the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements." The consolidated financial statements as of and for the year ended December 31, 2004 included the accounts of the Corporation and its direct and indirect subsidiaries with individual total assets or total operating revenue that reached at least 10% of the unconsolidated total assets or operating revenues of the Corporation.

March 1, 2006

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.2 CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2005 Amount	%	2004 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 3)	$12,600,018	14	$10,806,667	12
Short-term investments, net (Notes 2 and 4)	9,232,030	10	15,625,880	17
Notes receivable, net	33,092	-	-	-
Accounts receivable, net of allowance for doubtful accounts of $51,141 thousand in 2005 and $45,203 thousand in 2004 (Note 2)	4,674,253	5	1,268,681	2
Accounts receivables from related parties (Note 18)	359,531	-	1,639,055	2
Other receivables from related parties (Note 18)	3,268	-	365,431	-
Shipping fuel, net (Note 2)	2,200,462	3	1,145,868	1
Prepaid expenses (Note 18)	799,188	1	487,173	1
Advances to shipping agents (Note 18)	182,912	-	226,343	-
Other current assets (Notes 2 and 14)	827,096	1	1,089,860	1
Total current assets	30,911,850	34	32,654,958	36
LONG-TERM INVESTMENTS IN SHARES OF STOCK AND BONDS (Notes 2, 5 and 18)				
Equity method in shares of stock	1,230,328	1	4,169,734	5
Cost method in shares of stock	1,539,979	2	805,510	1
Prepayment for long-term investment in stock	45,990	-	-	-
Corporate bonds	32,850	-	31,920	-
Total investments in shares of stock and bonds	2,849,147	3	5,007,164	6
PROPERTIES (Notes 2, 6, 18, 19 and 20)				
Cost				
Land	135,559	-	133,014	-
Buildings	1,018,487	1	549,723	1
Containers and chassis	18,336,402	20	15,273,092	17
Ships	33,833,374	37	30,906,894	34
Leased containers and chassis	8,031,029	9	7,831,339	9
Leasehold improvements	222,170	-	209,070	-
Miscellaneous equipment	3,102,868	4	1,854,943	2
Total cost	64,679,889	71	56,758,075	63
Accumulated depreciation	24,245,791	27	19,778,847	22
	40,434,098	44	36,979,228	41
Construction in progress	6,258,574	7	3,648,844	4
Net properties	46,692,672	51	40,628,072	45
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 7)	2,898,864	3	2,769,931	3
Nonoperating assets, net (Notes 2, 8 and 19)	307,829	-	360,807	1
Refundable deposits (Notes 6 and 19)	6,968,705	8	7,475,034	8
Deferred charges, net (Note 2)	298,072	-	186,789	-
Advances on long-term lease agreements	309,547	-	321,377	-
Long-term receivables from related parties (Note 18)	-	-	434,650	1
Miscellaneous	332,517	1	207,233	-
Total other assets	11,115,534	12	11,755,821	13
TOTAL	$91,569,203	100	$90,046,015	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2005 Amount	%	2004 Amount	%
CURRENT LIABILITIES				
Short-term debts	$ 3,431	-	$ -	-
Notes payable	18,078	-	-	-
Payables to related parties (Note 18)	288,896	-	1,291,838	2
Income tax payable (Notes 2 and 14)	88,602	-	1,126,658	1
Accrued expenses	6,870,566	7	3,635,857	4
Dividend payable	17,994	-	-	-
Payables for equipment	678,792	1	623,058	1
Advances from customers	1,525,015	2	1,187,486	1
Current portion of interest-bearing long-term debts (Notes 2, 6, 9 and 19)	1,821,923	2	2,133,340	2
Payables to shipping agents	3,594,961	4	2,999,897	3
Other current liabilities (Note 2)	153,143	-	866,727	1
Total current liabilities	15,061,401	16	13,864,861	15
INTEREST-BEARING LONG-TERM DEBTS, NET OF CURRENT PORTION				
Bonds (Notes 2, 9 and 19)	17,588,000	19	18,925,423	21
Bank loans (Notes 9 and 19)	706,020	1	2,666,606	3
Capital lease obligations (Notes 2, 6, 9 and 19)	6,767,247	7	7,499,778	8
Total interest-bearing long-term debts	25,061,267	27	29,091,807	32
RESERVE FOR LAND VALUE INCREMENT TAX (Note 10)	479,639	1	479,639	1
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 17)	976,779	1	699,415	1
Deferred income tax liabilities - noncurrent (Notes 2 and 14)	2,289,538	3	1,870,386	2
Others (Notes 2 and 11)	176,941	-	202,339	-
Total other liabilities	3,443,258	4	2,772,140	3
Total liabilities	44,045,565	48	46,208,447	51
STOCKHOLDERS' EQUITY				
Capital stock - $10 par value				
Authorized - 2,400,000 thousand shares				
Issued - 2,289,817 thousand and 2,268,755 thousand shares in 2005 and 2004	22,898,167	25	22,687,545	25
Capital surplus				
Paid-in capital in excess of par value	7,285,865	8	6,986,846	8
Treasury stock transactions	1,199,572	2	915,830	1
Equity on capital surplus reported by equity-accounted investees	11,036	-	5,816	-
Total capital surplus	8,496,473	10	7,908,492	9
Retained earnings				
Legal reserve	2,172,931	2	1,193,205	1
Special reserve	1,149,355	1	1,141,939	1
Unappropriated earnings	12,493,769	14	11,155,161	13
Total retained earnings	15,816,055	17	13,490,305	15
Other items of stockholders' equity				
Unrealized loss on investments in shares of stock	-	-	(1)	-
Cumulative translation adjustments	191,616	-	28,301	-
Net loss not recognized as pension cost	(39,630)	-	(35,717)	-
Total other items of stockholders' equity	151,986	-	(7,417)	-
Treasury stocks - 22,248 and 32,607 thousand shares in 2005 and 2004	(164,701)	-	(241,357)	-
Total controlling interest of Yang Ming	47,197,980	52	43,837,568	49
Minority interest	325,658	-	-	-
Total stockholders' equity	47,523,638	52	43,837,568	49
TOTAL	$91,569,203	100	$90,046,015	100

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.3 CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2005		2004	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 18)	$97,870,451	100	$88,572,301	100
OPERATING COSTS (Notes 2, 15 and 18)	82,024,320	84	74,276,740	84
GROSS INCOME	15,846,131	16	14,295,561	16
OPERATING EXPENSES (Note 15)				
Selling	4,505,149	4	1,677,017	2
General and administrative	766,045	1	364,071	-
Total operating expenses	5,271,194	5	2,041,088	2
OPERATING INCOME	10,574,937	11	12,254,473	14
NONOPERATING INCOME AND GAINS				
Interest (Note 18)	639,336	1	455,722	1
Equity in net income of investees, net (Notes 2 and 5)	167,614	-	144,234	-
Investment gain	95,666	-	-	-
Foreign exchange gain, net	-	-	168,185	-
Others	409,355	-	322,002	-
Total nonoperating income and gains	1,311,971	1	1,090,143	1
NONOPERATING EXPENSES AND LOSSES				
Interest	1,125,067	1	1,002,665	1
Foreign exchange loss, net	416,433	1	-	-
Investment loss (Note 2)	-	-	228,338	1
Others	179,359	-	213,936	-
Total nonoperating expenses and losses	1,720,859	2	1,444,939	2
INCOME BEFORE INCOME TAX	10,166,049	10	11,899,677	13
INCOME TAX EXPENSE (Notes 2 and 14)	889,879	1	2,102,413	2
CONSOLIDATED NET INCOME	$ 9,276,170	9	$ 9,797,264	11
ATTRIBUTABLE TO:				
Controlling interest	$ 9,262,954	9	$ 9,797,264	11
Minority interest	13,216	-	-	-
	$ 9,276,170	9	$ 9,797,264	11

	2005		2004	
	Income Before Income Tax	**Net Income**	**Income Before Income Tax**	**Net Income**
CONSOLIDATED EARNINGS PER SHARE (Note 16)				
Basic	$ 4.45	$ 4.11	$ 5.55	$ 4.57
Diluted	$ 4.39	$ 4.06	$ 5.27	$ 4.34

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

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

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

4.4 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock ($10 Par Value, Notes 2 and 12)				Capital Surplus (Notes 2 and 12)				Retained Earnings (Notes 2 and 12)				Other Items of Stockholders' Equity (Notes 2 and 17)						
	Shares (Thousands)	Amount	Certificates of Conversion of Bonds to Stocks	Total	Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	Equity on Capital Surplus Reported by Equity-method Investees	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Loss on Investments in Shares of Stock	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Total	Treasury Stocks (Notes 2 and 13)	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2004	1,946,707	$ 19,467,065	$ 102,234	$ 19,569,299	$ 4,075,397	$ 234,855	$ 5,816	$ 4,316,068	$ 528,295	$ 1,141,939	$ 7,836,692	$ 9,506,926	$ (1)	$ 338,729	$ (18,457)	$ 320,271	$ (422,620)	$ -	$ 33,289,944
Appropriation of 2003 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	664,910	-	(664,910)	-	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	-	(71,717)	(71,717)	-	-	-	-	-	-	(71,717)
Cash dividends - $2.28697 per share	-	-	-	-	-	-	-	-	-	-	(4,716,781)	(4,716,781)	-	-	-	-	-	-	(4,716,781)
Stock dividends - $0.49716 per share	102,539	1,025,387	-	1,025,387	-	-	-	-	-	-	(1,025,387)	(1,025,387)	-	-	-	-	-	-	-
Cash dividends received by subsidiaries	-	-	-	-	-	124,371	-	124,371	-	-	-	-	-	-	-	-	-	-	124,371
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	-	-	556,604	-	556,604	-	-	-	-	-	-	-	-	181,263	-	737,867
Consolidated net income in 2004	-	-	-	-	-	-	-	-	-	-	9,797,264	9,797,264	-	-	-	-	-	-	9,797,264
Recognition of net loss not recognized as pension cost reported by equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,267)	(5,267)	-	-	(5,267)
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,993)	(11,993)	-	-	(11,993)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(310,428)	-	(310,428)	-	-	(310,428)
Certificates of conversion of bonds converted into capital stock	10,223	102,234	(102,234)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic convertible bonds converted into certificates for conversion of bonds to stocks and capital stocks	209,286	2,092,859	-	2,092,859	2,911,449	-	-	2,911,449	-	-	-	-	-	-	-	-	-	-	5,004,308
BALANCE, DECEMBER 31, 2004	2,268,755	22,687,545	-	22,687,545	6,986,846	915,830	5,816	7,908,492	1,193,205	1,141,939	11,155,161	13,490,305	(1)	28,301	(35,717)	(7,417)	(241,357)	-	43,837,568
Effect of changes in consolidated entities since 2005	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	322,733	322,733
Acquisition of capital stock from minority interest in 2005	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,574)	(1,574)
Appropriation of 2004 earnings																			
Legal reserve	-	-	-	-	-	-	-	-	979,726	-	(979,726)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	7,416	(7,416)	-	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	-	-	-	(101,680)	(101,680)	-	-	-	-	-	-	(101,680)
Cash dividends - $2.98203 per share	-	-	-	-	-	-	-	-	-	-	(6,828,310)	(6,828,310)	-	-	-	-	-	-	(6,828,310)
Cash dividends received by subsidiaries	-	-	-	-	-	139,909	-	139,909	-	-	-	-	-	-	-	-	-	-	139,909
Disposal of the Corporation's stocks held by subsidiaries	-	-	-	-	-	143,833	-	143,833	-	-	-	-	-	-	-	-	76,656	-	220,489
Consolidated net income in 2005	-	-	-	-	-	-	-	-	-	-	9,262,954	9,262,954	-	-	-	-	-	13,216	9,276,170
Reversal of unrealized loss on long-term investments in shares of stock	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	-	-	1
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	163,315	-	163,315	-	-	163,315
Increase in the equity in the net assets of equity-method investees resulting from not subscribing proportionally to the additional shares issued by the investees	-	-	-	-	-	-	5,220	5,220	-	-	(7,214)	(7,214)	-	-	-	-	-	-	(1,994)
Recognition of net loss not recognized as pension cost reported by equity-method investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,551	4,551	-	-	4,551
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,464)	(8,464)	-	-	(8,464)
Domestic convertible bonds converted into capital stock and capital surplus	21,062	210,622	-	210,622	299,019	-	-	299,019	-	-	-	-	-	-	-	-	-	-	509,641
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,717)	(8,717)
BALANCE, DECEMBER 31, 2005	2,289,817	$ 22,898,167	$ -	$ 22,898,167	$ 7,285,865	$1,199,572	$11,036	$ 8,496,473	$ 2,172,931	$ 1,149,355	$ 12,493,769	$ 15,816,055	$ -	$ 191,616	$ (39,630)	$ 151,986	$ (164,701)	$ 325,658	$ 47,523,638

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 1, 2006)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

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

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 9,276,170	$ 9,797,264
Adjustments to reconcile net income with net cash provided by operating activities:		
Depreciation	4,204,026	3,527,501
Amortization	168,246	117,747
Provision for pension cost	137,468	82,973
Investment loss (gain)	(61,027)	228,338
Equity in net income of investees, net	(167,614)	(144,234)
Cash dividends received on equity-method investments	52,070	643,294
Deferred income taxes	428,149	608,430
Others	(33,831)	92,121
Net changes in operating assets and liabilities		
Notes receivable	(33,092)	-
Accounts receivable	(3,411,509)	66,318
Accounts receivables from related parties	1,279,524	(920,217)
Other receivables from related parties	362,163	(24,244)
Shipping fuel	(1,021,141)	(292,142)
Prepaid expenses	(312,015)	(232,036)
Advances to shipping agents	43,431	332,402
Other current assets	112,846	(249,645)
Notes payable	18,078	-
Payables to related parties	(1,002,942)	550,655
Income tax payable	(1,038,056)	396,648
Accrued expenses	3,236,389	753,055
Advances from customers	337,529	(96,372)
Payables to shipping agents	595,064	798,186
Other current liabilities	(694,602)	644,480
Advances on long-term lease agreements	11,829	10,532
Net cash provided by operating activities	12,487,153	16,691,054
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in short-term investments	8,211,338	(2,345,079)
Increase in other financial instruments	(208,709)	(262,070)
Acquisition of investments in shares of stock and bonds	(602,641)	(35,298)
Proceeds from disposal of investments in shares of stock	67,661	347,075
Acquisition of properties and asset leased to others	(8,491,282)	(12,855,830)
Proceeds from sale of properties and nonoperating assets	74,359	111,580
Increase in deferred charges	(260,668)	(199,215)
Decrease in other assets	237,016	46,774
Net cash used in investing activities	(972,926)	(15,192,063)

	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments) proceeds of principal on short-term debts	$ 3,431	$ (16,514)
Proceeds from issuance of bonds	-	9,100,000
Repayment of principal of bonds	(396,000)	(700,000)
Repayment of principal of interest-bearing long-term debts	(2,731,587)	(1,200,524)
Payment of capital lease obligations	(940,340)	(304,195)
Increase (decrease) in other liabilities	(109,064)	31,747
Decrease in minority interest	(1,574)	-
Cash dividend and employees' bonus paid by YMTC	(6,930,978)	(4,786,749)
Cash dividend paid to minority interest	(8,717)	-
Net cash provided by (used in) financing activities	(11,114,829)	2,123,765
EFFECT OF EXCHANGE RATE CHANGES	178,784	(155,294)
CASH AND CASH EQUIVALENTS DUE TO CHANGE IN CONSOLIDATED ENTITIES	1,215,169	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,793,351	3,467,462
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,806,667	7,339,205
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,600,018	$ 10,806,667
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	$ 940,685	$ 940,467
Income tax paid	$ 1,604,096	$ 1,350,804
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of nonoperating assets as properties	$ -	$ 84,626
Reclassification of properties as assets leased to others	$ 89,123	$ -
Current portion of interest-bearing long-term debts	$ 1,821,923	$ 2,133,340
Domestic unsecured convertible bonds converted into capital stock and capital surplus	$ 509,641	$ 5,004,308
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties and asset leased to others	$ 8,547,016	$ 13,453,344
Increase in payables for equipment	(55,734)	(623,058)
Decrease in payables to related parties	-	25,544
	$ 8,491,282	$ 12,855,830
PROCEEDS FROM DISPOSAL OF PROPERTIES AND NONOPERATING ASSETS		
Total contracted selling prices	$ 79,262	$ 4,353
(Increase) decrease in other receivables	27,531	(16,643)
Decrease in refundable deposit	(32,434)	-
Decrease in other receivables from related parties	-	3,720
Decrease in long-term receivables from related parties	-	120,150
	$ 74,359	$ 111,580

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

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