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Annual Report

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YANG MING

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

Annual Report 2010



YANG MING
陽明海運

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YANG MING MARINE TRANSPORT CORP. **2010** *Annual Report*

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I 、 Letter to Shareholders

1. Business Report, 2010

Global economy strongly rebounded from the bottom in the first half of 2010 as governments continuously implemented economic stimulus plans. However, because the risks emerged in the second half, including unemployment remained high in advanced countries, debt crises have occurred in succession in European nations developing countries have faced currency appreciation and asset bubbles, etc., the global economic recovery has been moderated. In 2010, the World Bank and Global Insight reported GDP growth at between 3.9% and 4.1%.

Global trade grew rapidly due to strong economic recovery in Asia's emerging countries and the economic rebound in Europe and the U.S. The World Bank reported the global trade grew 15.7% in 2010 compared to the 11.0% decline in 2009. For the liner shipping market, increasing need for restocking from the second quarter of 2010 led to increasingly active international trade and container shipping demand. The research institute, Clarkson, reported the box trade demand grew by 12.9%, which was much higher than the negative growth of 9.0% in 2009.

Suffering recession in 2009, almost all carriers have adopted the strategies of delivery delay for new ships, and extra slow steaming, etc. As a result, there was no significant increase in tonnage supplies, supply/demand balance improved and the freight rates of long-haul routes could be restored. The fourth quarter of 2010 was the traditional slack season and the slowdown of economic recovery caused the freight level to fall slightly, but overall, the loading factors were still steady and remaining at a profitable level.

Yang Ming paid close attention to market changes; took variable flexible, innovative and sophisticated management strategies to overcome every operational challenge; tried the best to find niche market opportunities to expand business, strengthened our competitiveness and did the utmost to boost our operating performance. Surpluses were achieved for every quarter in 2010. The company's carried volume of 3.2 million TEUs reflected a yearly rise of 15.1% in 2010. The revenue amounted to NT\$130.5 billion.

2. Business Outlook and Strategies for 2011

In 2011, the world economic recovery is expected to keep going at a modest pace, returning to normal track of economic cycle. The World Bank and Global Insight projected the world economy will grow by between 3.3% and 3.7% and world trade volume will increase slowly by 8.3%. There are still downside risks arising from the pressure of inflation, buoyant commodity prices, unsolved budget deficit and sovereign debt in developed countries, nagging high unemployment, unpredictable political changes in Islamic world and extreme climate affect, etc. Yang Ming will cautiously observe and respond to the changes.

For the liner shipping industry, Clarkson projected the global box trade will grow by 9.7% and capacity supply will grow by 6.3% suggesting the supply and demand are still in positive development and the freight rates will remain steady in 2011. The east-west long-haul services may face greater pressure of

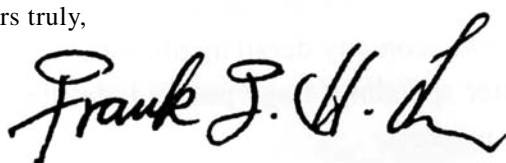
sustaining the freight rates due to the obscure economy outlooks for Europe and the USA. The south-north trade services and intra-Asia services have more niche market opportunities. Overall, the development of supply and demand will be the key factor to determine where the market heads for. The liner shipping market still faces lots of challenges.

Facing this treacherous market, Yang Ming set up the annual policy as “Sustainable Development: Responding to Changes and Healthy Growth”. Yang Ming will strengthen the capabilities of environment scanning and responding to changes; consolidate the capabilities of integration and implementation by improving the operational process and developing new business modes; and enhance management and service abilities by developing a new generation of integrated modules of information with the state-of-the-art technology. The company plans to carry 3.6 million TEUs in 2011. Our main strategies are:

1. Keep cultivating existing main east-west long haul services including transpacific trade and Asia-Europe trade in cooperation with other members in CKYH, and continue the rationalization and efficiency of main services to expand core department’s operating performance.
2. Develop emerging markets and expand intra-Asia services and South-North trade: Strengthen our services in China and Southeast Asia trade to take advantage of emerging opportunities brought by the effect of China-ASEAN FTA and ECFA.
3. Strictly control bunker and relevant transportation costs, and optimize business management to increase operational efficiency. Also keep adopting extra slow steaming strategy in long-haul services, such as Asia-Europe services and Far East-USEC services to save bunker cost and to reduce CO2 emission.
4. Make the Port of Kaohsiung Intercontinental Container Terminal into the most important transshipment base in Asia-Pacific area by upgrading efficiency, environmental protection, performance, safety to realize our core competence of green shipping.
5. Comply with international conventions and environmental standards, and take measures to reduce greenhouse gas and implement green management of the supply chain to advance the core competence of green shipping and make the positive contribution to environmental protection.
6. Promote friendly and creative marine culture, fulfilling our responsibility as a “social enterprise and global citizen”.

In this coming year, stability will come back to the liner shipping industry, but the market situation is still unpredictable and complicated. Yang Ming will keep tabs on market changes and adopt various strategies to respond to changes. Moreover, the company will do the best to boost the performance in order to merit stakeholders and the public’s trust and support.

Yours truly,



Dr. Frank F.H. Lu
Chairman



II 、 Company Profile

2.1 Date of Incorporation: December 29, 1972

2.2 Major Events

1972-1981

- Established on Dec. 29, 1972, with a capital of NT\$100,000,000.
- Completes and puts in service four multiple-purpose ships to first container fleet.
- Completes and puts in service seven 2,054 TEU full-container vessels.
- Leases Dock No.70 at Kaohsiung Harbor for exclusive use.

1982-1991

- Completes and puts in service four more 2,054 TEU full-container vessels.
- Completes and puts in service three 66,000 D.W.T. Panamax-class bulk carriers: Ming Wisdom, Ming Mercy and Ming Courage.
- Named as one of the world's "most satisfactory marine transporters in service and reliability" and cited by the American press as one of the top ten liner services in the world.
- Completes and puts in service eight 3,266 TEU full-container vessels.
- Cited by the London-based British Shipper Consultation (part of the Freight Transport Association Ltd.) as the world's "Second Most Acclaimed Shipping Company" in client service.

1992-2001

- Listed on the Taiwan Stock Exchange (1992).
- Completes and puts in service three 3,604 TEU full-container vessels.
- Completes and puts in service five 3,725 full-container vessels: Ming East, Ming West, Ming South, Ming North, and Ming Zenith.
- Merges the China Merchants Steam Navigation Co., Ltd. (1995).
- Completes privatization (1996).
- Obtains ISO 9002 / ISM CODE accreditation and also the ROC's National Outstanding Quality Case Award (1996).
- Completes and puts in service seven 5,500 TEU Post-Panamax full-container vessels: Ming Plum, Ming Orchid, Ming Bamboo, Ming Pine, Ming Cosmos, Ming Cypress and Ming Green.
- Enters into agreement with COSCO Container Lines Ltd., Kawasaki Kisen Kaisha, Ltd., and Hanjin Shipping Co., Ltd. (also representing Senator Lines GmbH) to establish CKYH consortium in order to provide best services to customers.
- Installs online electronic services to provide instant and interactive services to customers.

2002-2006

- Constructs the Global Logistics Center in Kaohsiung Harbor.
- Sets up “Taiwan Business Department” to manage all shipping affairs in Taiwan.
- Becomes a certificated member of the Customs-Trade Partnership Against Terrorism (C-TPAT), authorized by U.S. Customs.
- Rejuvenates bulk carriers by purchasing a 77,000-ton vessel, Medi Taipei.
- Obtains the certification ISO 9001:2000.
- Leases Terminal 7D - Olympic Container Terminal LLC (OCT) at the Port of Tacoma on the U.S. West Coast for exclusive use.
- Obtains ISPS Code Certificate for all self-owned vessels, putting Yang Ming at the forefront among domestic and world competitors.
- Rated as having comparatively transparent information by the Securities and Futures Institute.
- Credited as one of the most reputable enterprises in the marine industry and one of the best corporate citizens, making Yang Ming the only one to receive such honor among domestic shipping-related industries, by the *Common Wealth* Magazine; cited by the *EURO Money* Magazine as governance model in the emerging market, and awarded a Gold Medal at the 7th & 8th WinXin Awards sponsored by the Council for Cultural Affairs.
- Establishes Yang Ming Cultural Foundation and YM Oceanic Culture & Art Museum (OCAM) in Keelung to promote oceanic culture
- Acquires the Certification of the OHSAS 18001 (Occupational Health and Safety Assessment Serial) and ISO 14001:2004 Environmental Management System on November 1.
- Inaugurates the Antwerp International Terminal.
- Completes and puts in service four 1,500 TEU, seven 1,805 TEU and three 8,200 TEU full-container vessels .
- Signs a Memorandum of Understanding with regard to CKYH Alliance and Europe Container Terminals to invest in the Euromax Terminal in the Port of Rotterdam.

2007

- Completes and puts in service 8,200 TEU full container vessel, YM Ultimate, and six 1,805 TEU full-container vessels, namely YM Initiative, YM Inventive, YM Instruction, YM Interaction, YM inauguration and YM Improvement.
- Wins 15th place in the Corporate Social Responsibility Evaluation conducted by the *CommonWealth* magazine.
- Obtains Container Contribution Award granted by Port Dalian.
- Gets a 50-year concession and the priority of contract extension for Kaohsiung International Container Terminal BOT Project and holds a ground-breaking ceremony at the end of the year.



II 、 Company Profile

- Appoints Robert Ho as president.
- Wins “Happy & Healthy Company Emblem” offered by DOH National Health Bureau.
- Inaugurates YM Museum of Marine Exploration | Kaohsiung (MOME).
- Inaugurates Multi-temperature Warehousing Logistics Center in Kaohsiung.

2008

- Wins the Quest for Quality Award in 2007 offered by *Logistics Management Magazine*.
- Wins First Happy & Healthy Company Award issued by *Common Health Magazine*.
- Wins Williams-Sonoma's/Lowe's/Target Corporation's Carrier of the 2007 Year Award and LOG-NET E-Commerce Excellence Award (2008).
- Holds 2008 Keelung Fairy Tale Festival jointly with Keelung City Government.
- Completes and puts in service three 8,200 TEU U-Type full-container vessels, YM Uberty, YM Utopia, YM Upward and three 4,250 TEU E-Type full-container vessels, YM Eminence, YM Elixir, YM Enhancer and an 81,200 D.W.T. Panamax-class bulk carrier, KM Mt. Jade.
- Elects Frank F. H. Lu chairman by the board of directors.
- Transfers bulk business to subsidiary, Kuang Ming Shipping Corp.
- Inaugurates CKYH’s Euromax Terminal in Rotterdam.
- Wins Wen Xin Award granted by the Council for Cultural Affairs.
- Signs an agreement on cross-strait direct shipping link for the company’s development on the Chinese mainland. On December 15, 2008, the company sent a 1,500 TEU full-container vessel, YM Heights, from Keelung in Taiwan to Shanghai on the mainland, opening the direct shipping link across the Taiwan Strait.
- Obtains ISO27001 Certificate for Information Security Management System.

2009

- Completes and puts in service two 8,200 TEU full-container vessels, YM Utility and YM Uniform, and two 4,250 TEU full-container vessels, YM Efficiency and YM Eternity.
- Opens with CKYH the Far East/Red Sea Route (RES).
- Opens with CKYH the direct service between Vietnam and U.S. East Coast.
- Cooperates with CKYH and Evergreen Line on U.S. East Coast/ Northwest Europe trade.
- Starts ASIA-MED Express Service (AME) to offer exclusive Ashdod direct call.
- Selected by *CommonWealth* magazine the 15th Corporate Citizen, the only domestic shipping company winning this honor.
- Rated as one of the 50 Outstanding Businesses by *Global View* magazine.
- Wins by YM Uberty the 2008 Ship Award granted by Taiwan Society of Naval Architects and Marine Engineers.
- Wins the LOG-NET Outstanding E-commerce Award.

- Rated 2nd place in *World Trade Magazine's* Liner Service evaluation.
- Wins 2009 Outstanding Organization for Promoting Labor Safety & Health offered by Executive Yuan Council of Labor Affairs (CLA).

2010

- Establishes Yang Ming (U.A.E) L.L.C.
- Completes and puts in service two 6,500 TEU full-container vessels, YM Mandate and YM Maturity.
- Establishes Yang Ming Shipping (Egypt) S.A.E.
- Hosts the International Council of Containership Operators Conference in Taipei.
- Opens the Far East/Australia Service (CKA) with Hanjin Shipping, STX Pan Ocean, Sinotrans Container Lines.
- Wins the LOG-NET Outstanding E-commerce Award.
- Opens the Asia/Adriatic Express service(AAX) with Hanjin Shipping, Hyundai Merchant Marine, and United Arab Shipping Company.
- Wins Carrier of the Year Award granted by Target Corporation.
- Transports the Taiwan Pavilion at Shanghai Expo to Taiwan.
- Wins the Council for Cultural Affairs' Wenxin Golden Award.
- Opens with Taiwan Navigation Corporation the second link (TC2) of cross-strait direct shipping.
- Opens Japan-China-Malaysia Service (JCM).
- Rated by the Council of Labor Affairs as National-class Friendly Workplace.

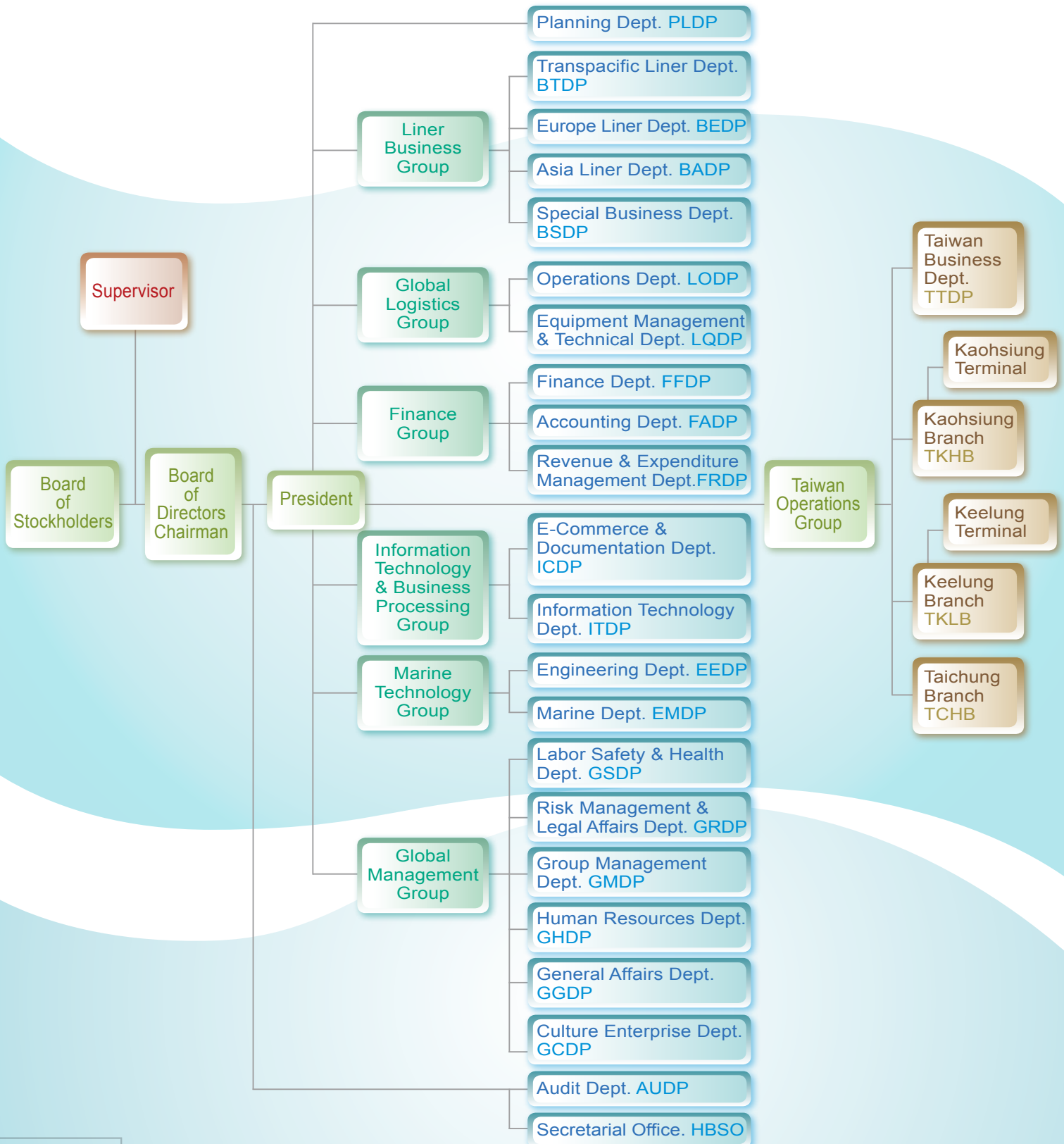
2011

- Inaugurates Kao Ming Container Terminal (KMCT), a subsidiary of the Yang Ming.
- Wins “CO2 Reduction Label” from the Environmental Protection Administration (EPA).
- Opens Far East/West-North Europe direct shipping link (NE6).
- Extends Japan-Taiwan-South China Service (JTS) to Manila port.
- Restructures with OOCL the China-Pakistan Express Service (CPX) and China-India Express Service (CIS).
- Opens with CNC the Japan-Korea-Vietnam Service (JKS).
- Completes and puts in service one 6,600 TEU full-container vessel, YM Mutuality.



III - Corporate Governance Report And Capital Overview

3.1 Organization Chart



3.2 Directors, Supervisors and Management Team

APR. 30, 2011

Position	Chairman Board of Directors	Director	Director	Director	Director	Director	Director	Director	Director	Supervisor	Supervisor
Name	Feng-hai Lu	Chih-Tsong Hwang	Chiou-Chien Chang	Younger Wu	Chen-Pong Yin	Shuh-shun Ho	Wen-Che Huang	Mon-Chang Hsieh	Wing-Kong Leung		
Date appointed	June. 18, 2010	June. 18, 2010	June. 18, 2010	June. 18, 2010	Dec. 14, 2010	June. 18, 2010	June. 18, 2010	June. 18, 2010	June. 18, 2010	June. 18, 2010	June. 18, 2010
Term of appointment	Reelection upon expiration of effectual period										
Holding shares	Directors and Supervisors herein as representatives of the MOTC, and holding a total of 909,856,491 shares										
ratio of holding shares(%)	which represent 35.51% of the company's stocks										
Spouse, under-aged children's holding shares	0	32,058	0	0	0	0	0	0	0	0	0
ratio of holding shares(%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
								290,000			59,734,024
										0.01%	2.33%



3.2.1 Top management

APR. 30, 2011

Position	Name	Date appointed	Entitled for other companies presently
President	Shuh-Shun Ho	OCT.01, 2007	Director of Ching Ming Investment Corp., Kao Ming Container Terminal Corp.,Kuang Ming Shipping Corp., Yang Ming (Liberia) Corp., Transyang Shipping Pte. Ltd., Yang Ming Line (Singapore) Pte. Ltd., Yangming (Japan) Co., Ltd., Young-Carrier Company Ltd., Yang Ming Line (India) Pvt. Ltd., Formosa International Development Corporation, Sunbright Insurance Pte. Ltd., Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line N.V., Yang Ming Line B.V., Yang Ming Shipping Europe GmbH, Yang Ming Line Holding Co., West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (America) Corp., and YES Logistics Corp..
Senior Executive Vice President	R.B. Chiou	APR. 01, 2006	Director of Yangming (Japan) Co., Ltd., Yang Ming (Singapore) Pte. Ltd., Yang Ming Line (India) Pvt. Ltd., Yang Ming (Korea) Co. Ltd., and YES Logistics Corp. Supervisor of Taiwan Fertilizer Co., Ltd.
Senior Executive Vice President	J.S. Wang	AUG. 01, 2008	Director of Kao Ming Container Terminal Corp., Kuang Ming Shipping Corp., Yang Ming Line (Hong Kong) Ltd., Young-Carrier Company Ltd., Yang Ming (Singapore) Pte. Ltd., and Yes Logistics Company Ltd.
Executive Vice President	Herbert Lin	SEP. 01, 2008	Director of Honming Terminal & Stevedoring Co., Ltd., Jing Ming Transportation Co., Ltd., Kao Ming Container Terminal Corp., Taipei Port Container Terminal Corp., and Untied Stevedoring Corporation.
Executive Vice President	Hwa-Ming Yu	SEP.01,2010	Director of Yang Ming (UK) Ltd.
Executive Vice President	Wen-Bor Lin	SEP.01,2010	Director of Ching Ming Investment Corp., Yang Ming (Liberia) Corp., All Oceans Transportation Inc., Transyang Shipping Pte. Ltd., Yang Ming Line (Singapore) Pte. Ltd., Sunbright Insurance Pte. Ltd., Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line N.V., Yang Ming Line B.V., and Yang Ming Line Holding Co. Supervisor of Honming Terminal & Stevedoring Co., Ltd., Kao Ming Container Terminal Corp., Yangming (Japan) Co., Ltd., Yang Ming (Korea) Co. Ltd., and Taiwan Navigation Co., Ltd. Director and General Manager of Yunn Wang Investment Co., Ltd., and Yang Ming Shipping (B.V.I.) Inc.
Executive Vice President	Hai-Kau Hwu	JAN.06,2011	Director of Kuang Ming Shipping Corp., and Yang Ming (Liberia) Corp. Director and General Manager of All Oceans Transportation Inc.
Executive Vice President	Tsai-Ding Chou	JAN.06,2011	Director of Jing Ming Transportation Co., Ltd., Kao Ming Container Terminal Corp., Yang Ming (Singapore) Pte. Ltd., Formosa International Development Corporation, Yang Ming (U.A.E.) LLC, Olympic Container Terminal LLC, YES Logistics Corp., and Chang Ming Logistics Company Limited. Supervisor of Taipei Port Container Terminal Corp., and Untied Stevedoring Corporation.

3.3 Status of Corporate Governance

Item		Description of operation
1.Shareholding structure and shareholders' rights	Handling of shareholders' proposals and disputes	Yang Ming holds shareholders' meetings in accordance with the "Shareholders' Meeting Regulation" and related provisions. Shareholders' proposals and disputes are handled by the Share Affairs Department with extreme care.
	The Company has the name list of major shareholders that control the Company.	The Company has set up the roster of dominating shareholders and files reports on their status in accordance with the law and regulations
	Establishment of mechanism to manage the risks coming from related businesses and the erection of a risk-control firewall	A. The Company has established rules to keep track of its funds with its affiliates and audits the moving of funds frequently. B. The Company has complied with government regulations when it acquires/disposes assets, makes endorsements/guarantees and engages in loaning or lending of funds to/from its affiliates.
2.Composition and responsibilities of the board of directors	Establishment of independent directors	Currently, Yang Ming does not have Independent Directors, but will study and follow the latest and related regulations.
	Periodic review of CPA's independence	The Company has complied with government regulations in accounting operation and periodically reviewed CPA's independence.
3.Communication channel with interested parties		The Company has staff to take charge of relationship with investors', to protect banks', creditors' and investors' rights and interests and maintain channels for them to air their grievances or complaints
4.Openness of Information	The Company has established a website to publish financial, operation and information on corporate governance	The Company has an official website for disclosing its financial and business information for the benefit of shareholders and other interested parties (http://www.yangming.com).
	Other ways of disclosing information	A. The Planning Department is responsible for gathering industrial and business information and the Finance Department is in charge of releasing important information on MOPS and the Company's official website. B. The Company has appointed spokesperson and Deputy Spokespersons to serve as the main communication channel between the Company and investors.
5.Establishment of functional committees such as nomination committee, wages committee, among others.		Our company has an Auditing Department to submit reports to boards of directors periodically. There were no functional committees at that time.



6. If the company has established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies,” please describe any discrepancy between the principles and their implementation.

Yang Ming has established the criteria for the meeting of board directors and supervisors and the moral code for directors, supervisors, and managers in accordance with the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.” We have also established the code of conduct for the Group’s staff. These documents can serve as a uniform standard for Yangming staff’s business activities. Besides, Yangming has prescribed the procedure for handling major IT affairs in order to strengthen corporate governance.

7. Other important information on Yangming’s corporate governance practices.

- (1) Rights of employees: We strictly follow the law and always try to provide better working environment than what the law requests and constantly listen to the views of the staff for improvement.
- (2) Care for employees: We always believe talented staff members are the company’s best assets. Therefore, we always strive to provide a good learning and working environment for them to fulfill their potentials. Besides, we provide them with fatty salaries, fringe benefits and good cares.
- (3) Relation with investors: To protect shareholders’ rights and interests, the Company discloses its important information, operation and financial information in accordance with government regulations. All relevant business information is posted on the official website. Resolutions of shareholders’ meeting are posted on both MOPS and the official website.
- (4) Dealings with suppliers: The Company demands all suppliers observe the law in dealings with Yangming. The Code of Conduct for the staff established in 2008 bans staff members (including managerial officers) to win business by supplying suppliers with improper benefits. The suppliers must be selected fairly, the negotiation must be conducted objectively, and no confidential information shall be divulged to would-be suppliers. All staff members are obliged with the responsibility of keeping confidentiality.
- (5) Rights of Interested parties: All transactions with banks/creditors are done in accordance with agreements. They are given adequate information to make them fully understand the Company’s operating and financial situation.

- (6) Policy of risk management and standard of risk assessment

(6.1) Risk Management Policy

We define the risks arising from human activities, natural disasters and worldwide or regional economic fluctuations in accordance with their negative impact on business operations, their frequency and their severity.

Our risk management policy is to efficiently prevent and control the risks in order to ensure regular and permanent operation.

To achieve our goal, we will:

- * Integrate risk management affairs by a dedicated department
- * Include the whole Yang Ming group in all-round risk management
- * Attach equal importance to risk prevention and prevention and target all risks involved in the operation cycles
- * Plan and carry out risk management In an active and sustained manner
- * Continually introduce good practice of risk management and professional resources
- * Earmark appropriate resources and promote internal and external communication
- * Establish risk management system and key control leverages
- * Strictly follow internal control system and standard operation procedures
- * Continually develop Yang Ming Group’s risk management culture
- * Fully comply with laws and regularly carry out internal and external audit
- * Regularly review risk management processes and standard of assessment in line with economic fluctuations and changes of the Group’s operation principles

(6.2)Yangming’s Risk Assessment Standard

We assess individual risk according to its frequency and severity, and then rank the risk according to quantitative and non-quantitative indexes as tabulated below.

Classification Table of Risk Frequency

Risk Rating	Descriptions
5	Highly possible, or occurring several times a year
4	Moderately possible, or occurring once a year
3	Possible, or occurring once every 3 years
2	Rare, or occurring once every 10 years
1	Extremely rare, or occurring once every 100 years



Classification Table of Risk Severity

Risk Rating	Risk Grade	Financial Loss(US)	Casulties	Public Relation or Goodwill
5	Catastrophic	More than USD 1,500,000	Death of one or more employees	Negative coverage by international media
4	Very High	Between USD 600,00 and 1,500,000	Severe injury requiring hospitalization for more than one employee	Negative coverage by multiple country-wide media
3	High	Between USD 50,000 and 600,000	Severe Injury requiring hospitalization of one employee	Negative coverage by particular media
2	Moderate	Between USD 3,000 and 50,000	Minor injury not requiring hospitalization of more than one employee	Negative coverage by multiple regional media
1	Minor	Less than USD 3,000	Minor injury not requiring hospitalization of any employee	Negative coverage by particular regional media

(7) Execution of Customer Policy:

Making our company into an excellent transport group is our mission and vision.

All of us at Yang Ming are determined and committed to enhance customer service, expand our service scope and broaden our service domain through partnership alliances with many of the most prominent shipping companies globally such as K-Line of Japan, COSCO of Mainland China, and Hanjin of South Korea. This is our way to satisfy our customers. We will continue to improve the flowchart of our service in line of the laws and regulations. We will actively visit our customers at any time to find out their needs in order to provide comprehensive service characterized by “correctness, promptness, reliability and economics.”

(8) Liability Insurance for Directors and Supervisors:

In order to enhance corporate governance and enforce risk management, Yang Ming has prescribed in its charter that all of our directors, supervisors and executives shall buy liability insurance. We bought the insurance for them on April 1, 2010.

(9) Active Participation in Community Activities

To fulfill Corporate Social Responsibility (CSR), Yang Ming shows enthusiasm in public activities. When the disastrous tsunami struck South Asia in 2004, Yang Ming actively took it as a responsibility to transport relief goods from all over the world to the stricken area. When a devastating cyclone ravaged Myanmar (formerly Burma) and a series of devastating quakes hit Sichuan province in China in 2008, Yang Ming and our staff were there once again, donating generously to help the stricken victims in both regions. After typhoon Morakot caused disastrous catastrophe in southern Taiwan, Yang Ming immediately decided to offer free transportation for human-aid cargos free to Kaohsiung, Taichung, and Keelung harbors. When disaster floods struck Pakistan in 2010 and great earthquakes ravage Japan in 2011, Yang Ming actively transported relief goods from Yang Ming's global ports of call to these regions free of freight charge.

In order to promote oceanic culture and conservation education, Yang Ming set up the "Yang Ming Cultural Foundation" and established two permanent exhibition facilities: the YM Oceanic Culture & Art Museum in Keelung and the YM Kaohsiung Museum of Marine Exploration – both are intended to enhance further awareness and consciousness of oceanic culture and marine ecosystems. In order to educate the general public on the beauty of ocean, we have cooperated with National Taiwan Ocean University to hold a series of lectures. We have also welcomed students of marine schools to visit our vessels. Moreover, we keep on holding national and global drawing competitions for children and exhibiting the awarded pictures.

Yang Ming has assisted in the development and continuity of various forms of fine art by sponsoring the Taiwan Lantern Festival, offering the Taiwan Ocean Literature Award, participating in the Taiwan-Canada Cultural Festival, the Kaohsiung International Container Arts Festival, the 319 Hope Engineering Project., Taipei International Flora Exposition in 2010 and by transporting the Taiwan Pavilion of Shanghai Expo from China Mainland to Taiwan. Yang Ming has also used its capacity as a global logistics group to take and introduce some of Taiwan's fine art to communities around the world. Yang Ming has become the winner of the Council of Cultural Affairs' Wenxin Golden Award for several times, and was selected by CommonWealth magazine as a winner of the Best Corporate Citizens Award in 2006 and 2009. In 2007, Yang Ming won the 15th place of CommonWealth CSR Award (the highest class for domestic marine transport corporations). Also in 2007, Yang Ming won the Bureau of Health Promotion's Shinning Star Award.

(10) Security and Health System

The two pillars of our policy on occupational safety and health are “implementation of occupational safety” and “promotion of employees’ health.” We pledge to obey the laws and rules, to prevent accidents and to consistently improve our performance. The management not only actively participates in but also regularly examines, monitors, and provides resources for the improvement of occupational safety and health. We carry out employee health examination and health promotion based on age and work risk to ensure the best protection for all employees. Yang Ming also got OHSAS-18001 and TOSHMS certifications for satisfactorily observing the law and regulations. We won the Bureau of Health Promotion's Shinning Star Award in 2007, the Council of Labor Affairs' National-class Friendly Workplace Award, the Bureau of Health Promotion's "2008 Most Healthy Workplace Award," 2nd Place of the Bureau of Health Promotion's Let's Walk & Work Hiking for Business Award in 2008. And we also won Common Health magazine's Happy & Healthy Company Award in 2008.

(11) Security Policy – We have joined the international covenant of ISPS (International Ship & Port Facility Security)” and the project of C-TPAT (Customs-Trade Partnership Against Terrorism), the two counter-terrorist and security measures.



3.4 Internal Control Statement

Yang Ming Marine Transport Corporation Internal Control Statement

Date: 23, March, 2011

The Company states the following with regard to its internal control system during the period from 01, January, 2010 to 31, December, 2010, based on the findings of a self-evaluation:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies promulgated by the Securities and Futures Commission, Ministry of Finance (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that during the stated time period its internal control system (including its supervision of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This statement has been passed by the Board of Directors Meeting of the Company held on 23, March, 2011, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Yang Ming Marine Transport Corporation

Chairman: Lu Feng-hai

(signature)

President: Ho Shuh-shun

(signature)

3.5 Capital and Shares Issuance

3.5.1 Type of Stock

APR. 30, 2011

Shares category	Authorized capital					Remark
	Issued Shares			Un-issued shares	Total shares	
	Listed	Unlisted	Total			
Common stock	2,562,466,476	0	2,562,466,476	437,533,524	3,000,000,000	

3.5.2 Issued Shares

Date	Par value (NT\$)	Authorized capital		Actual capital received		Notes	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Remarks
Jan.2005	10	2,400,000,000	24,000,000,000	2,268,754,549	22,687,545,490	Convertible bonds transformation 22,016,416 Shares	
May 2005	10	2,400,000,000	24,000,000,000	2,276,103,048	22,761,030,480	Convertible bonds transformation 7,348,499 Shares	
Aug.2005	10	2,400,000,000	24,000,000,000	2,289,127,926	22,891,279,260	Convertible bonds transformation 13,024,878 shares	
Nov.2005	10	2,400,000,000	24,000,000,000	2,289,816,718	22,898,167,180	Convertible bonds transformation 688,792 Shares	
May 2006	10	2,400,000,000	24,000,000,000	2,289,834,417	22,898,344,170	Convertible bonds transformation 17,699 Shares	
May 2007	10	2,400,000,000	24,000,000,000	2,294,211,277	22,942,112,770	2007Q1 Convertible bonds transformation 4,376,860 Shares	
July 2007	10	2,400,000,000	24,000,000,000	2,299,005,213	22,990,052,130	2007 Q2 Convertible bonds transformation 4,793,936 Shares	
Oct.2007	10	2,400,000,000	24,000,000,000	2,317,397,254	23,173,972,540	2006 Recapitalization new issuance of 18,392,041 shares	
Nov. 2007	10	2,400,000,000	24,000,000,000	2,320,743,953	23,207,439,530	2007 Q3 Convertible bonds transformation 3,346,699 Shares	
Jan.2008	10	2,400,000,000	24,000,000,000	2,328,698,193	23,286,981,930	2007 Q4 Convertible bonds transformation 7,954,240 Shares	
May 2008	10	2,400,000,000	24,000,000,000	2,328,962,146	23,289,621,460	2008 Q1 Convertible bonds transformation 263,953Shares	
Aug. 2008	10	2,400,000,000	24,000,000,000	2,329,561,125	23,295,611,250	2008 Q2 Convertible bonds transformation 598,979 Shares	
Sep. 2008	10	3,000,000,000	30,000,000,000	2,562,466,476	25,624,664,760	2007 Recapitalization new issuance of 232,905,351 shares	



3.5.3 Share price, Net worth, Earnings, and Dividends and Related Information

Unit:NT\$

Items		Year		
		2009	2010	Jan. 1, 2011~ APR. 30, 2011
Market-price per share	Highest price	15.30	29.45	30.95
	Lowest price	8.58	10.00	21.9
	Average price	11.67	17.31	26.27
Net worth per share	Before earnings appropriation	12.39	16.41	16.33
	After earnings appropriation	12.39	-	-
Earnings per share	Weighted average number of outstanding shares	2,562,466 (Note) thousand shares	2,562,466 (Note) thousand shares	2,562,466 (Note) thousand shares
	Earnings per share	-6.18	4.60	0.05
Dividends per share	Cash dividend	0	-	-
	Stock dividend	0	-	-
Return on Investment	Price / Earnings ratio	N.A.	N.A.	N.A.
	Price / Cash dividends ratio	N.A.	N.A.	-
	Cash dividends/ Price ratio	N.A.	N.A.	-

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

3.6 Issuance of Corporate Bond

Apr 30, 2011

Bond Category	Seventh Debenture Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds	Thirteenth Debenture Bonds	Fourteenth Debenture Bonds
Date of Issuance	Nov. 20, 2000	Jun 18, 2004	Oct 8, 2004	Dec 8, 2004	Oct 23, 2006	May 20, 2010
Par Value	NTD 1 million	NTD 10million	NTD 10 million	NTD 10 million	NTD 1 million	NTD 1 million
Place of Issuance and Exchange	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value
Total Amount	NTD 2,400 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 6,000 million	NTD 5,000 million
Interest Rate	6.02%	Note1	3.30%	2.99%	5 years(3,000 million) -2.09% 7 years(3,000 million) -2.32%	1.42%
Terms of Reimbursement	12years,Date of maturity: Nov. 29, 2012	7years, Date of maturity: Jun 18, 2011	7years, Date of maturity: Oct 20, 2011	7years, Date of maturity: Dec 14, 2011	5 years, Date of maturity: Oct 23, 2011 7 years, Date of maturity: Oct 23, 2013	5 years, Date of maturity: May 20, 2015
Guarantor	Nil	Nil	Nil	Nil	Nil	A:Bank of Taiwan B:Cathay United Bank C:Taiwan Corporation Bank D:Chianturst Commercial bank E:First Commercial bank F:Yuanta Commercialbank G:Hua Han Bank H:Shanghai Commercial & Saving Bank
Trustee	Bank of Taiwan	Bank SinoPac	Bank SinoPac	Bank SinoPac	Chinatrust Commercial Bank	Taipei Fubon Bank
Underwriter	Jih Sun Securities Corp. Taiwan Securities Corp.	Nil	Nil	Nil	Nil	Nil
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Way of Reimbursement	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Maturity:5years-For 33%,33%,34%due respectively 7years-reimbursed in cash upon maturity	Maturity:5years-For 4.5years,50%.50% due respectively



III Corporate Governance Report And Capital Overview

Bond Category	Seventh Debenture Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds	Thirteenth Debenture Bonds	Fourteenth Debenture Bonds
Unreimbursed Amount	NTD 1,920 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 4,020 million	NTD 5,000 million
Conditions of Recall or Recall in Advance	Nil	Nil	Nil	Nil	Nil	Nil
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corporation, June.01.2010 twBBB	Taiwan Ratings Corporation, June.01.2010 twBBB	Taiwan Ratings Corporation, June.01.2010 twBBB	Taiwan Ratings Corporation, June.01.2010 twBBB	Taiwan Ratings Corporation, June.01.2010 twBBB	Taiwan Ratings Corporation A:Oct.7,2009 twAAA B:Aug.28,2009 twAA+ C:Jan.20,2010 twAA D:Feb.5,2010 twAA E:Oct.29,2009 twAA- F:Jan.18, 2010 twAA- G:June 8, 2009 twAA- H:Jan.11, 2010 twAA-
Amount of Converted Common Stock, GDR or other valuable securities	Nil	Nil	Nil	Nil	Nil	Nil

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

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

If 1.15% < 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% × (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 than LO LIMIT AND Equal to or Lower than HI LIMIT within its

Relevant Year for the corresponding Calculation Period. Each observation of LIBOR is made 2 London Business Days prior to the 18th of each calendar

month in a year. NTD Floating Interest Rate is Monthly Reset.

“LO LIMIT, HI LIMIT” are as following:

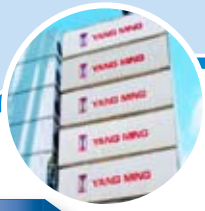
Relevant Year	LO LIMIT	HI LIMIT
Year 1	1.10%	3.00%
Year 2	1.10%	3.50%
Year 3	1.10%	4.00%
Year 4	1.10%	4.50%
Year 5	1.10%	5.00%
Year 6	1.10%	5.25%
Year 7	1.10%	5.50%

3.7 Issuance of GDR

Conditions of the issuance of GDR

Apr. 30, 2011

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 Taiwan Ltd.	
Outstanding shares (Apr 30,2011)		48,460,037 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	2010	the highest	USD 9.84
		the lowest	USD 3.16
		the average	USD 5.46
	From Jan. 1, 2011 to Apr.30, 2011	the highest	USD 10.55
		the lowest	USD 7.67
		the average	USD 8.95



IV 、 Operational Highlights

4.1 Business Profile, Operating status

4.1.1 Business profile

- (1) Domestic and overseas marine shipment service
- (2) Domestic and overseas marine passenger service
- (3) Warehouse, pier, tug boat, barge, container freight station and terminal operations
- (4) Maintenance and repairs, chartering, sales and purchase of ships
- (5) Maintenance and repairs, lease, sales and purchase of containers as well as chassis
- (6) Shipping agency
- (7) G402011 Ocean freight forwarding service
- (8) Besides licensed business, all other business items that are not banned or restricted

4.1.2 Operating status

As of Dec. 31, 2010, YM operated 84 vessels, comprising 82 full container vessels and 2 bulk carriers owned by Taiwan Power Company.

The services of year 2010 fell into two categories:

—Container Liner Service

Offering frequent fixed-day weekly services for Asia/US East Coast, Asia/US West Coast, USEC/ECSA, Asia/North Europe, Asia/Mediterranean, Asia/Black Sea, Asia/Red Sea, US East Coast/North Europe, and Intra-Asia regional trades

—Proxy Service

Operating 2 bulkers on behalf of other Carriers.

4.1.3 Liner Services for full container wessels from 2008 to 2010

Items	Unit:TEU					
	2008	Pct.	2009	Pct.	2010	Pct.
Cargo for Trans-ocean	2,186,373	71	1,874,804	67	2,132,395	67
Cargo for Intra-Asia	888,708	29	909,275	33	1,073,351	33
Total	3,075,081	100	2,784,079	100	3,205,746	100

4.2 Market Analysis

4.2.1. Transpacific Trade

According to Drewry Report, the total volume of transpacific trade on the eastbound leg increased 14% in 2010; it is forecasted that the total cargo volume for the eastbound trade will keep growing, at a rate of 6%, in 2011. According to Alphaliner, YM's 2010 market share in the eastbound traffic was 4.7%.

4.2.2. F.E.-Europe/Mediterranean Trade

According to Drewry Report, the overall westbound volume of F.E.-Europe trade increased by 13% in 2010 while the total westbound volume of F.E.-Mediterranean trade increased by 9%; it is forecasted that the total westbound volume of F.E.-Europe trade and F.E.-Mediterranean trade will grow by 7% and 5% respectively in 2011. According to Alphaliner, YM's 2010 market share in F.E.-Europe and F.E.-Mediterranean trade was approximately 3.4%.

4.2.3. Transatlantic Trade

YM is mainly focusing on the container market between Northern Europe and East Coast of North America in the Transatlantic trade. According to Drewry Report, in 2010 the overall westbound volume of Transatlantic trade increased by 8% while the total eastbound volume increased by 5%; it is anticipated that the annual westbound volume will grow by 3% and eastbound volume will grow by 5% in year 2011.

4.2.4. Intra-Asia Trade

Based on CI Online report, the total shipment of Intra Asia in 2010 was 29.28 million teus and our market share was around 3.6%; the total shipment of Intra Asia in 2011 is estimated at 32.27 million teus with a 8.2% growth compared to the same month in 2010 and our market share is about 4.1%. Owing to recovery of economy and FTA signature among Asian countries recently, we think it's possible to gain from the emerging market but it is necessary to observe the vessel supply market and overall capacity situation for continuously adjusting the business strategies to maximize the profit.

4.3. Employees Status

Year		2009	2010	Apr.30, 2011
Number of employees	Office service	1,169	1,190	1,205
	Sea service	353	385	394
	Total	1,522	1,575	1,599
Average age		40.31	40.27	40.22
Average service years		12.51	12.51	12.37
Education level	Ph. D	4	4	4
	Master's degree	230	254	258
	College degree	988	1,006	1,057
	High school degree	220	242	217
	Middle school and below	80	69	63



4.4 Relationship with Employees

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

4.5 Environmental Protection

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

- (1) To implement the Environmental Compliance Program (ECP) for all vessels sailing to US ports.
- (2) To obtain Vessel General Permits (VGP), in coordination with the requirement of the U.S. Environmental Protection Agency, for all vessels sailing to US ports.
- (3) To acquire bunker convention certificates from the signatory states of the 2001 Bunker Convention;
- (4) To observe the US 1990 Oil Pollution Act by carrying out the Non-Tanker Vessels Response Plan and obtaining Financial Guaranty and Financial Responsibility Certificate for all vessels sailing to US ports.
- (5) To abide by the Panama Canal Shipboard Oil Pollution Emergency Plan for all vessels passing through the Panama Canal.

4.5.2 Estimated capital expenditure of environmental protection for the next 3 years:

We must observe MARPOL 73/78/97 Rules, so facilities for preventing oil, water, sewage and air pollution will be installed at the time of shipbuilding. Thus, total expenditure will be included in the overall shipbuilding cost.

4.5.3 Effects of setting up additional equipment on the company:

All of the company's vessels have been equipped with facilities for preventing oil, sewage and air pollution in compliance with international environmental protection criteria as required by MARPOL 73/78/97 rules.

4.6 Important Contracts

Apr.30, 2011

Name of contract	Party	Contract Period	Primary content
Vessel Sharing and Slot Allocation Agreement	COSCON/ "K"Line/ HJS	2002/3/22 ~ the indefinite duration	Asia/U.S. West Coast ; Asia/U.S. East Coast ; Asia/Europe ; Asia/Mediterranean
Space Allocation & Operating Agreement	"K"Line	2007/3/21~2012/3/21	Asia / U.S. West Coast ;
Slot Charter Agreement	COSCON/ HJS/ "K"Line/ EMC	2009/9/21~2012/3/7	U.S East Coast / North Europe
Slot Charter Agreement	NYK	2009/7/1~ the indefinite duration	US North East coast / South East coast
Vessel Sharing and Slot Allocation Agreement	CSCL / "K"Line/ WHL /PIL	2009/Jan ~ the indefinite duration	Asia / Black Sea Service
Vessel Sharing and Slot Allocation Agreement	HJS / HMM/ UASC	2010/5/29~ the indefinite duration	Asia / Adriatic Sea Service
Vessel Sharing and Slot Allocation Agreement	CSCL / "K"Line/ HJS	2009/2/26~ the indefinite duration	Far East / Red Sea Service
Slot Exchange Agreement	UASC	2010/7/13~2011/10/12	India subcontinent / Mediterranean / U.S East Coast (Slot Exchange with Red Sea Service)
Joint Service Agreement	OOCL	03/17/2011~ indefinite duration	CPX China-Pakistan service
Joint Service Agreement	OOCL	03/17/2011~ indefinite duration	CIS China-India service
Joint Service Agreement	EMC/OOCL	04/04/2006~ indefinite duration	THX Taiwan-Ho chi minh service
Joint Service Agreement	STX/CNC	09/18/2008~ indefinite duration	CTS China-Thailand service
Joint Service Agreement	TNC	03/21/2010~ indefinite duration	TCX Taiwan-China service
Joint Service Agreement	TNC	07/15/2010~ indefinite duration	TC2 Taiwan-China service
Joint Service Agreement	KWY	02/28/2010~11/28/2010 duration,still effective after duration	PRD,PR5 Taiwan-Hong Kong service
Slot exchange Agreement	CNC	01/13/2009~ indefinite duration	JTXM,CT,CN1,Intra-Asia service
Slot exchange Agreement	KMTC	11/16/2010~ indefinite duration	CKI Intra-Asia service
Slot exchange Agreement	OEL	10/11/2010~ indefinite duration	SCS Intra-Asia service



IV 、Operational Highlights

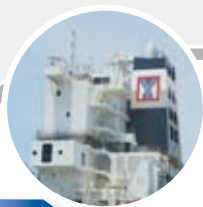
Name of contract	Party	Contract Period	Primary content
Slot charter Agreement	WHL	07/22/2009~ indefinite duration	KSS Intra-Asia service
Bank Credit Loan	EnTie Commercial Bank	2009.08.06~2012.08.06	1. Interest shall be repaid monthly. 2. Principal shall be repaid on due.
Bank Credit Loan	Shin Kong Bank	2010.04.07~2012.04.07	1. Interest shall be repaid monthly. 2. Principal shall be repaid on due.
Bank Credit Loan	Taipei Fubon Commercial Bank	2010.11.12~2012.11.12	1. Interest shall be repaid monthly. 2. Principal shall be repaid on due.
Bank Credit Loan	Far Eastern International Bank	2011.01.05~2014.01.05	1. Interest shall be repaid monthly. 2. Principal shall be repaid on due.
Commercial Paper Issuance Guarantee	Ta Ching Bill Finance Ltd.	2009.10.22~2012.10.22	1. Interest shall be paid on issuance day. 2. Principal shall be repaid on due.
Bank Mortgage Loan	Bank of Taiwan	2008.05.30~2016.05.30	The principal shall be repaid in 14 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.
Bank Mortgage Loan	Bank of Taiwan	2008.05.30~2013.05.30	The principal shall be repaid in 8 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.
Bank Mortgage Loan	Bank of Taiwan	2008.12.30~2015.12.30	The principal shall be repaid in 12 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.
Bank Mortgage Loan	Bank of Taiwan	2009.06.30~2016.06.30	The principal shall be repaid in 12 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.
Bank Mortgage Loan	Cathay United Bank	2008.05.30~2015.05.30	1. The principal shall be repaid in successive semiannual installments with NTD 50 million, commencing the date of expiry of one year from the date on which the initial Advance is made. 2. The rest principal shall be repaid on due.

Name of contract	Party	Contract Period	Primary content
Bank Mortgage Loan	Cathay United Bank	2009.05.08~2014.05.08	1. The principal shall be repaid in successive semiannual installments with NTD 180 million, commencing the date of expiry of 1.5 years from the date on which the initial Advance is made. 2. The rest principal shall be repaid on due.
Bank Mortgage Loan	Land Bank of Taiwan	2009.03.31~2014.03.31	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Hua Nan Bank	2009.03.31~2014.03.31	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Hua Nan Bank	2009.06.05~2014.06.05	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Hua Nan Bank	2009.06.12~2014.06.12	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Chang Hwa Bank	2009.06.26~2014.06.26	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Credit Loan	Chang Hwa Bank	2010.02.04~2015.02.04	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Mega International Commercial Bank	2009.06.30~2014.06.30	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Credit Loan	First Commercial Bank	2009.11.27~2014.11.27	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Credit Loan	First Commercial Bank	2009.12.25~2014.12.25	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.

YANG MING MARINE TRANSPORT CORP. **2010**
Annual Report







V、Financial Information

5.1 Condensed Balance Sheets and Income Statements

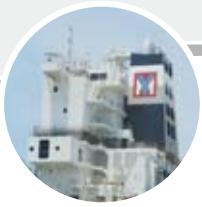
UNIT:NT\$1,000

Items	Year	Accounting data for the past 5 years					
		Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Mar. 31, 2011
Current Assets		24,183,162	17,695,469	11,446,296	13,214,144	27,324,630	24,074,041
Investments in Shares of Stock		18,800,905	23,304,253	26,461,125	27,705,343	25,117,278	25,275,193
Net Properties		15,363,071	17,594,143	15,507,976	16,860,915	14,894,911	14,062,526
Other Assets		24,198,088	29,023,551	33,713,920	26,479,411	27,031,329	27,862,380
Total Assets		82,545,226	87,617,416	87,129,317	81,259,813	94,368,148	91,274,140
Current Liabilities	Unappropriated	15,838,297	14,716,907	12,036,425	13,523,572	25,579,249	25,560,714
	Appropriated	16,632,457	17,148,838	12,420,795	13,523,572	-	-
Total Long-Term Debts		20,562,215	19,229,489	24,852,581	34,791,856	24,991,188	22,192,695
Other Liabilities		3,306,902	3,237,578	3,233,614	1,184,075	1,748,230	1,678,624
Total Liabilities	Unappropriated	39,707,414	37,183,974	40,122,620	49,499,503	52,318,667	49,432,033
	Appropriated	40,501,574	39,615,905	40,506,990	49,499,503	-	-
Capital stock		22,898,344	23,286,982	25,624,665	25,624,665	25,624,665	25,624,665
Capital surplus		8,774,975	8,980,008	8,988,582	8,988,637	4,719,493	4,719,493
Retained Earnings	Unappropriated	11,128,198	16,170,046	11,956,355	(4,269,144)	11,787,853	11,907,817
	Appropriated	10,150,118	11,409,062	11,571,985	(4,269,144)	-	-
Unrealized loss on financial instruments		(35,588)	1,933,242	25,832	1,200,905	413,020	(1,414)
Unrealized loss on investments in shares of stock		-	-	-	-	-	-
Cumulative translation adjustments		168,626	100,131	447,853	240,626	(469,051)	(381,955)
Net loss not recognized as pension costs		(96,743)	(38,967)	(36,590)	(25,379)	(26,499)	(26,499)
Total Stockholders' Equities	Unappropriated	42,837,812	50,433,442	47,006,697	31,760,310	42,049,481	4,184,2107
	Appropriated	41,859,731	45,672,458	46,622,327	31,760,310	-	-

Income Statement

UNIT:NT\$1,000

Items	Year	Accounting data for the past 5 years					
		Jan. 1, 2006~ Dec 31,2006	Jan. 1, 2007~ Dec 31,2007	Jan. 1, 2008~ Dec 31,2008	Jan. 1, 2009~ Dec 31,2009	Jan. 1, 2010~ Dec 31,2010	Jan. 1, 2011~ Mar. 31, 2011
Operating revenue		92,039,885	114,220,255	117,133,641	74,503,197	111,918,885	22,939,783
Gross profit (loss)		25,957	4,213,036	311,113	(15,845,670)	1,5248,317	(123,848)
Operating income (loss)		(1,439,006)	2,110,972	(1,502,641)	(17,407,290)	12,833,151	(526,763)
Non-operating income		4,017,390	5,869,673	4,501,158	1,976,476	1,660,751	988,352
Non-operating expenses		949,389	975,557	2,207,142	2,431,168	1,681,358	294,961
Income (loss) before income tax		1,628,995	7,005,088	791,375	(17,861,982)	12,812,544	1,66,628
Cumulative effect of change in accounting principles		16,896	-	-	-	-	-
Net income (loss)		1,143,155	6,020,284	547,293	(15,841,129)	11,787,853	119,964
Earnings per share		0.50	2.36	0.21	(6.18)	4.60	0.05



V、Financial Information

Consolidated Balance Sheets and Income Statements

UNIT:NT\$1,000

Items	Year	Accounting data for the past 5 years					
		Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Mar. 31, 2011
Current Assets		22,685,416	24,062,706	17,031,381	19,695,381	35,814,456	33,463,106
Investments in Shares of Stock		3,335,094	7,270,581	6,677,967	5,992,706	4,824,309	4,489,791
Net Properties		58,329,986	68,203,731	77,216,501	75,832,388	81,972,161	71,400,677
Other Assets		11,849,698	13,410,054	11,773,119	12,301,088	11,193,872	11,478,527
Total Assets		96,200,194	112,947,072	112,698,968	113,821,563	133,804,798	130,731,375
Current Liabilities	Unappropriated	16,578,773	19,405,732	19,561,022	20,789,084	33,574,938	33,864,284
	Appropriated	17,372,933	21,837,662	19,945,392	20,789,084	-	-
Total Long-Term Debts		32,324,822	38,614,817	41,020,125	58,156,099	54,108,987	50,838,221
Other Liabilities		4,086,578	4,032,151	4,653,674	2,669,486	3,318,007	3,396,055
Total Liabilities	Unappropriated	52,990,173	62,052,700	65,234,821	81,614,669	91,001,932	88,098,560
	Appropriated	53,784,333	64,484,630	65,619,191	81,614,669	-	-
Capital stock		22,898,344	23,286,982	25,624,665	25,624,665	25,624,665	25,624,665
Capital surplus		8,774,975	8,980,008	8,988,582	8,988,637	4,719,493	4,719,493
Retained Earnings	Unappropriated	11,128,198	16,170,046	11,956,355	(4,269,144)	11,787,853	11,907,817
	Appropriated	10,150,118	11,409,062	11,571,985	(4,269,144)	-	-
Unrealized loss on financial instruments		(35,588)	1,935,242	25,832	1,200,905	413,020	(1,414)
Unrealized loss on investments in shares of stock		-	-	-	-	-	-
Cumulative translation adjustments		168,626	100,131	447,853	240,626	(469,051)	(381,955)
Net loss not recognized as pension costs		(96,743)	(38,967)	(36,590)	(25,379)	(26,499)	(26,499)
Minority Interest		372,209	460,930	457,450	446,584	753,385	790,708
Total Stockholders' Equities	Unappropriated	43,210,021	50,894,372	47,464,147	32,206,894	42,802,866	42,632,815
	Appropriated	42,231,941	46,133,388	47,079,777	32,206,894	-	-

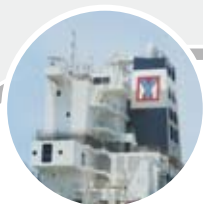
Consolidated Income Statement

UNIT:NT\$1,000

Items	Year	Accounting data for the past 5 years					
		Jan. 1, 2006~ Dec 31,2006	Jan. 1, 2007~ Dec 31,2007	Jan. 1, 2008~ Dec 31,2008	Jan. 1, 2009~ Dec 31,2009	Jan. 1, 2010~ Dec 31,2010	Jan. 1, 2011~ Mar. 31, 2011
Operating revenue		107,298,983	133,801,232	137,817,302	88,892,781	130,549,767	27,365,625
Gross profit (loss)		6,101,708	11,862,786	6,775,329	(11,491,225)	21,663,807	1,563,180
Operating income (loss)		1,434,360	5,723,909	732,122	(17,331,011)	15,235,371	199,130
Non-operating income		1,548,141	4,133,953	3,300,155	2,303,217	1,906,868	541,214
Non-operating expenses		1,302,365	2,484,637	3,032,897	1,744,911	3,911,394	448,770
Income (loss) before income tax		1,680,136	7,373,225	999,380	(16,772,705)	13,230,845	291,574
Cumulative effect of change in accounting principles		19,519	-	-	-	-	-
Consolidated net income(Loss)		1,168,002	6,063,370	575,580	(15,819,911)	11,861,693	147,891
Minority interest		24,847	43,086	28,287	21,218	73,840	27,927
Controlling interest		1,143,155	6,020,284	547,293	(15,841,129)	11,787,853	119,964
Earnings per share		0.50	2.36	0.21	(6.18)	4.60	0.05

5.2 CPA and Audit results for the past 5 years

Year	CPA name	Audit Opinion
Jan. 1, 2006 ~ Dec. 31, 2006	Lin An Hwei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2007 ~ Dec. 31, 2007	Hung Yu Mei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2008 ~ Dec. 31, 2008	Hung Yu Mei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2009 ~ Dec. 31, 2009	Hung Yu Mei、Lin An Hwei	Modify Unqualified
Jan. 1, 2010 ~ Dec. 31, 2010	Hung Yu Mei、Lin An Hwei	Modify Unqualified



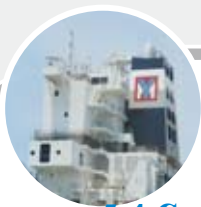
5.3 Financial Statement Analysis

Items		Year	Financial Analysis for the years from 2006 to 2011						
			Jan. 1, ~ Dec. 31, 2006	Jan. 1, ~ Dec. 31, 2007	Jan. 1, ~ Dec. 31, 2008	Jan. 1, ~ Dec. 31, 2009	Jan. 1, ~ Dec. 31, 2010	Jan. 1, ~ Mar. 31, 2011	
Financial conditions	Debt to Total Assets Ratio		48.10	42.44	46.05	60.92	55.44	54.16	
	Long-term funds to net properties		409.56	393.22	460.28	391.87	446.87	451.95	
Institutional solvency	Current ratio(%)		152.69	120.24	95.10	97.71	106.82	94.18	
	Acid-test ratio(%)		137.94	92.88	76.44	69.35	88.37	73.70	
	Time interest earned		3.08	9.67	2.00	(19.73)	14.73	1.75	
Operating performance	Receivables turnover		34.73	33.62	35.07	29.88	56.50	51.61	
	Average collection period(days)		10.51	10.86	10.41	12.22	6.46	7.07	
	Payables turnover		-	-	-	-	-	-	
	Turnover of the fixed assets		5.99	6.49	7.55	4.42	7.51	6.53	
	Turnover of the total assets		1.12	1.30	1.34	0.92	1.19	1.01	
Profitability	Return on total assets(%)		2.13	7.79	1.31	(18.05)	14.31	1.31	
	Return on stockholder's equity(%)		2.54	12.91	1.12	(40.22)	31.94	1.14	
	Ratio of income against paid-in capital (%)	Operating income (Loss)		(6.28)	9.07	(5.86)	(67.93)	50.08	(8.22)
		Pre-tax income (Loss)		7.19	30.08	3.09	(69.71)	50.00	2.60
	Profit Margin(%)		1.24	5.27	0.47	(21.26)	10.53	0.52	
	Earnings per share (note1)		0.50 0.50	2.60 2.36	0.21 0.21	(6.18) (6.18)	4.60 -	0.05 -	
Cash flow	Cash flow ratio(%)		9.25	41.91	26.49	-	73.32	-	
	Cash flow adequacy ratio(%)		54.57	53.53	43.86	5.78	37.82	53.40	
	Cash reinvestment ratio(%)		-	5.96	0.94	-	20.81	-	
Leverage	Operation Leverage		(3.07)	4.38	(7.88)	0.58	1.69	(2.76)	
	Finance Leverage		0.65	1.62	0.66	0.95	1.08	0.70	

Note 1: According to the adjusted outstanding shares.

Consolidated Financial Statement Analysis

Items		Year	Financial Analysis for the years from 2006 to 2011						
			Jan. 1, ~ Dec. 31, 2006	Jan. 1, ~ Dec. 31, 2007	Jan. 1, ~ Dec. 31, 2008	Jan. 1, ~ Dec. 31, 2009	Jan. 1, ~ Dec. 31, 2010	Jan. 1, ~ Mar. 31, 2011	
Financial conditions	Debt to Total Assets Ratio		55.08	54.94	57.88	71.70	68.01	67.39	
	Long-term funds to net properties		128.86	130.56	114.00	118.57	117.31	129.80	
Institutional solvency	Current ratio(%)		136.83	124.00	87.07	94.74	106.67	98.82	
	Acid-test ratio(%)		118.33	95.55	68.38	68.72	88.43	78.10	
	Time interest earned		2.58	5.43	1.70	(13.72)	10.59	1.73	
Operating performance	Receivables turnover		36.42	32.99	36.07	34.06	47.51	35.83	
	Average collection period(days)		10.02	11.06	10.12	10.72	7.68	10.19	
	Payables turnover		-	-	-	-	-	-	
	Turnover of the fixed assets		1.84	1.96	1.78	1.17	1.59	1.53	
	Turnover of the total assets		1.12	1.18	1.22	0.78	0.98	0.84	
Profitability	Return on total assets(%)		2.09	6.95	1.44	(13.23)	10.45	1.37	
	Return on stockholder's equity(%)		2.54	12.91	1.12	(40.22)	31.94	1.14	
	Ratio of income against paid-in capital(%)	Operating income (Loss)		6.26	24.58	5.51	(67.63)	59.46	3.11
		Pre-tax income (Loss)		7.34	31.66	3.90	(65.46)	51.63	4.55
	Profit Margin(%)		1.07	4.50	0.40	(17.82)	9.03	0.44	
	Earnings per share (note1)		0.50	2.60	0.21	(6.18)	4.60	0.05	
Cash flow	Cash flow ratio(%)		29.54	56.44	21.10	-	58.15	1.95	
	Cash flow adequacy ratio(%)		78.67	69.15	48.56	20.35	29.62	32.14	
	Cash reinvestment ratio(%)		-	8.36	1.47	-	14.62	0.54	
Leverage	Operation Leverage		7.66	3.28	21.01	0.17	2.03	17.18	
	Finance Leverage		3.86	1.41	(1.05)	0.94	1.10	(0.98)	



5.4 Cash Flow Analysis for The Next Year

Cash and cash equivalents on Jan. 1st, 2011 ^①	Estimated cash outlay for operational activities in 2011 ^②	Estimated cash outlay for investing and financing activities in 201 ^③	Estimated cash shortage of 2011 ①+②-③	Supplementary plan for the cash shortage	
				Investment Plan	Financing Plan
9,354,855	9,555,548	28,256,982	(9,346,579)	6,699,517	5,640,000

1. The state of the cash flow of 2010
Benefited from improvement of container business, we accumulated NT\$18,754,912 thousands net cash inflow from operation activities. Combined with our scheduled investing and financing plan, the net increase in cash of 2010 was accumulated to NT\$5,562,214 thousands.

2. Analysis of the 2011 cash flow
(1) Operation Activities: An estimated NT\$9,555,548 thousands was provided for operation activities.
(2) Investing Activities: NT\$9,306,105 thousands was spent as capital expenditure such as purchase of container boxes.
(3) Financing Activities: NT\$18,950,877 thousands for repayment of loan principal

3. Supplementary plan for the cash shortage:
(1) Investment Plan: NT\$6,699,517 thousands was obtained from disposal of financial assets.
(2) Financing Plan: NT\$5,640,000 thousands was obtained from raise of long-term liabilities.

5.5 Major capital expenditure items

To meet the operating requirement and retire the old container boxes, the Company's major capital expenditure item in 2011 is container boxes. The estimated addition of new boxes is around 37,500 TEU, calling for an expenditure of NT\$4.98 billion. The benefit is reduction of leasing expense, NT\$31.7 million each year. The Company has adequate funds for capital expenditure such as for investing and financing activities. Other capital expenditures include soft and hard ware and transportation facilities, of which each item is less than NT\$60 million.

5.6 Investment policy and improvement plans

The Company's investing policy is to meet the operating and business plans or strategies, mainly for transportation related industries.

The investment income recognized in equity method was NT\$224.34 million at the end of 2010. The economy recovery was regarded as the key factor which stimulated the increase in global trading. Other factors included capacity adjustment, slow steaming and ocean freight recovery.

5.7 Risk management analysis

5.7.1 Risk management structure

- A. Yang Ming established a department for integrating all risk management affairs of Yang Ming by periodically carrying out risk assessment, risk analysis and risk control, on July 1st, 2004, according to updated development of Corporate Governance and Internal Audit.
- B. The organization of risk management of Yang Ming is based on the characteristics of specific risks. The Risk Management and Legal Affairs Department is responsible for integrating all risk management affairs of Yang Ming, and the initial risk identification, risk assessment and risk control, and general operation risks are directly handled by each department in charge. High-risk projects is assigned to designated committees or Audit Department for further examination according to the characteristics of risks and investment amount, and the projects whose investment amount are over internal management standard are required to be sent to the Boards for approval.

5.7.2 Effects of change in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures

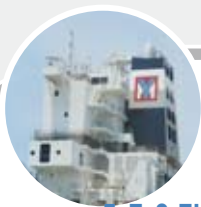
A. Effects on Corporate Finance

As the interest rate stayed at low level and the balancing of our foreign currency position, the impact of net interest payment and exchange loss were both under 4% of the income before income tax in 2010.

- B. Due to the characteristic of shipping industry, over 90% of our revenue and expense are denominated in foreign currency. As to the risk management, we aim to achieve natural hedge by balancing the structure of our foreign currency asset, liability, revenue and expense.

At the end of 2010, our FX derivative contracts have all expired and will not be exposed to market risk.

- C. As global economy recovered, bunker price rose around 20% in 2010, which led to the increase of our bunker cost. However, ocean freight was also benefited from the recovery of economy and rose in 2010. Besides price transfer, the increase in bunker cost was also absorbed by the collection of bunker surcharge and fuel oil hedge. Therefore we could still make a record high income in 2010. In the future, we will continue to reduce the effect of the fluctuation of bunker price on corporate income by price transfer, quantitative saving and fuel oil hedge.



5.7.3 The policy and main reason of profits and losses regarding: high leverage investment, fund loaned to other parties, endorsed guarantees and derivative transactions

- A. The Company never engages in high-risk, high leverage financial investment.
- B. The Company mainly makes loans and endorsements/guarantees to/for its affiliates with intra-group business. The Company has complied with the Regulations when making loans or providing guarantees to others.
- C. The Company's main purpose in trading derivatives is for risk hedging. According to the derivatives positions and future prospects, the Company acquires reasonable benefits within the limited risk. The Company has complied with the Regulations when it enters into the derivative transactions.

5.7.4 Future research & development projects and corresponding budget

Due to the nature of container shipping business, YM does not incur research & development expenses. However, YM sets up future business plans (both short-term and long-term) every year and review them periodically. YM has finalized the business plans of 2011, including launching new services (such as the Asia - U.S Pacific Northwest loop and Asia – North Europe loop) and upsizing some current services (such as one Asia–U.S East Coast loop and one Asia–Mediterranean loop). Moreover, new market developments (such as the Asia–South Africa & South America loop) are under study and YM is looking at the global factors and for suitable opportunities to step into new markets. We will also improve the competitiveness, in terms of both quality and cost, of our current services, to better cater to our customers' needs.

5.7.5 The influence and response to changes in policies and law

- A. The influence of important policy and legislation changes on corporate finance and business issues and the response measures:

So far there are no significant influence of the policy and legislation changes of domestic and foreign on our corporate finance and business. We strictly comply with related laws and rules and keep watching for the updates and changes of related legislation.

- B. The Finance Department has staff in charge of tracking amendment to Company Act and related securities and futures transactions laws regulated by R.O.C. government. The Finance Department also has staff taking related training courses, analyzing the effects on any changes and planning countermeasures in advance. The changes in policies and laws have no major influence on the Company.

5.7.6 The influence and response to change in technology and in industry

- A. For YM ourselves —

YM has many subsidiaries and agents located worldwide and we keep building information systems and undertaking process redesigns to meet expanding commercial and information technology requirements. To enhance competitiveness, we also provide timely information, improve operating efficiency/quality, and lower the cost of communication.

B. For customers —

In order to meet customers' requirements, we design and implement the user-friendly interface for them. Through EDI (electronic data interchange), we provide customers with timely information such as on-line booking, cargo tracking, B/L proof and print, and arrival notice for USA/Canada import shipments.

C. For environment —

Environmental protection is an important trend YM always follows and we obey international environmental regulations to reduce exhaust fumes and use energy efficiently. We build environment-friendly new ships to reduce bunker fuel consumption and keep up new technologies.

D. For safety —

In addition to our counter-terrorism measures at ports, YM has installed security system on vessels; furthermore, we refer to updated electronic navigation charts and adopt maritime satellite communications to enhance the safety of navigation and the integration of information.

5.7.7 Anticipated benefit and possible risk for expansion plans

Fleet expansion helps YM enlarge business, increase revenue and diversify services. We also can lower unit cost by operating bigger vessels. However, seeing uncertainties in the global economy and forecasted containership overcapacity in the following years, YM has adopted the plans below to stay flexible and responsive to changes, aiming to reduce our risk exposure.

A. Strategic cooperation

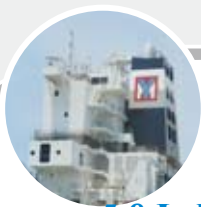
With aim to stay competitive by reducing the unit cost, enhancing the utilization, widening service scope, and increasing sailing frequency, YM cooperate with our CKYH – the Green Alliance member lines – and also with other strategic partners. Moreover, we look for cooperation opportunities to venture into new markets and diversify the deployment of vessel capacity. We optimize our vessel deployment on different routes to better meet changing market demand and achieve operational efficiency. The alliance or cooperation with other lines, as strategic partners, helps us explore options, increase flexibility, and improve competitiveness.

B. Contingency plan

We make service and/or capacity adjustments to cope with seasonal decline or short-term swing in cargo volume during slack season (for example, the traditional winter slack season) or slow period (such as the Lunar New Year holiday, China Labor Day holiday, China National Day holiday, Golden Week in Japan), aiming to reduce operating costs and enhance the utilization.

5.7.8 Litigations or non-litigations and the influence of the results:

Most of the litigations or non-litigations we are currently involved are cargo claim, hull indemnity and shipowner's liability resulted from cargo damage or vessel operation accidents during the process of transportation. The related risks are well managed to a reasonable scope to enable us to recover financial losses from our insurer.



5.8 Independent Auditors' Report and Financial Reports As of Dec.31,2010

INDEPENDENT AUDITORS' REPORT

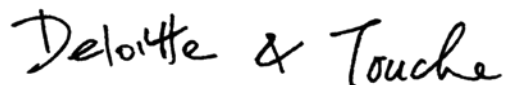
The Board of Directors and the Stockholders
Yang Ming Marine Transport Corporation

We have audited the accompanying balance sheets of Yang Ming Marine Transport Corporation as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. as of and for the years ended December 31, 2010 and 2009 in which the Corporation has long-term investments accounted for using equity method. The carrying values of these investments were 2.1% (NT\$1,937,909 thousand) and 2.0% (NT\$1,654,176 thousand) of the Corporation's total assets as of December 31, 2010 and 2009, respectively. The equity in these investees' net income (loss) was 3.5% (NT\$451,843 thousand) and (1.4%) (NT\$(245,384) thousand) of the Corporation's loss (income) before income tax in 2010 and 2009, 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, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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, 2010 and 2009 and have issued a modified unqualified opinion thereon in our report dated March 9, 2011.

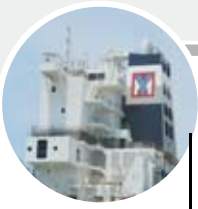
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March 9, 2011

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.



V Financial Information

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

	2010		2009	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 9,354,855	10	\$ 3,792,641	5
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	632,841	1	254,214	1
Available-for-sale financial assets - current (Notes 2 and 6)	8,479,668	9	777,887	1
Accounts receivable, net of allowance for doubtful accounts of \$16,016 thousand and \$18,137 thousand at December 31, 2010 and 2009 (Note 2)	665,455	1	636,009	1
Accounts receivable from related parties (Notes 2, 16 and 22)	1,275,187	1	1,445,487	2
Other receivables (Notes 2, 5 and 6)	579,891	1	10,753	0
Other receivable from related parties (Notes 2, 16 and 22)	88,052	-	959,603	1
Shipping fuel, net (Notes 2 and 3)	4,374,606	5	3,385,987	4
Prepaid expenses (Note 22)	346,567	-	449,819	-
Deferred income tax assets - current (Notes 2 and 18)	39,470	-	9,117	-
Advances to shipping agents (Note 22)	1,355,154	1	1,315,952	2
Other current assets	194,884	-	176,675	-
Total current assets	27,324,630	29	13,214,144	16
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 8 and 22)				
Available-for-sale financial assets - noncurrent	2,632,207	3	3,297,334	4
Financial assets carried at cost - noncurrent	171,640	1	844,094	1
Investments accounted for using equity method	22,073,451	23	20,563,513	22
Total long-term investments	25,117,278	27	24,705,343	30
PROPERTIES (Notes 2, 9, 22 and 23)				
Cost				
Buildings	330,069	-	330,069	1
Containers and chassis	748,409	1	728,683	1
Ships	23,006,338	25	22,906,639	28
Leased assets	6,529,880	7	6,453,650	8
Leasehold improvements	2,868,206	3	2,178,416	3
Miscellaneous equipment	146,272	-	146,272	-
Total cost	2,635,741	3	2,690,124	3
Less: Accumulated depreciation	36,264,025	39	35,433,903	44
Less: Accumulated impairment	21,343,374	23	18,572,988	23
Net properties	23,740	-	16,860,915	21
INTANGIBLE ASSETS				
Computer software (Note 2)	28,246	-	35,008	-
Deferred pension cost (Note 2 and 16)	1,961	-	-	-
Total intangible assets	30,207	-	35,008	-
OTHER ASSETS				
Assets leased to others, net (Notes 2, 10 and 23)	3,971,484	4	4,012,999	5
Nonoperating assets, net (Notes 2, 11 and 23)	322,589	-	319,137	-
Advances on long-term rent agreements (Note 12)	860,415	1	901,521	1
Refundable deposits (Note 24)	323,874	-	323,927	-
Deferred charges, net (Note 2)	4,621	-	22,201	-
Long-term receivables from related parties (Notes 8 and 22)	21,495,979	23	20,517,972	25
Deferred income tax assets - noncurrent (Notes 2 and 18)	-	-	109,984	-
Miscellaneous	21,160	-	236,662	-
Total other assets	27,001,122	28	26,444,403	33
TOTAL	\$ 94,368,148	100	\$ 81,259,813	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accrued expenses (Note 14)	\$ 6,351,681	7	\$ 4,716,176	6
Accrued expenses - related parties (Note 22)	109,458	-	65,519	-
Income tax payable (Notes 2 and 18)	56,430	-	-	-
Hedging derivative liabilities - current (Notes 2 and 21)	21,686	-	-	-
Advances from customers	2,354,063	3	1,763,965	2
Current portion of long-term interest-bearing debts (Notes 2, 9, 13, 23 and 24)	14,617,839	15	5,135,422	6
Payable to shipping agents	1,009,101	1	1,079,959	1
Payable to shipping agents - related parties (Note 22)	1,008,897	1	688,651	2
Other current liabilities	50,094	-	73,880	-
Total current liabilities	25,579,249	27	13,823,572	17
LONG-TERM LIABILITIES				
Hedging derivative liabilities - noncurrent (Notes 2 and 21)	-	-	15,595	-
Bonds payable (Note 13)	8,945,210	9	15,040,000	18
Long-term debt (Notes 13 and 23)	14,931,071	16	19,152,510	24
Obligations under capital leases - long-term portion (Notes 2, 9, 13 and 24)	635,268	1	104,112	-
Total long-term liabilities	24,511,549	26	34,312,212	42
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	479,639	-	479,639	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 16)	1,131,300	1	1,056,394	1
Deferred income tax liabilities - noncurrent (Notes 2 and 18)	563,287	1	-	-
Others	53,643	-	127,681	-
Total other liabilities	1,748,230	2	1,184,075	1
Total liabilities	52,318,667	55	49,499,503	61
CAPITAL STOCK - \$10 PAR VALUE				
Authorized - 3,000,000 thousand shares				
Issued - 2,562,466 thousand shares	25,624,665	27	25,624,665	31
CAPITAL SURPLUS				
Additional paid-in capital	4,710,566	5	7,499,701	9
Treasury stock transactions	8,927	-	1,480,009	2
Long-term investments	8,927	-	8,927	-
Total capital surplus	4,719,493	5	8,988,637	11
RETAINED EARNINGS (ACCUMULATED LOSS)				
Legal reserve	-	-	3,869,543	5
Special reserve	-	-	2,067,513	3
Unappropriated earnings (accumulated deficit)	11,787,853	13	(10,206,200)	(13)
Total retained earnings (accumulated loss)	11,787,853	13	(4,269,144)	(5)
OTHER EQUITY				
Cumulative translation adjustments	(469,051)	-	240,626	-
Net loss not recognized as pension cost	(26,499)	-	(26,499)	-
Unrealized gain on financial instruments	413,020	-	1,200,905	2
Total other equity	(82,530)	-	1,416,152	2
Total stockholders' equity	42,049,481	45	31,760,310	39
TOTAL	\$ 94,368,148	100	\$ 81,259,813	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 9, 2011)

YANG MING MARINE TRANSPORT CORPORATION

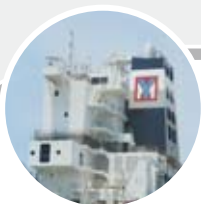
STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 22)	\$ 111,918,885	100	\$ 74,503,197	100
OPERATING COSTS (Notes 2, 19 and 22)	<u>96,670,568</u>	<u>87</u>	<u>90,348,867</u>	<u>122</u>
GROSS INCOME (LOSS)	<u>15,248,317</u>	<u>13</u>	<u>(15,845,670)</u>	<u>(22)</u>
OPERATING EXPENSES (Notes 19 and 22)				
Selling expenses	1,907,694	2	1,272,156	2
General and administrative expenses	<u>507,472</u>	<u>-</u>	<u>289,464</u>	<u>-</u>
Total operating expenses	<u>2,415,166</u>	<u>2</u>	<u>1,561,620</u>	<u>2</u>
OPERATING INCOME (LOSS)	<u>12,833,151</u>	<u>11</u>	<u>(17,407,290)</u>	<u>(24)</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 22)	498,996	1	652,639	1
Gain on sale of investments, net (Notes 7 and 8)	281,343	1	129,487	-
Investment income recognized under equity method (Notes 2 and 8)	224,339	-	-	-
Dividend income	163,352	-	311,741	1
Gain on disposal of properties (Note 22)	168,531	-	385,501	1
Rent income (Note 22)	86,004	-	100,677	-
Valuation gain on financial assets, net (Notes 2 and 5)	80,826	-	-	-
Exchange gain, net (Note 2)	-	-	129,142	-
Valuation gain on financial liabilities, net (Notes 2 and 5)	-	-	126,156	-
Others (Note 22)	<u>157,360</u>	<u>-</u>	<u>141,133</u>	<u>-</u>
Total nonoperating income and gains	<u>1,660,751</u>	<u>2</u>	<u>1,976,476</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	933,285	1	861,647	1
Exchange loss, net (Note 2)	497,383	-	-	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	86,174	-	-	-
Impairment loss (Note 2)	41,351	-	229,102	-
Investment loss recognized under equity method (Notes 2 and 8)	-	-	1,133,757	2
Valuation loss on financial assets, net (Notes 2 and 5)	-	-	43,808	-
Others (Note 19)	<u>123,165</u>	<u>-</u>	<u>162,854</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,681,358</u>	<u>1</u>	<u>2,431,168</u>	<u>3</u>

(Continued)



YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	\$ 12,812,544	12	\$ (17,861,982)	(24)
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 18)	<u>1,024,691</u>	<u>1</u>	<u>(2,020,853)</u>	<u>(3)</u>
NET INCOME (LOSS)	<u>\$ 11,787,853</u>	<u>11</u>	<u>\$ (15,841,129)</u>	<u>(21)</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 20)				
Basic	<u>\$ 5.00</u>	<u>\$ 4.60</u>	<u>\$ (6.97)</u>	<u>\$ (6.18)</u>
Diluted	<u>\$ 4.99</u>	<u>\$ 4.59</u>	<u>\$ (6.97)</u>	<u>\$ (6.18)</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

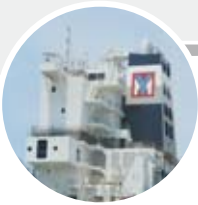
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YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 YEARS ENDED DECEMBER 31, 2010 AND 2009
 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Capital Surplus (Notes 2 and 17)		Retained Earnings (Accumulated Loss) (Notes 2 and 17)			Other Equity (Notes 2 and 17)			Total Stockholders' Equity	
	Shares (Thousands)	Amount	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit)	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost		Unrealized Gain (Loss) on Financial Instruments
BALANCE, JANUARY 1, 2009	2,562,466	\$ 25,624,665	\$ 7,499,701	\$ 1,480,009	\$ 8,872	\$ 3,814,813	\$ 2,067,513	\$ 6,074,029	\$ 447,853	\$ (36,590)	\$ 25,832	\$ 47,006,697
Appropriations of 2008 earnings	-	-	-	-	-	-	-	(54,730)	-	-	-	-
Legal reserve	-	-	-	-	-	54,730	-	(54,730)	-	-	-	(384,370)
Cash dividends - \$0.15 per share	-	-	-	-	-	-	-	(384,370)	-	-	-	(384,370)
Net loss for the year ended December 31, 2009	-	-	-	-	-	-	-	(15,841,129)	-	-	-	(15,841,129)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(179,327)	-	-	(179,327)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(2,716)	258,664	255,948
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	944,779	944,779
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	(30,181)	(30,181)
Effect of changes on sale long-term equity-method investments	-	-	-	-	55	-	-	-	(27,900)	-	1,811	(26,034)
Changes in net loss not recognized pension cost	-	-	-	-	-	-	-	-	13,927	-	-	13,927
BALANCE, DECEMBER 31, 2009	2,562,466	25,624,665	7,499,701	1,480,009	8,927	3,869,543	2,067,513	(10,206,200)	240,626	(25,379)	1,200,905	31,760,310
Composition of 2009 deficits	-	-	-	-	-	-	-	2,789,135	-	-	-	-
Capital surplus - additional paid-in capital	-	-	(2,789,135)	(1,480,009)	-	-	-	1,480,009	-	-	-	-
Capital surplus - treasury stock transactions	-	-	-	-	-	(3,869,543)	-	3,869,543	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	-	-	(2,067,513)	2,067,513	-	-	-	-
Net income for the year ended December 31, 2010	-	-	-	-	-	-	-	11,787,853	-	-	-	11,787,853
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(711,013)	-	-	(711,013)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	398	(58,523)	(58,125)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(723,838)	(723,838)
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	(6,522)	(6,522)
Changes in net loss not recognized pension cost	-	-	-	-	-	-	-	-	-	(1,518)	-	(1,518)
Effect of changes on sale long-term equity-method investments	-	-	-	-	-	-	-	-	1,336	-	(2)	1,334
BALANCE, DECEMBER 31, 2010	2,562,466	\$ 25,624,665	\$ 4,710,566	\$ -	\$ 8,927	\$ -	\$ -	\$ 11,787,853	\$ (469,051)	\$ (26,499)	\$ (413,020)	\$ 42,049,481

The accompanying notes are an integral part of the financial statements.
 (With Deloitte & Touche audit report dated March 9, 2011)



YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 11,787,853	\$ (15,841,129)
Depreciation	3,354,658	2,904,784
Amortization	26,150	42,056
Unrealized exchange gain	(77,937)	(3,443)
Reversal of doubtful accounts	(3,144)	-
Provision for (reversal of) allowance for loss on shipping fuel	33,334	(552,681)
Gain on sale of investments	(281,343)	(129,487)
Gain on disposal of properties, net	(168,531)	(383,425)
Provision for pension cost	49,749	68,747
Impairment loss on available-for-sale financial assets	-	174,789
Impairment loss on financial assets carried at cost	4,665	54,313
Impairment loss on properties and other assets	36,686	-
Investment loss (income) recognized under equity method	(224,339)	1,133,757
Cash dividends received from equity method investee	1,117,223	1,446,055
Valuation (gain) loss on financial assets	(80,826)	43,808
Deferred income tax	582,446	(2,011,034)
Valuation (gain) loss on financial liabilities	86,174	(126,156)
Others	19,557	(1,117)
Changes in operating assets and liabilities		
Financial instruments held for trading	(240,950)	(63,753)
Accounts receivable	32,584	80,594
Accounts receivable from related parties	172,300	747,431
Other receivable from related parties	910,809	(833,863)
Shipping fuel	(1,021,953)	(932,923)
Prepaid expenses	104,478	(67,704)
Advances to shipping agents	(39,202)	(906,549)
Other current assets	(18,209)	(116,067)
Financial liabilities held for trading	-	(18,978)
Accrued expenses	1,635,505	1,317,528
Accrued expenses - related parties	43,939	78,805
Income tax payable	56,430	-
Advances from customers	590,098	596,701
Payable to shipping agents	(70,858)	(744,698)
Payable to shipping agents - related parties	320,246	(2,009,200)
Other current liabilities	(23,786)	(71,156)
Advances on long-term rent agreements	41,106	41,106
Net cash provided by (used in) operating activities	<u>18,754,912</u>	<u>(16,082,889)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(22,727,445)	(7,984,389)
Proceeds from disposal of available-for-sale financial assets	14,507,925	8,129,411
Proceeds of capital reduction from equity method investees	237,507	-

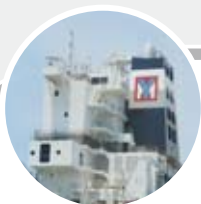
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YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Acquisition of investments accounted for using equity method	\$ (2,341,460)	\$ (1,000,000)
Proceeds from disposal of investments accounted for using equity method	360,133	984,058
Acquisition of financial assets carried at cost	-	(95,000)
Proceeds from disposal of financial assets carried at cost	477,081	-
Acquisition of properties	(703,083)	(252,700)
Acquisition of nonoperating assets	(5,074)	(100,800)
Proceeds from disposal of properties	187,921	393,365
(Increase) decrease in long-term receivable from related parties	(2,382,014)	3,365,093
Increase in deferred charges	(12,754)	(50,778)
(Increase) decrease in other assets	216,616	(6,036)
Decrease in refundable deposits	53	-
Increase in restricted assets	-	(310,866)
	<u> </u>	<u> </u>
Net cash (used in) provided by investing activities	<u>(12,184,594)</u>	<u>3,071,358</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	-	(500,000)
Proceeds from long-term debt	1,660,000	15,616,000
Repayment of long-term debt	(5,448,606)	(940,885)
Issuance of principal of bonds	4,964,503	-
Repayment of principal of bonds	(2,082,000)	(1,584,000)
Decrease in payments of obligations under capital leases	(29,113)	(80,897)
Decrease in other liabilities	(72,888)	(14,121)
Cash dividends and employees' bonus paid	-	(384,240)
	<u> </u>	<u> </u>
Net cash (used in) provided by financing activities	<u>(1,008,104)</u>	<u>12,111,857</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	5,562,214	(899,674)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	<u>3,792,641</u>	<u>4,692,315</u>
CASH AND CASH EQUIVALENT, END OF YEAR	<u>\$ 9,354,855</u>	<u>\$ 3,792,641</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 921,478</u>	<u>\$ 897,148</u>
Income tax paid	<u>\$ 389,821</u>	<u>\$ 190,615</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of assets leased to others and nonoperating assets into properties	<u>\$ 14,265</u>	<u>\$ -</u>
Reclassification of investment into deduction to long-term receivables from related parties	<u>\$ 1,670,538</u>	<u>\$ 266,531</u>
Current portion of long-term interest-bearing debts	<u>\$ 14,617,839</u>	<u>\$ 5,135,422</u>

(Continued)



YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties	\$ 1,392,873	\$ 4,253,494
Decrease in payables for equipment purchased	-	40,398
Decrease in long-term receivables from related parties	-	(4,041,192)
Increase in obligations under capital lease	<u>(689,790)</u>	<u>-</u>
Cash paid	<u>\$ 703,083</u>	<u>\$ 252,700</u>
Proceeds from disposal of available-for-sale financial assets	\$ 23,282,158	\$ 7,984,892
Receivables from disposal of securities	<u>(554,713)</u>	<u>(503)</u>
Cash paid	<u>\$ 22,727,445</u>	<u>\$ 7,984,389</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

1. ORGANIZATION AND OPERATIONS

Yang Ming Marine Transport Corporation (the “Corporation”), established in December 1972, was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the Corporation’s listing of its shares of stock on the ROC Taiwan Stock Exchange. The MOTC owned 35.51% of the Corporation’s outstanding capital stock at December 31, 2010 and 2009.

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 depository receipts (GDRs), which have been listed on the London Stock Exchange (ticker symbol: YMTD) since November 1996.

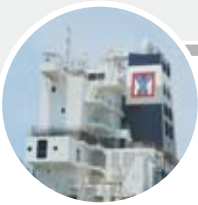
As of December 31, 2010 and 2009, the Corporation had 1,575 and 1,522 employees, respectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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



Significant accounting policies are summarized as follows:

Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Cash equivalents, consisting of repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

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

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

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

Shipping Fuel

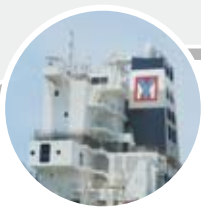
Shipping fuel is stated at the lower of cost or net realizable value. Any write-down is made item by item. Shipping fuel is recorded at weighted-average cost.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Investments Accounted for by the Equity Method

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



The acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee. Profits from sales of products between equity-method investees are deferred to the extent of the Company's equity interests in these investees.

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

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

Properties and Assets Leased to Others

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

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

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

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

Nonoperating Assets

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

Impairment of Assets

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

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

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

Computer Software

Computer software acquired are initially recorded at cost and are amortized on a straight-line method over periods ranging from 2 years to 12 years.

Deferred Charges

Deferred charges refer to issuance expenses of bonds issued on or before December 31, 2005. These are capitalized and amortized using the straight-line method over periods ranging from 7 years to 12 years.

Pension Cost

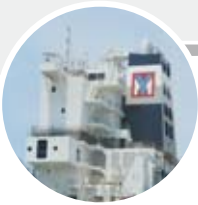
Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Unrealized Gain (Loss) on Sale and Leaseback

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

Provision for Onerous Contract

The onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.



Income Tax

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

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

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

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

The Corporation and its subsidiary, Kuang Ming Shipping Corp., elected to file consolidated tax returns. This election resulted in adjustments of the differences in income tax expense and deferred income taxes between the Corporation and its subsidiary will be adjusted and any related distribution or due payments arising from the adjustments in the consolidated tax returns adjustments will be recorded as receivables from or payables to related parties on the financial statements.

Foreign Currencies

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

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

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

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

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

a. Fair value hedge

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

b. Cash flow hedge

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2009 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2010.

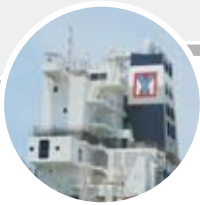
3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

On January 1, 2009, the Corporation adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; and (2) write-downs of inventories and any reversal of write-downs are recorded as operating cost for the period. The adoption resulted in an increase of \$11,520 thousand in net loss and an increase of \$0.004 in after income tax basic loss per share for the year ended December 31, 2009.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Cash		
Petty cash and cash on hand	\$ 2,023	\$ 3,501
Checking accounts and demand deposits	5,506,905	1,871,159
Time deposits: Interest - 0.35% to 4.90% in 2010 and 0.23% to 2.33% in 2009	<u>3,845,927</u>	<u>1,537,981</u>
	9,354,855	3,412,641
Cash equivalents		
Repurchase agreements collateralized by bonds: interest - 0.25%	<u> -</u>	<u>380,000</u>
	<u>\$ 9,354,855</u>	<u>\$ 3,792,641</u>

As of December 31, 2010 and 2009, the Corporation had none of time deposits with maturity of over one year.



V、Financial Information

The overseas deposits as of December 31, 2010 and 2009 are summarized in the accompanying Schedule A and B.

5. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

Financial assets at FVTPL:

	December 31	
	2010	2009
<u>Financial assets held for trading</u>		
Principal guarantee goods	\$ 590,213	\$ 30,094
Mutual funds	40,666	214,982
Quoted stocks	1,962	2,052
Forward exchange contracts	-	7,086
	<u>\$ 632,841</u>	<u>\$ 254,214</u>

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

As of December 31, 2010, the forward contracts have been settled.

Outstanding forward contracts as of December 31, 2009 were as follows:

	Currency	Duration	Contract Amount (In Thousands)	Fair Value (In Thousands)
<u>December 31, 2009</u>				
Buy	US\$/NT\$	January 2010	USD30,000/TWD966,000	\$ 5,604
Sell	US\$/NT\$	January 2010	USD30,000/TWD966,000	1,482

The Corporation entered into crude oil swap and oil swap option contracts. The contracts were settled amounting USD2,100 thousand to USD11,992 thousand by month. As of December 31, 2010 and 2009, the crude oil swap and oil swap option contracts have been settled.

Net gains arising from financial assets held for trading were \$193,974 thousand for the year ended December 31, 2010 and \$39,277 thousand for the year ended December 31, 2009.

Net gains (losses) arising from financial liabilities held for trading were \$(40,303) thousand for the year ended December 31, 2010 and \$126,156 thousand for the year ended December 31, 2009.

As of December 31, 2010 and 2009, the receivables from disposal of securities were \$25,178 thousand and \$10,250 thousand, respectively, and were recognized as other receivables. The proceeds have been received.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2010	2009
Mutual funds	\$ 8,281,061	\$ 288,281
Domestic quoted stocks	2,772,534	3,722,880
Corporation bonds	<u>58,280</u>	<u>64,060</u>
	11,111,875	4,075,221
Less: Current portion	<u>(8,479,668)</u>	<u>(777,887)</u>
	<u>\$ 2,632,207</u>	<u>\$ 3,297,334</u>

As of December 31, 2010 and 2009, the receivables from disposal of securities were \$554,713 thousand and \$503 thousand, respectively, and were recognized as other receivables. The proceeds have been received.

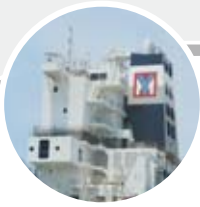
7. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31			
	2010		2009	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Domestic unquoted common stocks				
Taipei Port Container Terminal Co., Ltd.	\$ 406,640	9.76	\$ 406,640	9.76
United Stevedoring Corporation	5,000	10.00	5,000	10.00
New Century Infocomm Co., Ltd.	-	-	427,789	1.68
Overseas unquoted common stocks				
Antwerp International Terminal	<u>-</u>	16.33	<u>4,665</u>	16.33
	<u>\$ 411,640</u>		<u>\$ 844,094</u>	

The Corporation had invested in preferred stock of New Century Infocomm Co., Ltd. (NCIC). According to the articles of incorporation and the resolution of NCIC's board of directors on February 27, 2009, NCIC's preferred stock had been transferred into common stock on March 10, 2009. In June 2009, the shareholders of NCIC resolved to reduce capital in order to offset NCIC's accumulated losses. The capital reduction ratio was 35.0138%, each original 1,000 shares had been transferred to 649.86225 new shares. NCIC's board of directors resolved August 1, 2009 as the record date of the capital reductions and the Corporation acquired 43,780,180 shares as a result of the capital reduction.

On July 23, 2010, the Corporation's board of directors resolved to dispose of all its 43,780,180 shares in NCIC to Yuan Cing Infocomm Tech Co., Ltd. through tender offer. The purchase price is NT\$10.93 per share in cash. The Corporation recognized a gain on disposal amounting to \$49,292 thousand. The proceeds have been received.

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



8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$ 4,487,685	100.00	\$ 3,767,414	100.00
Kuang Ming Shipping Corp.	4,547,582	93.24	5,478,453	100.00
All Oceans Transportation, Inc.	4,364,025	100.00	4,894,610	100.00
Kao Ming Container Terminal Corp.	4,022,887	100.00	1,818,097	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,645,246	100.00	1,630,396	100.00
Ching Ming Investment Co., Ltd.	1,640,812	100.00	1,538,107	100.00
Yes Logistics Corp.	542,675	50.00	482,341	46.04
Yang Ming Line Holding Co.	292,663	100.00	23,780	100.00
Yunn Wang Investment Co., Ltd.	199,640	49.75	252,135	49.75
Honming Terminal & Stevedoring Co., Ltd.	121,907	79.17	346,722	79.17
Jing Ming Transportation Co., Ltd.	117,695	50.98	113,936	50.98
Transyang Shipping Pte. Ltd.	90,614	49.00	217,924	49.00
Yang Ming (Liberia) Corp.	<u>(1,670,538)</u>	100.00	<u>(266,531)</u>	100.00
	20,402,893		20,297,384	
Add: Investment deducted from long-term receivables from related parties	<u>1,670,538</u>		<u>266,531</u>	
	<u>\$ 22,073,431</u>		<u>\$ 20,563,915</u>	

Movements of the difference between the cost of investments and the Corporation's share in investees' net assets for the year ended December 31, 2010 as follows:

	Undepreciable Assets
Balance, beginning of year	\$ -
Additions	<u>671</u>
Balance, end of year	<u>\$ 671</u>

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

	Years Ended December 31	
	2010	2009
Yang Ming Line (B.V.I.) Holding Co., Ltd.	\$ 1,163,320	\$ (1,090,155)
Kuang Ming Shipping Corp.	551,073	1,068,363
Yang Ming Line Holding Co.	293,217	(289,266)
Yang Ming Line (Singapore) Pte. Ltd.	158,626	43,882
Ching Ming Investment Co., Ltd.	128,125	39,396
Transyang Shipping Pte. Ltd.	34,057	157,132
Yes Logistics Corp.	30,935	(34,075)
Honming Terminal & Stevedoring Co., Ltd.	16,640	1,851
Yunn Wang Investment Co., Ltd.	10,764	20,101
Jing Ming Transportation Co., Ltd.	9,015	4,276

(Continued)

	Years Ended December 31	
	2010	2009
Kao Ming Container Terminal Corp.	\$ (96,156)	\$ 31,088
All Oceans Transportation, Inc.	(530,585)	(644,729)
Yang Ming (Liberia) Corp.	(1,544,692)	(445,623)
Chunghwa Investment Co., Ltd.	-	5,419
Ming Giant (Shanghai) International Logistics Co., Ltd.	-	(1,417)
	<u>\$ 224,339</u>	<u>\$ (1,133,757)</u> (Concluded)

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

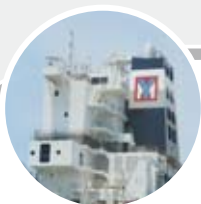
The Corporation committed to support the operation of Yang Ming (Liberia) Corp. and therefore the credit balance of \$1,670,538 thousand and \$266,531 thousand on this investment was reclassified as deduction from long-term receivables from related parties as of December 31, 2010 and 2009, respectively.

In order to engage in the building and operation of Kaohsiung harbor intercontinental container center, the Corporation founded a chartered subsidiary, Kao Ming Container Terminal Corp., which had a contract namely 'First stage of Kaohsiung harbor intercontinental container center construction and operation project' with MOTC Harbor Bureau. The contract commenced on September 28, 2007 and will last for 50 years including the building and operation periods. The board of directors of the Corporation resolved to increase investment in Kao Ming Container Terminal Corp. within the capital disbursement, \$3,700,000 thousand, and the amount of capital increase on in 2010 and 2009 were \$2,300,000 thousand and \$1,000,000 thousand, respectively. Kao Ming Container Terminal Corp. secured a \$16,200,000 thousand syndicated loan from banks on December 18, 2008, so as to fund the construction of Kaohsiung Intercontinental Container Terminal, and as of December 31, 2010 the banks had allotted \$5,540,000 thousand.

For financing the investment project on Euromax terminal in Rotterdam, the board of directors of the Corporation resolved to increase the capital investment by €12,620,000 in Yang Ming Line (Singapore) Pte. Ltd. on January 11, 2008. As of March 1, 2011, the investment fund is still not remitted by Corporations.

The Corporation disposed all interests of Chunghwa Investment Co., Ltd., to Chunghwa Telecom Co., Ltd, a related party due to these two companies are both under control of MOTC during September 2009. The selling price was \$758,709 thousand, within a net cash flow in \$756,433 thousand after paying related expenses, and the Corporation recognized a gain on disposal amounting to \$5,164 thousand. The proceeds have been received.

The Corporation disposed all equity investment of Ming Giant (Shanghai) International Logistics Co., Ltd., to China Nanshan Development (Group) Incorporation during December 2009. The selling price after tax was US\$7,268 thousand, and then accrued related liabilities \$9,383 thousand, the Corporation recognized a disposal gain \$26,489 thousand. The proceeds have been received.



In order to improve the Group's entire operating efficiency, enhance the Group's financial structure and to facilitate initial public offering of Kuang Ming Shipping Corp., a subsidiary of the Corporation, the Corporation's board of directors resolved on June 18, 2010 to disposed partial interests of Kuang Ming Shipping Corp. held by the Corporation. The maximum disposal amount of stock will not exceed 61,500 thousand shares (approximately equal to 30% of Kuang Ming Shipping Corp's share capital), and disposal price will depend on Kuang Ming Shipping Corp's operating performance and the market price at the time. As of December 31, 2010, the Corporation has disposed 13,894 thousand shares to employees (approximately equal to 6.76% of Kuang Ming Shipping Corp's current share capital) at \$25.97 per share, and recognized a disposal gain of \$22,377 thousand.

As required by the revised ROC SFAS No. 7 - "Consolidated Financial Statements", control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless it can be clearly shown that such ownership does not constitute as a control interest. Thus, the consolidated financial statements as of and for the year ended December 31, 2010 and 2009 include the accounts of the Corporation and its direct and indirect subsidiaries. The Corporation doesn't have control over Transyang Shipping Pte. Ltd., Chunghwa Investment Co., Ltd. and Yunn Wang Investment Co., Ltd., therefore the accounts of these companies were not included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated.

9. PROPERTIES

	Year Ended December 31, 2010								Total
	Land	Buildings	Containers and Chassis	Ships	Leased Assets	Leaschold Improvements	Miscellaneous Equipment	Construction in Process	
Cost									
Beginning balance	\$ 330,069	\$ 728,683	\$ 22,906,639	\$ 6,453,650	\$ 2,178,416	\$ 146,272	\$ 2,690,174	\$ -	\$ 35,433,903
Addition	-	-	547,912	127,349	689,790	-	27,822	-	1,392,873
Disposal	-	-	(449,193)	(51,119)	-	-	(82,255)	-	(582,567)
Reclassification	-	19,816	-	-	-	-	-	-	19,816
Ending balance	<u>\$ 330,069</u>	<u>748,499</u>	<u>23,005,358</u>	<u>6,529,880</u>	<u>2,868,206</u>	<u>146,272</u>	<u>2,635,741</u>	<u>\$ -</u>	<u>36,264,025</u>
Accumulated depreciation									
Beginning balance	-	140,356	14,022,346	725,857	2,049,611	129,657	1,505,161	-	18,572,988
Addition	-	13,909	2,000,429	1,031,793	94,112	3,627	184,142	-	3,328,012
Disposal	-	-	(429,868)	(51,118)	-	-	(82,191)	-	(563,177)
Reclassification	-	5,551	-	-	-	-	-	-	5,551
Ending balance	-	<u>159,816</u>	<u>15,592,907</u>	<u>1,706,532</u>	<u>2,143,723</u>	<u>133,284</u>	<u>1,607,112</u>	-	<u>21,343,374</u>
Accumulated impairment									
Beginning balance	-	-	-	-	-	-	-	-	-
Addition	-	-	-	-	-	-	25,740	-	25,740
Ending balance	-	-	-	-	-	-	<u>25,740</u>	-	<u>25,740</u>
		<u>\$ 588,683</u>	<u>\$ 7,412,451</u>	<u>\$ 4,823,348</u>	<u>\$ 724,483</u>	<u>\$ 12,988</u>	<u>\$ 1,002,889</u>		<u>\$ 14,894,911</u>

	Year Ended December 31, 2009								Total
	Land	Buildings	Containers and Chassis	Ships	Leased Assets	Leaschold Improvements	Miscellaneous Equipment	Construction in Process	
Cost									
Beginning balance	\$ 330,069	\$ 728,683	\$ 23,566,163	\$ 2,385,128	\$ 2,178,416	\$ 146,272	\$ 2,557,663	\$ 88,666	\$ 31,981,060
Addition	-	-	15,958	4,073,816	-	-	32,604	131,116	4,253,494
Disposal	-	-	(665,626)	(5,294)	-	-	(119,875)	-	(790,795)
Reclassification	-	-	(9,856)	-	-	-	219,782	(219,782)	(9,856)
Ending balance	<u>\$ 330,069</u>	<u>728,683</u>	<u>22,906,639</u>	<u>6,453,650</u>	<u>2,178,416</u>	<u>146,272</u>	<u>2,690,174</u>	<u>\$ -</u>	<u>35,433,903</u>
Accumulated depreciation									
Beginning balance	-	126,549	12,502,218	251,823	2,017,397	126,029	1,425,702	-	16,449,718
Addition	-	13,807	2,185,770	479,328	32,214	3,628	199,234	-	2,913,981
Disposal	-	-	(655,786)	(5,294)	-	-	(119,775)	-	(780,855)
Reclassification	-	-	(9,856)	-	-	-	-	-	(9,856)
Ending balance	-	<u>140,356</u>	<u>14,022,346</u>	<u>725,857</u>	<u>2,049,611</u>	<u>129,657</u>	<u>1,505,161</u>	-	<u>18,572,988</u>
		<u>\$ 588,327</u>	<u>\$ 8,884,293</u>	<u>\$ 5,227,793</u>	<u>\$ 128,805</u>	<u>\$ 16,615</u>	<u>\$ 1,185,013</u>		<u>\$ 16,860,915</u>

Based on valuation report, the Corporation recognized impairment loss on miscellaneous equipment amounting to \$25,740 thousand.

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 24. The terms of the leases were from nine years to ten years for containers. The annual rent payable on leased containers under the agreements is US\$4,337 thousand. The Corporation has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US\$1 per unit. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to the Corporation at no additional cost. The details of these leases as of December 31, 2010 and 2009 were as follows:

	December 31			
	2010		2009	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	\$ 30,772	\$ 896,680	\$ 4,520	\$ 144,769
Less: Unamortized interest expense	<u>6,143</u>	<u>179,011</u>	<u>307</u>	<u>9,840</u>
	<u>\$ 24,629</u>	<u>\$ 717,669</u>	<u>\$ 4,213</u>	<u>\$ 134,929</u>

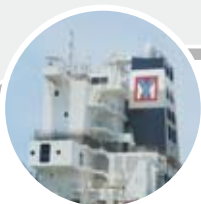
10. ASSETS LEASED TO OTHERS

	December 31	
	2010	2009
Cost		
Land	\$ 2,928,721	\$ 2,928,721
Buildings	<u>1,225,818</u>	<u>1,244,328</u>
	4,154,539	4,173,049
Accumulated depreciation - buildings	<u>183,055</u>	<u>160,050</u>
	<u>\$ 3,971,484</u>	<u>\$ 4,012,999</u>

Future rental payments receivable were summarized as follows:

Fiscal Year	Amount
2011	\$ 71,681
2012	38,462
2013	30,812
2014	21,806
2015	10,693

Rentals after 2016 amount to \$5,893 thousand. The present value of those rentals, computed at an annual interest rate of 1.135%, is \$5,570 thousand.



11. NONOPERATING ASSETS, NET

	December 31	
	2010	2009
Cost		
Land	\$ 323,589	\$ 318,515
Buildings	<u>1,746</u>	<u>3,737</u>
	325,335	322,252
Accumulated depreciation - buildings	<u>1,746</u>	<u>3,115</u>
	<u>\$ 323,589</u>	<u>\$ 319,137</u>

12. ADVANCES ON LONG-TERM RENT AGREEMENT

For the purpose of managing storage, processing, transfer and distribution of goods, the Corporation collaborated with MOTC Harbor Bureau in building and operating the First and Second Logistics Centers of the Kaohsiung Third Container Center. The transferring procedures of First Logistics Center had been completed. According to the contract, the Corporation is entitled to the use of the center for 30 years based on the initial investment made by the Corporation. The project of the Second Logistics Center of the Kaohsiung Third Container Center had been completed in October, 2007 and the use of the center commenced in 2008. Owing to the remaining issues regarding the time frame for free tenancy, the Corporation reclassified the original investment of \$691,554 thousand (construction in process) into advances on long-term rent agreement which are amortized over 23 years and 10 months.

13. LONG-TERM INTEREST-BEARING DEBTS

	Current	Long-term	Total
<u>December 31, 2010</u>			
Long-term unsecured bank loans	\$ -	\$ 1,000,000	\$ 1,000,000
Long-term secured bank loans	3,455,438	12,091,071	15,546,509
Domestic unsecured bonds	11,080,000	3,960,000	15,040,000
Domestic secured bonds	-	4,985,210	4,985,210
Commercial paper	-	1,840,000	1,840,000
Capital leases	<u>82,401</u>	<u>635,268</u>	<u>717,669</u>
	<u>\$ 14,617,839</u>	<u>\$ 24,511,549</u>	<u>\$ 39,129,388</u>
<u>December 31, 2009</u>			
Long-term unsecured bank loans	\$ -	\$ 1,900,000	\$ 1,900,000
Long-term secured bank loans	3,022,605	14,952,510	17,975,115
Domestic unsecured bonds	2,082,000	15,040,000	17,122,000
Commercial paper	-	2,300,000	2,300,000
Obligation under capital leases	<u>30,817</u>	<u>104,112</u>	<u>134,929</u>
	<u>\$ 5,135,422</u>	<u>\$ 34,296,622</u>	<u>\$ 39,432,044</u>

Long-term Unsecured Bank Loans

The unsecured bank loan will be repaid in New Taiwan dollars in one-lump sum payment at maturity in June 2012. The balance of 2009 was repaid in advance in July 2010. The Corporation will repay residual amount in December 2012. Interest rate were 0.8% and 0.98%-1.00% on December 31, 2010 and 2009, respectively.

Long-term Secured Bank Loans

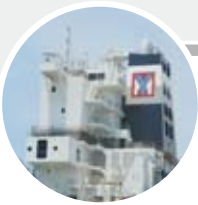
Secured bank loans are repayable in installments at varying amounts in New Taiwan dollars with the latest maturity in June 2016. Interest rates were 0.9789% to 2.1% and 0.84253% to 2.1% on December 31, 2010 and 2009, respectively. The Corporation's ships, containers, assets leased to others, and the ships of a subsidiary, All Oceans Transportation, Inc., are pledged as collaterals for the secured loans.

Domestic Unsecured Bonds

On various dates, the Corporation issued domestic unsecured bonds; the dates and the aggregate face values were as follows: \$1,800,000 thousand on June 1, 2000 (the "June 2000 Bonds"); \$2,400,000 thousand on November 20, 2000 (the "November 2000 Bonds"); \$1,600,000 thousand on June 18, 2004 (the "June 2004 Bonds"), \$5,000,000 thousand from October 8 to October 20 in 2004 (the "October 2004 Bonds"); \$2,500,000 thousand from December 8 to December 14 in 2004 (the "December 2004 Bonds") \$6,000,000 thousand on October 23, 2006 (the "October 2006 Bonds").

Other bond features and terms were as follows:

- June 2000 Bonds: Repayments: 33% - June 1, 2008, 33% - June 1, 2009, and 34% June 1, 2010; 6.09% annual interest. As of December 31, 2010, the bonds have been repaid.
- November 2000 Bonds: Repayments: 20% - November 20, 2010, 40% - November 20, 2011, and 40% - November 20, 2012; 6.02% annual interest.
- June 2004 Bonds: Type A - Aggregate face value of \$600,000 thousand and maturity on June 18, 2011; 2.46% annual interest.
- Type B - Aggregate face value of \$500,000 thousand and maturity on June 18, 2011 at USD 6-month LIBOR rate (the target rate) when the target rate is smaller than 1.15%; at 4.4% when the target rate is between 1.15% and 3.5%; at 6% less the target rate when the target rate is greater than 3.5%. The interest rate should not be smaller than 0% and will be reset quarterly.
- Type C - Aggregate face value of \$500,000 thousand and maturity on June 18, 2011 at 4.5% interest multiplied by a ratio (interest-bearing days per month divided by interest-bearing days per year) when USD 6-month LIBOR rate (the target rate) is between a certain interest range; at 0% when the target rate is out of the interest range.
- October 2004 Bonds: Type A, B, D, E, G, H, I - Aggregate face value of \$500,000 thousand and maturity from October 8 to October 20 in 2011; 3.30% annual interest.
- Type C - Aggregate face value of \$800,000 thousand and maturity on October 12, 2011; 3.30% annual interest.
- Type F - Aggregate face value of \$700,000 thousand and maturity on October 15, 2011; 3.30% annual interest.



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

October 2006 Bonds: Type A - Aggregate face value: \$3,000,000 thousand; repayments: 33% - October 23, 2009, 33% - October 23, 2010, and 34% - October 23, 2011; 2.09% annual interest. The Corporation had paid off \$1,980,000 thousand as of December 31, 2010.

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

Domestic Secured Bonds

On May 20, 2010, the Corporation issued five-year domestic secured bonds with an aggregate face value of \$5,000,000 thousand.

The bond features and terms are as follows:

May 2010 bonds: Type A - aggregate face value: \$500,000 thousand; repayments: 50% - May 20, 2014 and 50% May 20, 2015, 1.42% annual interest.

Type B - aggregate face value of \$1,000,000 thousand; repayments: 50% - May 20, 2014 and 50% - May 20, 2015; 1.42% annual interest.

Type C - aggregate face value: \$500,000 thousand; repayments: 50% - May 20, 2014 and 50% May 20, 2015, 1.42% annual interest.

Type D - aggregate face value: \$500,000 thousand; repayments: 50% - May 20, 2014 and 50% May 20, 2015, 1.42% annual interest.

Type E - aggregate face value of \$1,000,000 thousand; repayments: 50% - May 20, 2014 and 50% - May 20, 2015; 1.42% annual interest.

Type F - aggregate face value: \$500,000 thousand; repayments: 50% - May 20, 2014 and 50% May 20, 2015, 1.42% annual interest.

Type G - aggregate face value: \$500,000 thousand; repayments: 50% - May 20, 2014 and 50% May 20, 2015, 1.42% annual interest.

Type H - aggregate face value: \$500,000 thousand; repayments: 50% - May 20, 2014 and 50% May 20, 2015, 1.42% annual interest.

Guarantees:

Type A: Guaranteed by Taiwan Bank.

Type B: Guaranteed by Cathay United Commercial Bank.

Type C: Guaranteed by Taiwan Cooperative Commercial Bank.

Type D: Guaranteed by China Trust Commercial Bank.

Type E: Guaranteed by First Commercial Bank.

Type F: Guaranteed by Yuanta Commercial Bank.

Type G: Guaranteed by Hua Nan Commercial Bank.

Type H: Guaranteed by Shanghai Commercial & Savings Bank.

According to performance guarantee agreements, the Corporation has to pay annual advanced guarantee on the date of issuance and every year thereafter. The guarantee payments are recognized as the costs of the corporate bond issuance and are amortized over the issuance period. As of December 31, 2010, unamortized cost of issuance amounted to \$14,790 thousand.

Commercial Paper

The Corporation signed a three-year united underwriting contract for purchase of commercial paper on March 27, 2009 and the first supplementary contract on August 14, 2009, respectively, with International Bills Finance Corporation. International Bills Finance Corporation, as the lead underwriter, issued long-term commercial papers with a credit limit of \$2,300,000 thousand. The underwriting credit limit was based on the ships of All Oceans Transportation, Inc., a subsidiary of the Corporation, as collaterals. The ownership of the ships mentioned above had been transferred to the Corporation on May and July 2009, and the re-mortgage process was completed on September 2009. The Corporation had repaid commercial papers of \$460,000 thousand as of December 31, 2010. The bills payable will be fully repaid by March 31, 2012. The Corporation can issue the commercial papers in a revolving scheme during the period of the financing contract, and issuance period of each commercial paper cannot be over 90 days. The Corporation should repay all debts under the contract at maturity date. Because the contract period is over one year, and the Corporation intended to keep refinancing for long term, the bills payable are included in long-term debts. The interest rate is the Fixing Rate of 90-day referred to in Reuters (Page 6165) plus spread. The interest rate were 1.376% and 1.088% on December 31, 2010 and 2009, respectively.

Obligations Under Capital Leases

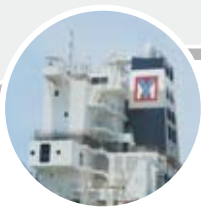
Obligations under capital leases are summarized in Note 9.

14. ACCRUED EXPENSES

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
Fuel	\$ 2,920,576	\$ 2,369,152
Space hire	1,211,060	468,524
Salary and bonus	948,121	61,855
Container lease	470,357	399,842
Vessel charter hire	204,169	942,914
Interest	143,769	131,962
Others	<u>453,629</u>	<u>341,927</u>
	<u>\$ 6,351,681</u>	<u>\$ 4,716,176</u>

15. 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.



16. PENSION PLAN

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

- a. The pension plan under the Labor Standards Law for onshore employees is a defined benefit plan. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributed amounts equal to 3% of salaries every month; starting from September 2010, the Corporation contributes amounts equal to 13% of salaries to the pension fund. The pension fund is administered by the pension fund monitoring committee and deposited in the committee's name in the Bank of Taiwan.

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

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

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

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

- 1) Net periodic pension cost was as follows:

	Years Ended December 31	
	2010	2009
Service cost	\$ 94,225	\$ 102,972
Interest cost	45,845	43,481
Projected return on plan assets	(8,456)	(12,301)
Amortization of net transition asset or obligation	(328)	(328)
Amortization of prior service cost	(1,544)	(1,544)
Amortization of unrecognized pension cost	<u>20,671</u>	<u>21,837</u>
Pension cost	150,413	154,117
Add: Investment deducted from long-term receivables from related parties	<u>(21,678)</u>	<u>(34,202)</u>
Net periodic pension cost	<u>\$ 128,735</u>	<u>\$ 119,915</u>

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

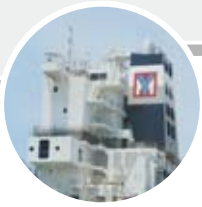
	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation (VBO)	\$ 927,572	\$ 856,307
Non-vested benefit obligation	655,407	679,989
Accumulated benefit obligation (ABO)	1,582,979	1,536,296
Additional benefit based on future salaries	509,708	524,089
Projected benefit obligation	2,092,687	2,060,385
Fair value of plan assets	(573,286)	(569,522)
Plan funded status	1,519,401	1,490,863
Unrecognized net transition asset	690	1,018
Unrecognized prior service cost	31,474	33,018
Unrecognized pension cost	(446,172)	(490,933)
Additional minimum pension liability	25,907	22,428
Accrued pension cost	<u>\$ 1,131,300</u>	<u>\$ 1,056,394</u>
Vested benefit	<u>\$ 1,311,091</u>	<u>\$ 1,229,862</u>

3) Actuarial assumptions

	Years Ended December 31	
	2010	2009
Discount rate	2.25%	2.25%
Future salary increase rate	2.50%	2.50%
Expected rate of return on plan assets	2.00%	1.50%

	Years Ended December 31	
	2010	2009
4) Contributions to the fund	<u>\$ 33,650</u>	<u>\$ 23,779</u>
5) Payments from the fund	<u>\$ 39,097</u>	<u>\$ 4,204</u>

- b. Pension plan is a defined contribution scheme under the Labor Pension Act for onshore employees and shipping crew. Starting on July 1, 2005, the Corporation makes monthly contributions to the employees' individual pension accounts in the Bureau of Labor Insurance at 6% of employees' salaries every month. The pension cost under the defined contribution plan was \$44,073 thousand and \$38,512 thousand for the years ended December 31, 2010 and 2009, respectively.
- c. In an effort to encourage employee retirement, hence improve the human resource structure and enhance vitality within organization, the Corporation calculates favorable retirement benefits according to the retirement policies. The Corporation recognized a pension cost of \$32,063 thousand for the year ended December 31, 2010.



17. STOCKHOLDERS' EQUITY

a. Global depositary receipts

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US\$11.64 dollars per unit. The holders of the GDRs may not exchange them for the Corporation's stocks. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the shares represented by the GDRs. As of December 31 2010, there were 4,812,196 units outstanding, representing 48,122,037 shares, 1.88% of total issued shares.

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

b. Capital surplus

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

c. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that various reserves should be set aside from annual net income less any accumulated losses. In addition, a special reserve should be appropriated as needed. For the remainder of the income plus accumulated unappropriated earnings, the board of directors should propose an appropriation plan and request the shareholders to pass and execute the plan. The appropriation of earnings should be in the following order:

- 1) 1% to 5% as bonus to employees;
- 2) 2% or less as remuneration to directors and supervisors; and
- 3) Remainder as stockholders' dividends.

For stock bonuses, the Articles of Incorporation provide that the Corporation should consider certain factors, including the Corporation's profits, the change in the environment of the industry, potential growth of the Corporation, costs, expenditures and the working capital for operation to propose the stock dividend appropriation plan. The Corporation shall declare at least 20% of the amount declared as dividends in the form of cash as opposed to the form of stock.

The Corporation did not accrue bonus to employees and remuneration to directors and supervisors due to the operating loss in 2009. The bonus to employees for the year ended December 31, 2010 was accrued amounting to \$156,886 thousand based on historical experience. Material difference between such estimated amount and the amount proposed by the Board of Directors in the following year is adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

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

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

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

On June 18, 2010, the Corporation's stockholders resolved to pass the proposal for reversing special reserve of \$2,067,513 thousand from prior year to offset against the deficit from 2009. In addition a deficit of \$8,138,687 thousand had been offset by the following:

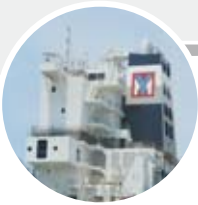
	2009
Capital surplus - treasury stock transactions	\$ 1,480,009
Capital surplus - additional paid-in capital	2,789,135
Legal reserve	<u>3,869,543</u>
	<u>\$ 8,138,687</u>

The appropriation of earnings for 2008 has been approved in the shareholder's held on June 19, 2009. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal capital reserve	\$ 54,730	
Cash dividends to shareholders	384,370	\$0.15

The bonus to employees of \$60,193 thousand for 2008 was approved in the stockholders' meeting on June 19, 2009, and was different from the accrual amount of \$59,261 thousand reflected in the financial statements for the year ended December 31, 2008. The difference of \$932 thousand, which resulted from a change in estimate had been adjusted in profit and loss for the year ended December 31, 2009.

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



V 、 Financial Information

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

d. Unrealized gain or loss on financial instruments

For the years ended December 31, 2010 and 2009, movements of unrealized gain or loss on financial instruments were as follows:

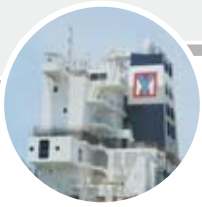
	Available- for-sale Financial Assets	Equity- method Investments	Gain (Loss) on Cash Flow Hedges	Total
<u>2010</u>				
Balance, beginning of year	\$ 1,148,278	\$ 65,103	\$ (12,476)	\$ 1,200,905
Recognized in shareholders' equity	(723,838)	(58,523)	(5,522)	(787,883)
Transferred to profit or loss	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Balance, end of year	<u>\$ 424,440</u>	<u>\$ 6,578</u>	<u>\$ (17,998)</u>	<u>\$ 413,020</u>
<u>2009</u>				
Balance, beginning of year	\$ 183,122	\$ (174,995)	\$ 17,705	\$ 25,832
Recognized in shareholders' equity	<u>965,156</u>	<u>240,098</u>	<u>(30,181)</u>	<u>1,175,073</u>
Balance, end of year	<u>\$ 1,148,278</u>	<u>\$ 65,103</u>	<u>\$ (12,476)</u>	<u>\$ 1,200,905</u>

18. INCOME TAX

According to regulations stipulated by Ruling Letter No. 910458039 dated February 12, 2003, "Principles and regulations of profit seeking businesses filing joint tax returns in accordance with Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", when a company holds more than 90% of the shares of a domestic subsidiary, the company and the subsidiary can file a joint tax return once the company holds more than 90% of the subsidiary for 12 months during a taxable year. The Corporation and Kuang Ming Shipping Corp. jointly filed income tax returns from 2009.

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

	<u>Years Ended December 31</u>	
	<u>2010</u>	<u>2009</u>
Income tax expense (benefit) at the statutory rate	\$ 2,178,132	\$ (4,465,496)
Tax effect on adjusting items:		
Permanent differences	(144,309)	(363,892)
Temporary differences	40,766	949,470
Loss carryforwards used	<u>(2,074,589)</u>	<u>3,879,918</u>
Income tax payable - current	-	-
Overseas income tax	245,676	189,504
		(Continued)



V、Financial Information

	Years Ended December 31	
	2010	2009
Deferred income tax expenses		
Temporary differences	\$ (42,181)	\$ (937,538)
Loss carryforwards	2,050,725	(2,881,634)
Effect of tax law changes on deferred income tax	17,397	(193,327)
Adjustment in valuation allowance	(1,443,495)	1,992,347
Tax effect on consolidated tax returns	-	(222,300)
Adjustment of prior years' taxes	196,569	31,788
Others	-	307
	<u> </u>	<u> </u>
Income tax expense (benefit) - current	<u>\$ 1,024,691</u>	<u>\$ (2,020,853)</u> (Concluded)

During the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

- 1) In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years.
- 2) In March 2009, the Legislative Yuan passed the amendment of Article 24 of the Income Tax Law, which requires (a) the profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income; and (b) the profit-seeking enterprise that invests in beneficiary securities or asset-based securities issued under the Financial Asset Securitization Act or Real Estate Securitization Act to include from January 1, 2010 the interest income arising, which was taxed separately prior to January 1, 2010, in its taxable income.
- 3) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.
- 4) Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.
- 5) In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

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

	December 31	
	2010	2009
Current		
Deferred income tax assets		
Unrealized loss shipping fuel valuation losses	\$ 7,625	\$ 2,304
Unrealized exchange loss	28,864	4,792
Others	<u>2,981</u>	<u>2,021</u>
	<u>\$ 39,470</u>	<u>\$ 9,117</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 381,083	\$ 2,881,634
Deferred pension cost	122,664	128,150
Unrealized impairment loss on long-term leases for chartered-in vessels	35,347	187,776
Unrealized impairment loss on financial assets	10,026	10,863
Impairment loss on properties and miscellaneous equipment	6,236	-
Unrealized loss on financial instruments	-	3,119
Investment loss recognized on overseas equity-method investments	<u>-</u>	<u>81,638</u>
	555,356	3,293,180
Less: Valuation allowance	<u>(250,000)</u>	<u>(1,992,347)</u>
	<u>305,356</u>	<u>1,300,833</u>
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(828,871)	(1,172,376)
Unrealized gain on financial instruments	(39,772)	-
Differences in estimated service lives of containers	<u>-</u>	<u>(18,473)</u>
	<u>(868,643)</u>	<u>(1,190,849)</u>
	<u>\$ (563,287)</u>	<u>\$ 109,984</u>

Loss carryforwards as of December 31, 2010 comprised of:

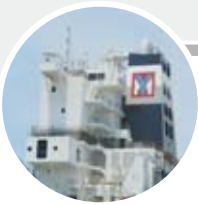
Unused Amount	Expiry Year
\$ 2,241,662	2019

The tax returns through 2007 had been assessed by the tax authorities.

c. Information about integrated income tax was as follows:

	December 31	
	2010	2009
Balance of the imputation credit account (ICA)	\$ 1,264,774	\$ 957,245

The estimated creditable ratio for distribution of earning of 2010 was 11.67%. For distribution of earnings generated on or after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.



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Due to the fact that deficit was resulted from operating losses in 2009, the ICA will be distributed and the creditable ratio will be calculated in the future when unappropriated earnings generated.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2010			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Personnel expenses				
Salary	\$ 932,179	\$ 1,584,576	\$ -	\$ 2,516,755
Insurance	33,804	67,985	-	101,789
Pension	76,206	128,665	-	204,871
Others	<u>83,056</u>	<u>126,889</u>	<u>-</u>	<u>209,945</u>
	<u>\$ 1,125,245</u>	<u>\$ 1,908,115</u>	<u>\$ -</u>	<u>\$ 3,033,360</u>
Depreciation	<u>\$ 3,262,079</u>	<u>\$ 64,706</u>	<u>\$ 27,873</u>	<u>\$ 3,354,658</u>
Amortization	<u>\$ 2,795</u>	<u>\$ 20,786</u>	<u>\$ 2,569</u>	<u>\$ 26,150</u>
	Year Ended December 31, 2009			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Personnel expenses				
Salary	\$ 610,196	\$ 768,741	\$ -	\$ 1,378,937
Insurance	32,460	63,209	-	95,669
Pension	62,463	95,964	-	158,427
Others	<u>48,478</u>	<u>85,309</u>	<u>-</u>	<u>133,787</u>
	<u>\$ 753,597</u>	<u>\$ 1,013,223</u>	<u>\$ -</u>	<u>\$ 1,766,820</u>
Depreciation	<u>\$ 2,806,809</u>	<u>\$ 70,508</u>	<u>\$ 27,467</u>	<u>\$ 2,904,784</u>
Amortization	<u>\$ 1,883</u>	<u>\$ 37,604</u>	<u>\$ 2,569</u>	<u>\$ 42,056</u>

20. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares (Denominator) (In Thousand Shares)	EPS(NTS)	
	Before Income Tax	Net Income (Loss)		Income Before Income Tax	Net Income (Loss)
Year ended December 31, 2010					
Basic EPS	\$ 12,812,544	\$ 11,787,853	2,562,466	<u>\$ 5.00</u>	<u>\$ 4.60</u>
Impact of dilutive potential common shares					
Bonus to employees	<u>-</u>	<u>-</u>	<u>6,333</u>		
Diluted EPS	<u>\$ 12,812,544</u>	<u>\$ 11,787,853</u>	<u>2,568,799</u>	<u>\$ 4.99</u>	<u>\$ 4.59</u>

(Continued)

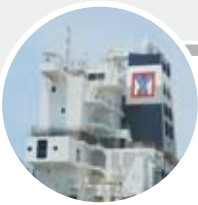
	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (In Thousand Shares)</u>	<u>EPS(NTS)</u>	
	<u>Before Income Tax</u>	<u>Net Income (Loss)</u>		<u>Income Before Income Tax</u>	<u>Net Income (Loss)</u>
<u>Year ended December 31, 2009</u>					
Basic EPS	\$(17,861,982)	\$(15,841,129)	2,562,466	<u>\$ (6.97)</u>	<u>\$ (6.18)</u>
Impact of dilutive potential common shares					
Bonus to employees	-	-	-		
Diluted EPS	<u>\$(17,861,982)</u>	<u>\$(15,841,129)</u>	<u>2,562,466</u>	<u>\$ (6.97)</u>	<u>\$ (6.18)</u> (Concluded)

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

21. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

	<u>December 31</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 632,841	\$ 632,841	\$ 254,214	\$ 254,214
Available-for-sale financial assets - current	8,479,668	8,479,668	777,887	777,887
Financial assets carried at cost - noncurrent	411,640	-	844,094	-
Available-for-sale financial assets - noncurrent	2,632,207	2,632,207	3,297,334	3,297,334
Refundable deposits	323,874	323,874	323,927	323,927
Long-term receivables from related parties	21,495,979	21,495,979	20,517,972	20,517,972
<u>Liabilities</u>				
Hedging derivative liabilities - current	21,686	21,686	-	-
Hedging derivative liabilities - noncurrent	-	-	15,595	15,595
Long-term debt	18,386,509	18,386,509	22,175,115	22,175,115
Bonds payable	20,025,210	20,156,178	17,122,000	17,343,352
Obligations under capital lease	717,669	717,669	134,929	134,929



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Place of transaction:

Place of Transaction	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial asset</u>				
Overseas (including foreign institutions in Taiwan)	\$ -	\$ -	\$ 7,086	\$ 7,086
<u>Financial liability</u>				
Overseas (including foreign institutions in Taiwan)	21,686	21,686	15,595	15,595

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

1) Cash, accounts receivable, accounts receivable from related parties, other receivable, other receivable from related parties, advances to shipping agents, payables to shipping agents - related parties, accrued expenses - related parties, accrued expenses and payables to shipping agents which are not shown among the financial instruments in the table above, are recorded at their carrying amounts because of the short maturities of these instruments.

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

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

3) Financial assets carried at cost are investments in unlisted shares which have no market value and will require an amount in excess of reasonable cost to determine fair value thus no reliable fair value was determined.

4) Fair values of long-term other receivables - related parties, long-term bank loans, long-term commercial paper and lease payables are measured at the present values of expected cash flows which are discounted at the interest rate for bank loans with similar maturities.

5) Refundable deposits use carrying amounts to estimate their fair market values since the amounts refundable approximate the carrying amounts.

6) The fair value of bonds is market value.

- c. Fair values of financial assets and financial liabilities, based on quoted prices or valuation techniques, were as follows:

	<u>Market Price</u>		<u>Valuation Techniques</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 42,628	\$ 217,034	\$ 590,213	\$ 37,180
Available-for-sale financial assets - current	8,479,668	777,887	-	-
Available-for-sale financial assets - noncurrent	2,632,207	3,297,334	-	-
<u>Liabilities</u>				
Hedging derivative liability - current	-	-	21,686	-
Hedging derivative liability - noncurrent	-	-	-	15,595
Bonds payable	20,156,178	17,343,352	-	-

- d. Net gain (loss) on changes of the fair value determined using valuation technique were \$(5,960) thousand and \$223,278 thousand for the years ended December 31, 2010 and 2009, respectively.
- e. Financial assets and liabilities affected by interest rate were as follows:

	<u>December 31</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Financial Assets</u>	<u>Financial Liabilities</u>	<u>Financial Assets</u>	<u>Financial Liabilities</u>
<u>Risk of interest rate change</u>				
Fair value risk	\$ 1,284,079	\$ 19,742,878	\$ 1,915,435	\$ 16,256,929
Cash flow risk	7,948,267	19,386,510	1,819,273	23,175,115

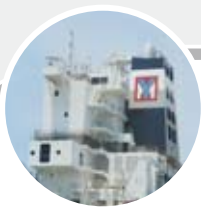
- f. Information about financial risks

1) Market risk

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

For the years ended December 31, 2010 and 2009, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation uses interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, the Corporation hedges most of the risks in the market. In addition, the Corporation evaluates the hedging effectiveness of the contracts periodically.

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



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

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

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

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

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

2) Credit risk

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

3) Liquidity risk

The Corporation entered into interest rate swaps to hedge cash flow risks. The interest rate swap contracts are settled at net amounts; thus, the expected cash demand is not significant.

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

4) Cash flow risk on interest rate

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

g. Cash flow hedge

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

Hedged Items	Financial Instruments Designated	Designated Hedging Instruments				Expected Period of Cash Flows	Expected Period for Realization of Gains or Losses
		December 31					
		2010		2009			
	Notional Amount	Fair Value	Notional Amount	Fair Value			
Bonds with floating interest rate	Interest rate swap	\$ (1,000,000)	\$ (21,686)	\$ (1,000,000)	\$ (15,595)	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011

h. Reclassifications

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

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

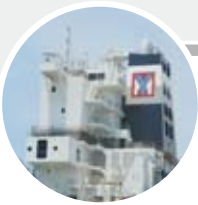
In view of the Corporation's intention of not selling the above mentioned financial assets held for trading within a short period of time as a result of the economic instability and deterioration of the world's financial markets that has occurred during the year of 2008, the Corporation reclassified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

The carrying amounts and fair values of the reclassified financial assets (excluding those that had been derecognized) as of December 31, 2010 and 2009 were as follows:

	Years Ended December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets	\$ 140,327	\$ 140,327	\$ 439,922	\$ 439,922

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2010 and 2009, respectively) for the years ended December 31, 2010 and 2009 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	Years Ended December 31			
	2010		2009	
	Gains (Losses) Recorded	Pro Forma Gains (Losses)	Gains (Losses) Recorded	Pro Forma Gains (Losses)
Available-for-sale financial assets	\$ -	\$ (14,055)	\$ -	\$ 223,479



22. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2010 and 2009 and the related balances, in addition to those mentioned in Notes 8, 13 and 24 and Schedules E and F, are summarized in the accompanying schedules C and D.

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

The transactions with related parties were conducted under contract terms.

Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2010	2009
Salaries	\$ 20,798	\$ 17,558
Incentives	6,316	4,292
Bonus	<u>2,538</u>	<u>683</u>
	<u>\$ 29,652</u>	<u>\$ 22,533</u>

23. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2010	2009
Properties, net	\$ 6,954,006	\$ 5,652,160
Assets leased to others, net	1,417,467	1,426,501
Nonoperating assets, net	<u>-</u>	<u>89,230</u>
	<u>\$ 8,371,473</u>	<u>\$ 7,167,891</u>

24. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 22 and Schedule F, commitments and contingent liability as of December 31, 2010 were as follows:

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

- b. Leases of office premises, ships, containers and container yard under operating lease agreements that will expire on various dates until May 2030. The total rental for the year ended December 31, 2010 was \$7,877,380 thousand. An amount of refundable deposit withdrawn due to the lease contract was \$323,521 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2011	\$ 6,073,722
2012	3,062,965
2013	2,357,762
2014	1,704,984
2015	1,342,993

Rentals after 2016 amount to \$2,889,696 thousand. The present value of those rentals, computed at an annual interest rate of 1.135%, is \$2,673,511 thousand.

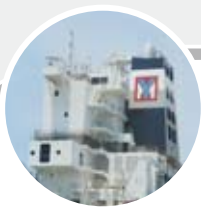
- c. Leases of containers and chassis under capital lease agreements expiring on various dates until February 2018. Rental for the year ended December 31, 2010 was about \$65,721 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2011	\$ 135,875
2012	129,779
2013	129,464
2014	129,464
2015	129,464

Rentals after 2016 amount to \$296,883 thousand. The present value of those rentals, computed at an annual interest rate of 1.135%, is \$275,689 thousand.

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

Company Name	Nature of Relationship	Guarantee Amount (Thousands)
Yang Ming (America) Corp.	Subsidiary	US\$10,000
All Oceans Transportation, Inc.	Subsidiary	US\$20,000
Yang Ming (Liberia) Corp.	Subsidiary	US\$644,170
Kuang Ming (Liberia) Corp.	Subsidiary	US\$188,742 and JPY6,912,000
Kao Ming Container Terminal Corp.	Subsidiary	NT\$2,000,000
United Terminal Leasing LLC	Indirect equity-method investee	US\$14,565
West Basin Container Terminal LLC	Indirect equity-method investee	US\$24,800
Olympic Container Terminal LLC	Subsidiary	US\$4,700



25. ADDITIONAL DISCLOSURES

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

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

26. SEGMENT INFORMATION

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

c. Cargo transport revenues

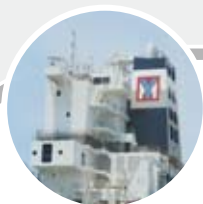
Line Service	2010		2009	
	Amount	%	Amount	%
Northwest European line	\$ 28,344,096	25	\$ 15,404,340	21
U.S. Western coast line	22,870,878	20	22,248,617	30
U.S. Eastern coast line	19,089,206	17	12,217,493	16
Asia line	18,486,921	17	13,117,156	18
Mediterranean line	16,731,522	15	4,744,868	6

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

27. OTHERS

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 286,522	29.14	\$ 8,349,254	\$ 202,548	32.03	\$ 6,487,612
THB	277,356	0.9705	269,181	-	0.9603	-
AUD	8,236	26.6907	244,523	58	28.6028	1,653
JPY	581,172	0.3582	208,204	1,203,961	0.3477	418,661
RMB	44,240	4.4213	195,597	21,313	4.6918	99,997
GBP	3,111	45.1553	140,463	6,061	50.9582	308,849
MYR	12,688	9.4503	119,903	260	9.3477	2,431
EUR	2,870	38.9398	111,760	10,007	45.9774	460,106
INR	122,108	0.6501	79,380	41,231	0.6857	28,273
Nonmonetary items						
USD	2,000	29.14	58,280	10,572	32.03	338,623
GBP	146	45.1553	6,614	2,284	50.9582	116,391
EUR	56	38.9398	2,169	1,462	45.9774	67,207
Investments accounted for using equity method						
USD	166,289	29.14	4,845,670	167,749	32.03	5,372,983
<u>Financial liabilities</u>						
Monetary items						
USD	225,003	29.14	6,556,586	126,712	32.03	4,058,572
JPY	611,294	0.3582	218,996	655,590	0.3477	227,973
EUR	3,496	38.9398	136,114	1,759	45.9774	80,858
AED	10,958	7.9338	86,938	-	8.7200	-
KRW	3,196,815	0.0260	83,141	8,324,048	0.0275	228,927
SAR	9,693	7.7705	75,323	14,957	8.5371	127,688
BDT	121,282	0.4129	50,077	127,461	0.4625	58,946
THB	47,238	0.9705	45,845	40,455	0.9603	38,848

**SCHEDULE A****YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS
DECEMBER 31, 2010**

Country	Currency	Foreign-currency Amount (Thousands)	New Taiwan Dollar Exchange Rate	New Taiwan Dollar Amount (Thousands)
Japan	USD	\$ 6	29.14	\$ 166
	JPY	258,347	0.3582	92,553
Hong Kong	USD	2,321	29.14	67,630
	HKD	4,071	3.7486	15,260
	RMB	10,003	4.4213	44,226
United States	USD	8,880	29.14	258,765
Belgium	EUR	370	38.9398	14,419
Indonesia	USD	25	29.14	729
Malaysia	USD	162	29.14	4,716
	MYR	12,280	9.4503	116,050
Britain	USD	232	29.14	6,761
	GBP	800	45.1553	36,122
Germany	USD	52	29.14	1,506
	EUR	894	38.9398	34,820
Philippines	USD	33	29.14	947
	PHP	5,842	0.6667	3,895
Singapore	USD	17	29.14	501
	SGD	1,514	22.7124	34,381
India	INR	108,510	0.6501	70,541
Thailand	THB	93,675	0.9705	90,913
Korea	USD	1,355	29.14	39,490
	KRW	1,237,167	0.0260	32,176
Canada	USD	23	29.14	673
	CAD	389	29.1546	11,333
Australia	USD	32	29.14	919
	AUD	930	29.6907	27,623

SCHEDULE B**YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS
DECEMBER 31, 2009**

Country	Currency	Foreign-currency Amount (Thousands)	New Taiwan Dollar Exchange Rate	New Taiwan Dollar Amount (Thousands)
Japan	USD	\$ 209	32.03	\$ 6,693
	JPY	783,054	0.3477	272,296
Hong Kong	USD	4,129	32.03	132,256
	HKD	9,889	4.1302	40,845
United States	USD	8,780	32.03	281,224
Indonesia	USD	319	32.03	10,223
Belgium	EUR	265	45.9774	12,205
Malaysia	USD	200	32.03	6,408
	MYR	82	9.3477	771
Britain	USD	201	32.03	6,452
	GBP	32	50.9582	1,606
Germany	USD	120	32.03	3,843
	EUR	175	45.9774	8,064
Philippines	USD	72	32.03	2,316
	PHP	31,947	0.6896	22,029
Singapore	USD	41	32.03	1,307
	SGD	299	22.8069	6,827
India	INR	36,611	0.6857	25,105
Thailand	THB	9,967	0.9603	9,571
Korea	USD	9	32.03	283
	KRW	853,430	0.0275	23,471
Canada	CAD	936	30.5834	28,637

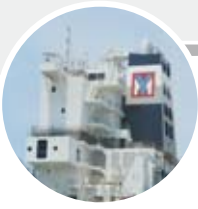
YANG MING MARINE TRANSPORT CORPORATION

RELATED-PARTY ACCOUNT BALANCES
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

SCHEDULE D

2010	Nature of Relationship (See Notes Below)	Accounts Receivable		Receivables from Related Parties		Total		Advances to Shipping Agents		Prepaid Expense		Long-term Receivable from Related Parties		Accrued Expense		Payables to Related Parties		Payables to Shipping Agents		Total				
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
	Kuang Ming Shipping Corp.	\$ -	-	\$ 23,757	2	\$ 23,757	2	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	
	All Oceans Transportation, Inc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Jing Ming Transportation Co., Ltd.	-	-	121	-	121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Japan) Co., Ltd.	832	-	-	-	832	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yangming (UK) Limited	709,149	52	-	-	709,149	52	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yangming (UK) Ltd.	14,650	2	6,161	F	20,811	6	86,678	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Shipping Europe GmbH	43,459	3	-	-	43,459	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Line (Hong Kong) Ltd.	71,022	5	-	-	71,022	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yangming Shipping (Singapore) Pte. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Line (M) Sdn. Bhd.	22,861	2	-	-	22,861	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Netherlands) Co., Ltd.	18,689	1	-	-	18,689	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Netherlands) B.V.	18,688	1	-	-	18,688	1	683,618	51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yes Logistics Corp.	-	-	2,649	-	2,649	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Italy S.p.A.	148,496	11	-	-	148,496	11	-	-	-	-	-	-	-	2,575	-	27,608	-	27,608	-	27,608	-	27,608	-
	Yang Ming Line (B.V.) Holding Co., Ltd.	-	-	-	-	-	-	-	-	-	-	172,823	H	-	-	-	46,270	-	46,270	-	46,270	-	46,270	-
	Yang Ming (Vietnam) Corp.	3,848	-	-	-	3,848	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Liberia) Corp.	46,709	3	-	-	46,709	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Canada) Co., Ltd.	20,453	2	-	-	20,453	2	-	-	-	-	800,330	I, J and K	-	-	-	37,077	-	37,077	-	37,077	-	37,077	-
	Yang Ming (China) Co., Ltd.	49,713	4	-	-	49,713	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Australia Shipping Agency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Kuang Ming (Liberia) Corp.	-	-	15,139	1	15,139	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sunlight Insurance Pte. Ltd.	-	-	-	-	-	-	-	-	6,899	2	-	-	-	-	-	-	-	-	-	-	-	-	-
	Taiwan Navigation Co., Ltd.	26,064	2	340	-	26,064	2	-	-	-	-	-	-	43,156	5	-	15,957	-	15,957	-	15,957	-	15,957	-
	Yang Ming Line (India) Pvt. Ltd.	36,114	3	-	-	36,114	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Shipping (Canada) Ltd.	55,010	4	25,666	2	80,676	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (U.S.A.) Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	3,999	-	-	-	-	-	-	-	-	-
	Yang Ming (U.S.A.) L.L.C.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Yang Ming Shipping (Egypt) S.A.E.	-	-	14,279	1	14,279	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		\$ 1,445,487	67	\$ 88,628	6	\$ 1,534,115	100	\$ 984,084	64	\$ 6,899	2	\$ 2,274,928	100	\$ 109,458	10	\$ 4,008,897	90	\$ 1,118,535	100	\$ 1,118,535	100	\$ 754,170	100	
	Kuang Ming Shipping Corp.	\$ -	-	\$ 238,173	E	\$ 238,173	E	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	
	All Oceans Transportation, Inc.	-	-	18,357	-	18,357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Jing Ming (America) Co., Ltd.	-	-	372	-	372	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Jing Ming (Vietnam) Corp.	-	-	2,143	-	2,143	-	790,608	60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yangming (Japan) Co., Ltd.	24,404	1	45,887	2	26,547	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang-Carter Company Limited	786,286	36	-	-	786,286	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yangming (UK) Ltd.	42,041	2	688,000	F	730,041	34	40,189	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Shipping Europe GmbH	50,670	2	-	-	50,670	2	7,710	1	-	-	-	-	-	737	-	75,763	-	75,763	-	75,763	-	75,763	
	Yangming Shipping (Singapore) Pte. Ltd.	50,786	2	-	-	50,786	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yes Logistics Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Line (M) Sdn. Bhd.	14,608	1	-	-	14,608	1	6,018	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yes Logistics Corp.	-	-	10,785	-	10,785	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Italy S.p.A.	170,938	8	-	-	170,938	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Korea) Co., Ltd.	33,613	2	-	-	33,613	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Netherlands) B.V.	6,953	-	-	-	6,953	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Netherlands) Holding Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Vietnam) Corp.	124,742	6	53	-	124,795	6	-	-	-	-	188,672	H	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Line (India) Pvt. Ltd.	22,369	1	-	-	22,369	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Liberia) Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming (Belgium) N.V.	29,631	1	-	-	29,631	1	-	-	-	-	605,018	I, J and K	-	-	-	-	-	-	-	-	-	-	
	Taiwan Navigation Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Kuang Ming (Liberia) Corp.	35,732	2	10,197	-	45,929	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Sunlight Insurance Pte. Ltd.	-	-	-	-	-	-	-	-	7,874	1	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Shipping (Canada) Ltd.	18,457	1	-	-	18,457	1	2,586	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Yang Ming Line B.V.	-	-	1,060	-	1,060	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		\$ 1,445,487	67	\$ 959,603	33	\$ 2,405,090	100	\$ 845,084	64	\$ 7,874	1	\$ 2,051,722	100	\$ 65,519	9	\$ 688,651	91	\$ 754,170	100	\$ 754,170	100	\$ 4,045	1	

Notes:
A. Subsidiary of the Corporation
B. Amounts included in consolidated financial statements of subsidiary of the Corporation.
C. More than half of the directors are identical.
D. The Corporation's donation is equal to the foundations capital.
E. Mainly the tax receivables resulted from the election of consolidated tax returns.
F. Represents freight expense paid and held on behalf of Yangming (UK) Ltd.
G. Including the amount of proceeds from deposit of ships, dividends receivable, financing provided and the payment made for All Oceans Transportation Inc. periodically.
H. Evidences receivable.
I. Includes the amount of proceeds from disposal of ships, financing provided, and the payment made for Yang Ming (Liberia) Corp. (Schedule E).
J. Has deducted the credit balance of the Corporation long-term in Yang Ming (Liberia) Corp.
K. Receivables from disposal of ships from All Oceans Transportation Inc. and from Yang Ming (Liberia) Corp. will be offset by remittance payable and the payment made for All Oceans Transportation Inc. periodically.
L. Other related parties, with which the Corporation had no transactions for the year ended December 31, 2010, are listed in Schedule J.



V Financial Information

SCHEDULE E

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

FINANCING PROVIDED
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Year (Note I)	Ending Balance (Note I)	Interest Rate	Nature of Financing (Note A)	In the Last Two Years Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Counter-party	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
0	Yang Ming Marine Transport Corporation	Yang Ming (Liberia) Corp. All Oceans Transportation, Inc. Antwerp International Terminal NV	Other receivables Other receivables Other receivables	\$ 2,100,000 (Note J) 3,877,833 (Note L) 12,718 (EUR 327)	\$ 2,100,000 (Note K) 3,877,833 (Note M) -	2.1434% 2.1434% -	1 1 1	\$ 3,734,663 3,877,833 536,247 (EUR 13,771)	Repayment of loans Obtain working capital Obtain working capital	- - -	\$ - - -	3,734,663 (Note C) 3,877,833 (Note C) 536,247 (Note C)	12,614,844 (Note B) 12,614,844 (Note B) 12,614,844 (Note B)	
1	Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming (U.A.E.) LLC. Antwerp International Terminal NV	Other receivables Other receivables	1,947 (US\$ 67) 12,718 (EUR 327)	1,947 (US\$ 67) 12,718 (EUR 327)	1.54% 1.8910%	2 2	- -	Obtain working capital Obtain working capital	- -	- -	822,623 (Note E) 822,623 (Note E)	1,645,246 (Note D) 1,645,246 (Note D)	
2	Yang Ming (America) Corp.	Olympic Container Terminal LLC	Other receivables	442,928 (US\$ 15,200) (Note N)	442,928 (US\$ 15,200) (Note N)	2.00%	2	-	Obtain working capital	-	-	472,068 (Note G)	524,520 (Note F)	
3	Yang Ming Shipping (B.V.) Inc.	Karlman Properties Limited	Other receivables	24,928 (HK\$ 6,650) (Note O)	24,928 (HK\$ 6,650) (Note O)	0.50%	2	-	Repayment of loans	-	-	332,642 (Note H)	415,803 (Note D)	

Notes:

- Nature of Financing:
 - Yang Ming Marine Transport Corporation (the "Corporation") has transactions with the borrower.
 - The borrower needs short-term financing.
 - The maximum financing amount is 40% of net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 30% of net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of net assets of the Corporation.
- For borrowers with transactions with the Corporation, maximum financing is 10% of the net assets of the Corporation or of the total amount of transactions between the Corporation and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 5% of the net assets of the Corporation.
- Represents the lender's net asset value.
- Represents 50% of the lender's net asset value.
- Represents US\$ 18,000,000.
- Represents 90% of US\$ 18,000,000.
- Represents 80% of the lender's net asset value.
- The maximum and ending balances showed were the amounts approved by the respective board of directors.
- The maximum balance of actual financing provided was \$1,487,174 thousand (US\$51,035 thousand) for the year ended December 31, 2010.
- The maximum balance of actual financing provided as of December 31, 2010 was \$1,450,901 thousand (US\$49,791 thousand), net of credit balance of the Corporation long-term in Yang Ming (Liberia) Corp.
- The maximum balance of actual financing provided as of December 31, 2010 was \$399,218 thousand (US\$13,700 thousand).
- Both the maximum balance of actual financing provided in 2010 and the balance of actual financing provided as of December 31, 2010 were \$22,508 thousand (HK\$6,004 thousand).
- Both the maximum balance of actual financing provided in 2010 and the balance of actual financing provided in 2010 and the balance of actual financing provided as of December 31, 2010 were \$22,508 thousand (HK\$6,004 thousand).

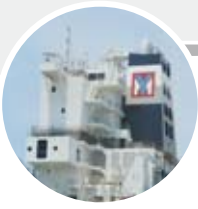
SCHEDULE F

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Guarantor	Guaranteed Party		Maximum Amount of Guarantee to Individual Guaranteed Parties	Maximum Balance for the Year (Note O)	Ending Balance (Note O)	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Amount of Guarantee that Can be Provided by the Guarantor	
		Name	Nature of Relationship							
0	Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	Subsidiary	\$ 67,571,835 (Note B)	\$ 582,800 (US\$ 20,000)	\$ 582,800 (US\$ 20,000)	-	1.39%	\$ 84,098,962 (Note A)	
		Kuang Ming (Liberia) Corp.	Subsidiary	67,571,835 (Note B)	11,419,405 (US\$ 196,358 and JPY 15,906,000)	7,975,824 (US\$ 188,742 and JPY 6,912,000)	-	18.97%	84,098,962 (Note A)	
		Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	67,571,835 (Note B)	145,700 (US\$ 5,000)	-	-	-	-	84,098,962 (Note A)
		Yang Ming (Liberia) Corp.	Subsidiary	67,571,835 (Note B)	18,771,114 (US\$ 644,170)	18,771,114 (US\$ 644,170)	-	-	44.64%	84,098,962 (Note A)
		Yang Ming (America) Corp.	Subsidiary	67,571,835 (Note B)	291,400 (US\$ 10,000)	291,400 (US\$ 10,000)	-	-	0.69%	84,098,962 (Note A)
		Kao Ming Container Terminal Corp.	Subsidiary	67,571,835 (Note B)	3,000,000 (US\$ 4,700)	2,000,000 (US\$ 4,700)	-	-	4.76%	84,098,962 (Note A)
		United Terminal Leasing LLC	Equity-method investee of subsidiary	67,571,835 (Note B)	444,624 (US\$ 15,258)	424,425 (US\$ 14,565)	-	-	1.01%	84,098,962 (Note A)
		West Basin Container Terminal LLC	Equity-method investee of subsidiary	67,571,835 (Note B)	940,173 (US\$ 32,264)	722,672 (US\$ 24,800)	-	-	1.72%	84,098,962 (Note A)
		Olympic Container Terminal LLC	Subsidiary	67,571,835 (Note B)	136,958 (US\$ 4,700)	136,958 (US\$ 4,700)	-	-	0.33%	84,098,962 (Note A)
		1	Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee of subsidiary	419,616 (Note D)	16,756 (US\$ 575)	13,109 (US\$ 450)	-	4.48%
2	Yang Ming Line (Hong Kong) Ltd.	Karlman Properties Limited	Subsidiary	59,978 (Note F)	5,998 (HK\$ 1,600)	-	-	-	74,972 (Note E)	
3	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yangming (UK) Ltd.	Subsidiary	2,412,910 (Note H)	32,286 (GBP 715)	9,148 (GBP 203)	-	0.02%	3,016,137 (Note G)	
4	All Oceans Transportation, Inc.	Yang Ming Marine Transport Corporation	Parent	21,682,101 (Note J)	12,466,000	12,466,000 (Note P)	-	29.52%	27,102,626 (Note I)	
5	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Subsidiary	7,803,710 (Note L)	1,689,271 (JPY 4,716,000)	1,689,271 (JPY 4,716,000)	-	4.00%	9,754,638 (Note K)	

(Continued)



V Financial Information

No.	Guarantor	Guaranteed Party		Maximum Amount of Guarantee to Individual Guaranteed Parties	Maximum Balance for the Year (Note O)	Ending Balance (Note O)	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Amount of Guarantee that Can be Provided by the Guarantor
		Name	Nature of Relationship						
6	Kuang Ming (Liberia) Corp.	Kuang Ming Shipping Corp.	Parent	\$ 3,639,196 (Note N)	\$ 1,586,693 (US\$ 6,000 and NT\$ 300,000 and JPY 3,104,000)	\$ -	\$ -	-	\$ 4,548,995 (Note M)

Notes:

- A. Represents 200% of the paid-in capital of Yang Ming Marine Transport Corporation (the "Corporation").
 B. Represents 80% of the amount mentioned in Note A.
 C. Represents US\$18,000 thousand.
 D. Represents 80% of the amount mentioned in Note C.
 E. Represents HK\$20,000 thousand.
 F. Represents 80% of the amount mentioned in Note E.
 G. Represents 100% of the paid-in capital of Yang Ming Line (B.V.L.) Holding Co., Ltd.
 H. Represents 80% of the amount mentioned in Note G.
 I. Represents 100% of asset of All Oceans Transportation, Inc.
 J. Represents 80% of the amount mentioned in Note I.
 K. Represents 200% of its latest audited or reviewed net asset value.
 L. Represents 80% of the amount mentioned in Note K.
 M. Represents 200% of its latest audited or reviewed net asset value.
 N. Represents 80% of the amount mentioned in Note M.
 O. United States dollars, Great British Pounds, Japanese yen and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.14, GBP\$1=NT\$45.1553, JPY1=NT\$3.7486 on December 31, 2010.
 P. Represents 14 ships used as guarantees, with carrying value of \$13,318,809 thousand as of December 31, 2010.

(Concluded)

SCHEDULE G

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEs

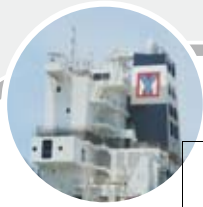
MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Market Value or Net Asset Value (Note A)	Note	
				Shares/Units	Carrying Value	% of Ownership			
Yang Ming Marine Transport Corporation	Common stock								
	Yang Ming Line (BYV) Holding Co., Ltd.	Subsidiary	Investments accounted for by the equity method	10,351	\$ 4,487,685	100.00	\$ 4,487,685		
	Kuang Ming Shipping Corp.	Subsidiary	Investments accounted for by the equity method	191,620,000	4,547,582	93.24	4,547,582		
	All Oceans Transportation, Inc.	Subsidiary	Investments accounted for by the equity method	1,000	4,364,025	100.00	4,364,025		
	Kao Ming Container Terminal Corp.	Subsidiary	Investments accounted for by the equity method	410,000,000	4,022,887	100.00	4,022,887		
	Yang Ming Line (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	60,130,000	1,645,246	100.00	1,645,246		
	Ching Ming Investment Corp.	Subsidiary	Investments accounted for by the equity method	160,650,000	1,640,812	100.00	1,640,812		
	Yes Logistics Corp.	Subsidiary	Investments accounted for by the equity method	60,000,000	542,675	50.00	542,675		
	Yang Ming Line Holding Co.	Subsidiary	Investments accounted for by the equity method	13,500	292,663	100.00	292,663		
	Yunn Wang Investment Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	5,211,474	199,640	49.75	199,640		
	Honning Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for by the equity method	7,916,908	121,907	79.17	121,907		
	Jing Ming Transportation Co., Ltd.	Subsidiary	Investments accounted for by the equity method	8,615,923	117,695	50.98	117,695		
	Transyang Shipping Pte. Ltd.	Equity-method investee	Investments accounted for by the equity method	1,345	90,614	49.00	90,614		
	Yang Ming (Liberia) Corp.	Subsidiary	Investments accounted for by the equity method	1	(1,670,538)	100.00	(1,670,538)	Note D	
	Taipei Port Container Terminal Co., Ltd.	-	-	Financial asset carried at cost - noncurrent	41,000,000	406,640	9.76	-	
	United Stevedoring Corp.	-	-	Financial asset carried at cost - noncurrent	500,000	5,000	10.00	-	
	Antwerp International Terminal N.Y.	-	-	Financial asset carried at cost - noncurrent	1,486,030	-	16.33	-	
	Taiwan Navigation Co., Ltd.	-	Governed by the MOTC	Available-for-sale financial asset - noncurrent	70,758,243	2,189,943	16.96	2,632,207	Note U
	Taiwan Fertilizer Co., Ltd.	-	-	Financial assets at fair value through profit or loss - current	18,000	2,652	-	1,962	
	China Steel Corp.	-	-	Available-for-sale financial assets - current	801,171	32,469	0.01	26,839	
	Greattek Electronics Inc.	-	-	Available-for-sale financial assets - current	482,698	15,239	0.09	14,674	
	Cathay Financial Holding Co., Ltd.	-	-	Available-for-sale financial assets - current	1,805,275	103,604	0.02	93,333	
	Aten International Co., Ltd.	-	-	Available-for-sale financial assets - current	103,614	5,680	0.09	5,481	
Mutual fund									
BLK Liquidity First Fund (EUR)			Financial assets at fair value through profit or loss - current	55,696	2,169	-	2,169		
BLK Liquidity First Fund (GBP)			Financial assets at fair value through profit or loss - current	149,479	6,614	-	6,614		
Fuh Hwa Global Short-term Income Fund			Financial assets at fair value through profit or loss - current	2,998,711	30,000	-	31,883		
Capital Sale Income Fund			Available-for-sale financial assets - current	18,107,858	280,000	-	280,007		
Tashin Lucky Fund			Available-for-sale financial assets - current	32,821,806	350,021	-	350,110		
Fu-Hwa Bond Fund			Available-for-sale financial assets - current	20,197,211	280,000	-	280,030		
Fuh Hwa Global Short-term Income Fund			Available-for-sale financial assets - current	238,711,576	2,500,000	-	2,538,005		

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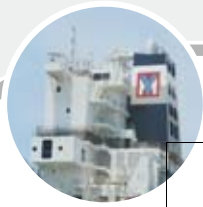
V Financial Information

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Note
				Shares/Units	Carrying Value	% of Ownership	
	Fuh-Hwa Yuli Bond Fund	-	Available-for-sale financial assets - current	11,626,093	\$ 150,059	-	\$ 150,390
	Mega Diamond Bond Fund	-	Available-for-sale financial assets - current	67,584,604	807,783	-	809,860
	Union Bond	-	Available-for-sale financial assets - current	66,106,497	835,851	-	836,664
	IBT Ta-Chong Equity Fund	-	Available-for-sale financial assets - current	44,144,068	600,017	-	600,342
	IBT 1699 Bond Fund	-	Available-for-sale financial assets - current	33,227,726	430,000	-	430,053
	Hua Nan Kirin Bond Fund	-	Available-for-sale financial assets - current	66,953,391	770,000	-	770,460
	PCA Well Pool Fund	-	Available-for-sale financial assets - current	17,658,214	230,000	-	230,007
	ING Taiwan Bond Fund	-	Available-for-sale financial assets - current	2,240,500	35,028	-	35,047
	FSITC Taiwan Bond Fund	-	Available-for-sale financial assets - current	32,093,182	470,002	-	470,043
	Fubon Chi-Hsiang Money Market	-	Available-for-sale financial assets - current	33,219,281	500,000	-	500,043
	Corporate bonds	-	Available-for-sale financial assets - current	200	60,740	-	58,280
	Deutsche Bank AG	-	Financial assets at fair value through profit or loss - current	300	30,000	-	30,010
	Principle guaranteed notes	-	Financial assets at fair value through profit or loss - current	1,150	115,000	-	115,074
	Chunghua Telecom Digital Principle Guaranteed Notes	-	Financial assets at fair value through profit or loss - current	1,450	145,000	-	145,059
	CAPITAL	-	Financial assets at fair value through profit or loss - current	3,000	300,000	-	300,070
	Short Rate Linked Principal Guarantee Note	-	Investments accounted for by the equity method	510	212,060	51.00	212,060
	Yuanta Principal Guaranteed Notes	-	Investments accounted for by the equity method	510,000	(75,520)	51.00	(75,520)
Yang Ming Line (Singapore) Pte. Ltd.	Common stock	Subsidiary	Investments accounted for by the equity method	300,000	(225)	60.00	(225)
	Yang Ming Shipping (B.V.) Inc.	Subsidiary	Investments accounted for by the equity method	60,000	26,287	60.00	26,287
	Yang Ming Line (Hong Kong) Ltd.	Subsidiary	Investments accounted for by the equity method	910,000	305,050	91.00	305,050
	Yang Ming Line (India) Pvt. Ltd.	Subsidiary	Investments accounted for by the equity method	3,000	52,898	100.00	52,898
	Yang Ming (Korea) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	1,000,000	36,161	100.00	36,161
	Young-Carrier Co., Ltd.	Subsidiary	Investments accounted for by the equity method	1,000,000	26,776	100.00	26,776
	Yangming (Japan) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	2,000,000	83,602	100.00	83,602
	Yangming Shipping (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	(Note H)	12,015	49.00	12,015
	Yang Ming Line (M) Sdn. Bhd.	Equity-method investee	Investments accounted for by the equity method	(Note G)	228,934	30.00	228,934
	Sunbright Insurance Pte. Ltd.	Equity-method investee	Investments accounted for by the equity method	50,000	41,570	50.00	41,570
	Yang Ming (Vietnam) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	(Note S)	25,891	49.00	25,891
	Formosa International Development Corp.	Equity-method investee	Investments accounted for by the equity method	24,000,000	81,255	100.00	81,255
Yang Ming Shipping (B.V.) Inc.	Yang Ming Anatolia Shipping Agency	Subsidiary	Investments accounted for by the equity method	200	3,180	100.00	3,180
	Yang Ming (U.A.E) Ltd.	Subsidiary	Investments accounted for by the equity method				
	Common stock						
	Karlman Properties Limited						
Yangming (Japan) Co., Ltd.	Common stock						
	Manwa & Co., Ltd.						

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Note
				Shares/Units	Carrying Value	% of Ownership	
Yang Ming Line Holding Co.	Other Cash Surrender Value in Insurance	-	Financial asset carried at cost - nonrecurrent	-	\$ 28,294	-	\$ -
	Common stock Yang Ming (America) Corp.	Subsidiary	Investments accounted for by the equity method	5,000 (Note L)	(28,337)	100.00	(28,337) Note D
	Olympic Container Terminal LLC	Subsidiary	Investments accounted for by the equity method	200	(386,202)	100.00	(386,202) Note D
	Triumph Logistics, Inc.	Subsidiary	Investments accounted for by the equity method	100	(10,341)	100.00	(10,341) Note D
	Topline Transportation, Inc.	Subsidiary	Investments accounted for by the equity method	100	(934)	100.00	(934) Note D
	Coastal Tarheel Express, Inc.	Subsidiary	Investments accounted for by the equity method	100	5,808	100.00	5,808
	Transcont Intermodal Logistics, Inc.	Subsidiary	Investments accounted for by the equity method	200	11,076	100.00	11,076
	West Basin Container Terminal LLC	Equity-method investee	Investments accounted for by the equity method	(Note E)	646,577	40.00	646,577
	United Terminal Leasing LLC	Equity-method investee	Investments accounted for by the equity method	(Note F)	114,361	40.00	114,361
	Yang Ming Shipping (Canada) Ltd.	Subsidiary	Investments accounted for by the equity method	1,000	15,300	100.00	15,300
Yang Ming Line (B.V.) Holding Co., Ltd.	Common stock Yang Ming Line N.V.	Subsidiary	Investments accounted for by the equity method	1,500,000	(916,141)	100.00	(916,141) Note D
Yang Ming Line N.V.	Common stock Yang Ming Line B.V.	Subsidiary	Investments accounted for by the equity method	2,500	(918,666)	100.00	(918,666) Note D
Yang Ming Line B.V.	Common stock Yang Ming (Belgium) N.V.	Subsidiary	Investments accounted for by the equity method	369	11,307	60.00	11,307
	Yang Ming (Netherlands) B.V.	Subsidiary	Investments accounted for by the equity method	(Note I)	39,840	100.00	39,840
	Yang Ming (Italy) S.p.A.	Subsidiary	Investments accounted for by the equity method	125,000	24,968	50.00	24,968
	Yang Ming (UK) Ltd.	Subsidiary	Investments accounted for by the equity method	900,000	(1,119,112)	100.00	(1,119,112) Note D
	Yang Ming Shipping Europe GmbH	Subsidiary	Investments accounted for by the equity method	(Note B)	106,206	100.00	106,206
	Yang Ming Shipping (Egypt) S.A.E.	Equity-method investee	Investments accounted for by the equity method	24,500	25,122	49.00	25,122
Yang Ming (Italy) S.p.A.	Common stock Yang Ming (Naples) S.r.l	Subsidiary	Investments accounted for by the equity method	(Note K)	1,958	60.00	1,958
Yang Ming (UK) Ltd.	Common stock Constor Ltd.	Equity-method investee	Investments accounted for by the equity method	(Note C)	7,469	50.00	7,469
	Yes Logistics (UK) Limited	Subsidiary	Investments accounted for by the equity method	200	(3,526)	100.00	(3,526) Note D
Kuang Ming Shipping Corp.	Common stock Kuang Ming (Liberia) Corp.	Subsidiary	Investments accounted for by the equity method	1	2,274,497	100.00	2,274,497

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V Financial Information

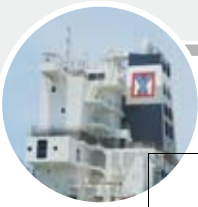
Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Yes Logistics Corp.	Common stock Yes Yangming Logistics (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	5,600,000	\$ 44,872	100.00	\$ 44,872	
	Yes Logistics Corp. (U.S.A.)	Subsidiary	Investments accounted for by the equity method	5,460,000	105,046	100.00	105,046	
	Chang Ming Logistics Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	(Note O)	321,884	49.00	321,884	
	B2B Com Holdings Ltd	-	Financial asset carried at cost - noncurrent	800,000	5,042	9.88	-	
	United Raw Material Solutions Inc.	-	Financial asset carried at cost - noncurrent	295,325	2,953	2.76	-	
	Mutual fund Fuh Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	940,390	13,041	-	13,041	
	Mega Diamond Bond Fund	-	Financial assets at fair value through profit or loss - current	2,509,887	30,076	-	30,076	
	Fuh Hwa You Li Money Market	-	Financial assets at fair value through profit or loss - current	387,147	5,008	-	5,008	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss - current	1,470,948	19,038	-	19,038	
	Prudential Fin Glib Fix In Sel	-	Financial assets at fair value through profit or loss - current	199,478	3,028	-	3,028	
	Hua Nan Phoenix Money Market	-	Financial assets at fair value through profit or loss - current	704,000	11,001	-	11,001	
	Jih Sun Bond Fund	-	Financial assets at fair value through profit or loss - current	1,273,551	18,044	-	18,044	
	TIIM Bond Fund	-	Financial assets at fair value through profit or loss - current	2,145,583	31,074	-	31,074	
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss - current	1,049,201	12,037	-	12,037	
The RSIT Forever Money Market	-	Financial assets at fair value through profit or loss - current	138	2	-	2		
ING Taiwan Select Money Market	-	Financial assets at fair value through profit or loss - current	255,903	3,010	-	3,010		
Hua Nan Kirin Bond Fund	-	Financial assets at fair value through profit or loss - current	434,511	5,000	-	5,000		
Schroders New Era Money Market	-	Financial assets at fair value through profit or loss - current	445,097	5,010	-	5,010		
Yes Yangming Logistics (Singapore) Pte. Ltd. Burger Yes B.V.	Common stock Burger Yes B.V.	Subsidiary	Investments accounted for by the equity method	9,000	3,563	50.00	3,563	
	Yes Logistics (Netherlands) B.V.	Subsidiary	Investments accounted for by the equity method	(Note P)	5,372	100.00	5,372	
	Yes Logistics Company, Ltd.	Subsidiary	Investments accounted for by the equity method	29,000,000	33,594	100.00	33,594	
Yes Logistics Corp. (U.S.A.)	Common stock YES Logistics Europe GmbH	Subsidiary	Investments accounted for by the equity method	(Note J)	7,734	100.00	7,734	
	Golden Logistics USA Corporation	Subsidiary	Investments accounted for by the equity method	100	(1,873)	100.00	(1,873)	Note D
	Golden Logistics Corp.	Subsidiary	Investments accounted for by the equity method	(Note M)	71,846	100.00	71,846	
Golden Logistics Corp.	Common stock Golden Logistics (Qingdao) Corp.	Subsidiary	Investments accounted for by the equity method	(Note R)	10,974	60.00	10,974	
	Star Logistics (Qingdao) Corp.	Subsidiary	Investments accounted for by the equity method	(Note Q)	8,845	60.00	8,845	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Kao Ming Container Terminal Corp.	Mutual fund	-	Available-for-sale financial assets - current	13,394,970	\$ 160,511	-	\$ 160,511	
	Mego Diamond Bond Fund	-	Available-for-sale financial assets - current	16,294,834	212,248	-	212,248	
	PCA Well Pool Fund	-	Available-for-sale financial assets - current	22,734,003	304,142	-	304,142	
Ching Ming Investment Corp.	ING Taiwan Bond Fund	-	Available-for-sale financial assets - current	10,236,625	160,140	-	160,140	
	Common stock	Subsidiary	Investments accounted for by the equity method	2,083,092	31,751	20.83	31,751	
	Honming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for by the equity method	55,630,977	503,005	46.36	503,005	
	Yes Logistics Corp.	-	Financial asset carried at cost - noncurrent	1,121,629	3,337	7.24	-	
	SF Technology Venture Capital Investment Corp.	-	Financial asset carried at cost - noncurrent	3,840,000	16,752	9.04	-	
	United Venture Capital Corp.	-	Financial asset carried at cost - noncurrent	784,000	7,896	2.14	-	
	Ascentek Venture Capital Corp.	-	Financial asset carried at cost - noncurrent	1,657,500	16,575	8.96	-	
	China Technology Venture Capital Corp.	-	Financial asset carried at cost - noncurrent	822,115	8,320	1.38	-	
	Kingmax Technology Corp.	-	Financial assets at fair value through profit or loss - current	34,000	2,332	0.04	2,332	
	Apex Biotechnology Corp.	-	Financial assets at fair value through profit or loss - current	532,990	17,855	-	17,855	
	China Steel Corp.	-	Financial assets at fair value through profit or loss - current	50,000	3,375	0.01	3,375	
	TSRC Corp.	-	Available-for-sale financial assets - current	15,821	2,254	-	2,254	
	Delta Electronics, Inc.	-	Available-for-sale financial assets - current	29,288	3,441	-	3,441	
	Hon Hai Precision Ind Co., Ltd.	-	Financial assets at fair value through profit or loss - current	140,000	9,940	-	9,940	
	Taiwan Semiconductor Manufacturing Co., Ltd.	-	Financial assets at fair value through profit or loss - current	670,778	20,325	0.01	20,325	
AU Optronics Corp.	-	Financial assets at fair value through profit or loss - current	115,000	8,522	-	8,522		
Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	20,020	8,358	-	8,358		
Novatek Microelectronics Corp.	-	Financial assets at fair value through profit or loss - current	147,288	132,559	0.02	132,559		
High Tech Computer Corp.	-	Available-for-sale financial assets - noncurrent	505,000	18,786	0.12	18,786		
Taiwan Navigation Co., Ltd.	Governed by the MOTC	Available-for-sale financial assets - noncurrent	280,000	13,440	0.08	13,440		
The Ambassador Hotel, Ltd.	-	Financial assets at fair value through profit or loss - current	50,000	2,000	-	2,000		
Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	3,798,987	196,408	0.04	196,408		
Cathay Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	350,000	7,858	-	7,858		
Mega Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	10,000	7,250	0.01	7,250		
Largan Precision Co., Ltd.	-	Financial assets at fair value through profit or loss - current	25,000	2,350	-	2,350		
Novatek Microelectronics Corp.	-	Financial assets at fair value through profit or loss - current	20,000	5,570	0.01	5,570		
Young Fast Optoelectronics Co., Ltd.	-	Financial assets at fair value through profit or loss - current	25,000	2,135	0.01	2,135		
Taiwan Prosperity Chemical Corp.	-	Available-for-sale financial assets - current	10,000	477	-	477		
Coretronic Corp.	-	Financial assets at fair value through profit or loss - current	57,320	7,996	0.04	7,996		
Soft-World International Corp.	-	Available-for-sale financial assets - current	33,467	1,941	0.01	1,941		
Radiant Opto-Electronics Corp.	-	Financial assets at fair value through profit or loss - current	130,000	12,610	0.02	12,610		
Powertech Technology Inc.	-	Financial assets at fair value through profit or loss - current	30,632	2,083	0.01	2,083		
Taiwan Surface Mounting Technology Corp.	-	Available-for-sale financial assets - current	11,200	1,108	-	1,108		
Formosa Petrochemical Corp.	-	Financial assets at fair value through profit or loss - current	74,000	12,062	0.04	12,062		
Phison Electronics Corp.	-	Financial assets at fair value through profit or loss - current	100	940	-	940		
Apple Inc.	-	Financial assets at fair value through profit or loss - current						

(Continued)

V Financial Information



Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Berkshire Hathaway B		-	Financial assets at fair value through profit or loss - current	1,500	\$ 3,502	-	\$ 3,502	
Monsanto Co.		-	Financial assets at fair value through profit or loss - current	400	812	-	812	
Mutual fund		-	Available-for-sale financial assets - current	1,000,000	7,740	-	7,740	
IF (Taiwan) Japan Brilliance		-	Available-for-sale financial assets - current	1,350,274	16,389	-	16,389	
PineBridge Global Medallion Fund of Funds		-	Available-for-sale financial assets - current	500,000	6,035	-	6,035	
IBT North American Income Trust Fund		-	Available-for-sale financial assets - current	2,254	1,678	-	1,678	
Franklin Templeton Developing Markets Fund		-	Available-for-sale financial assets - current	2,477	1,580	-	1,580	
Fidelity Emerging Markets Fund		-	Available-for-sale financial assets - current	8,990	9,318	-	9,318	
Fidelity European Growth Fund		-	Available-for-sale financial assets - current	2,983	1,432	-	1,432	
Fidelity European Aggressive Fund		-	Available-for-sale financial assets - current	200,000	1,550	-	1,550	
Hua Nan Global Infrastructure Fund		-	Available-for-sale financial assets - current	1,000,000	14,370	-	14,370	
Capital Strategic Growth Fund		-	Available-for-sale financial assets - current	17,139	53,457	-	53,457	
Allianz GIS RCM Little Dragon Fund		-	Financial assets at fair value through profit or loss - current	1,098,991	15,237	-	15,237	
Fuh-Hwa Global Bond Fund		-	Financial assets at fair value through profit or loss - current	1,540,340	20,064	-	20,064	
PCA Well Pool Fund		-	Financial assets at fair value through profit or loss - current	646,818	10,002	-	10,002	
Capital Sale Income Fund		-	Financial assets at fair value through profit or loss - current	860,432	11,511	-	11,511	
SinoPac Bond Fund		-	Financial assets at fair value through profit or loss - current	1,559,792	25,006	-	25,006	
UPAMC James Bond Money Market		-	Financial assets at fair value through profit or loss - current	1,545,464	20,002	-	20,002	
IBT 1699 Bond Fund		-	Financial assets at fair value through profit or loss - current	500,000	7,005	-	7,005	
KBC Concord Taiwan Home Run Equity Fund		-	Financial assets at fair value through profit or loss - current	352,014	5,238	-	5,238	
Prudential Financial Return Fund		-	Financial assets at fair value through profit or loss - current	1,449,254	16,356	-	16,356	
PCA Umbrella Fund - Global Bond Fund of Fund		-	Financial assets at fair value through profit or loss - current	200,000	2,144	-	2,144	
Yuanta India Fund		-	Financial assets at fair value through profit or loss - current	500,000	4,665	-	4,665	
FSITC China Century Fund		-	Financial assets at fair value through profit or loss - current	200,000	2,210	-	2,210	
Capital Chinese Golden Age Equity Fund		-	Financial assets at fair value through profit or loss - current	1,869,715	17,444	-	17,444	
PCA Brazil Fund		-	Financial assets at fair value through profit or loss - current	1,008,380	10,755	-	10,755	
PineBridge Global Multi-Strat Hi Yield		-	Financial assets at fair value through profit or loss - current	140,227	1,551	-	1,551	
Fuh Hwa Global Commodity		-	Financial assets at fair value through profit or loss - current	272,315	3,088	-	3,088	
Prudential Financial Latin America Fund		-	Financial assets at fair value through profit or loss - current	1,074,233	11,102	-	11,102	
Gathay High Income Fund of Funds		-	Financial assets at fair value through profit or loss - current	1,000,000	11,238	-	11,238	
PineBridge Global Emerging Market High Yield Bond Fund A		-	Financial assets at fair value through profit or loss - current	200,000	2,470	-	2,470	
Allianz Global Investors Rising Asia Fund		-	Financial assets at fair value through profit or loss - current	1,709,867	20,621	-	20,621	
Capital Multi-Income Allocation		-	Financial assets at fair value through profit or loss - current	4,000,000	39,960	-	39,960	
Fuh Hwa Emerging Market Active Alloc FoF		-	Financial assets at fair value through profit or loss - current	2,000,000	19,766	-	19,766	
ING EMD & High Yield Bond Port Inc		-	Financial assets at fair value through profit or loss - current					

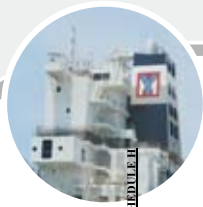
(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010			Note
				Shares/Units	Carrying Value	% of Ownership	
PCA Global High Yield Bond A		-	Financial assets at fair value through profit or loss - current	1,000,000	\$ 10,025	-	\$ 10,025
UPAMC GREAT CHINA		-	Financial assets at fair value through profit or loss - current	212,985	2,988	-	2,988
PineBridge BRIC Infrastructure Equity		-	Financial assets at fair value through profit or loss - current	500,000	5,075	-	5,075
Yuana Greater China Small & Medium Cap		-	Financial assets at fair value through profit or loss - current	500,000	5,025	-	5,025
FSITC Innovation		-	Financial assets at fair value through profit or loss - current	200,200	2,134	-	2,134
Franklin Templeton SinoAm Nat Res Eq		-	Financial assets at fair value through profit or loss - current	171,553	2,052	-	2,052
Capital Strategic Income		-	Financial assets at fair value through profit or loss - current	1,000,000	9,970	-	9,970
Jih Sun MIT Mainstream		-	Financial assets at fair value through profit or loss - current	700,000	6,965	-	6,965
Cathay Global Resources		-	Financial assets at fair value through profit or loss - current	500,000	5,005	-	5,005
SinoPac Global Investment Grade Bond		-	Financial assets at fair value through profit or loss - current	5,017,809	50,309	-	50,309
Fuh Hwa Greater China Mid & Small Cap		-	Financial assets at fair value through profit or loss - current	1,000,000	10,050	-	10,050

Notes:

- A. Market values were based on closing prices at December 31, 2010 or the net asset value of the fund on December 31, 2010, or, if market prices were unavailable, on the investees' net assets.
- B. This is equivalent to EUR18,000, and no shares were issued.
- C. This is equivalent to GBP500, and no shares were issued.
- D. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as a deduction in long-term other receivables - related parties liability.
- E. This is equivalent to US\$3,800,000, and no shares were issued.
- F. This is equivalent to US\$1,000,000, and no shares were issued.
- G. This is equivalent to US\$7,800,000, and no shares were issued.
- H. This is equivalent to US\$94,000, and no shares were issued.
- I. This is equivalent to EUR18,000, and no shares were issued.
- J. This is equivalent to EUR25,000, and no shares were issued.
- K. This is equivalent to EUR6,000, and no shares were issued.
- L. This is equivalent to US\$1,000,000, and no shares were issued.
- M. This is equivalent to US\$5,000,000, and no shares were issued.
- N. This is equivalent to EUR10,000, and no shares were issued.
- O. This is equivalent to US\$9,201,000, and no shares were issued.
- P. This is equivalent to EUR30,000, and no shares were issued.
- Q. This is equivalent to RMB2,960,000, and no shares were issued.
- R. This is equivalent to RMB3,000,000, and no shares were issued.
- S. This is equivalent to AED245,000, and no shares were issued.
- T. The loss of subsidiary was recognized in proportion to the Corporation's equity. Because the minority interest commits to share in the investees' losses, the cumulative equity of the Corporation in the investee's net loss in excess of the related investments is not charged against the Corporation.
- U. More than half of the directors are identical.

(Concluded)



V Financial Information

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEs

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Except Shares/Units)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal	Change of Investment Accounted for Using the Equity Method	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount
Yang Ming Marine Transport Corporation	Guangshah Kang Ming Shipping Corp.	Investments accounted for by the equity method	-	Subsidiary	205,514,000	\$ 5,478,453	-	\$ -	13,894,000	\$ 360,133	\$ 22,377	\$ (594,449)	191,620,000	\$ 4,547,582
	Kao Ming Container Terminal Corp.	Investments accounted for by the equity method	-	Subsidiary	180,000,000	1,818,097	230,000,000	2,300,000	-	-	-	-	(95,210)	410,000,000
Kao Ming Container Terminal Corp.	New Century Infocomm Co., Ltd.	Financial asset carried at cost - noncurrent	-	-	43,780,180	427,789	-	-	43,780,180	477,081	49,292	-	-	-
	Fermosa Plastics Corporation	Available-for-sale financial assets - current	-	-	1,762,290	109,526	-	-	1,762,290	127,064	17,538	-	-	-
Kao Ming Container Terminal Corp.	Mutual Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	39,402,555	500,000	39,402,555	519,846	19,846	-	-	-
	Franklin Templeton SinoAm Global Bd Acc	Available-for-sale financial assets - current	-	-	-	-	125,703,080	1,940,000	107,595,222	1,660,130	130	-	-	18,107,858
Kao Ming Container Terminal Corp.	Capital Sale Income Fund	Available-for-sale financial assets - current	-	-	-	-	13,843,705	200,000	13,843,705	200,000	98	-	-	280,000
	TIIM Bond Fund	Available-for-sale financial assets - current	-	-	-	-	73,241,227	779,979	73,241,227	780,251	272	-	-	32,821,806
Kao Ming Container Terminal Corp.	TaiShin Lucky Money Market	Available-for-sale financial assets - current	-	-	-	-	106,063,033	1,130,000	106,063,033	1,130,000	368	-	-	1,500,000
	First-Horizon Bond Fund	Available-for-sale financial assets - current	-	-	-	-	238,711,576	2,500,000	238,711,576	2,500,000	59	-	-	2,500,000
Kao Ming Container Terminal Corp.	Fish How Global Share Fund	Available-for-sale financial assets - current	-	-	-	-	20,842,183	260,000	20,842,183	260,000	59	-	-	11,626,093
	Fish How You Li Money Market	Available-for-sale financial assets - current	-	-	-	-	124,133,045	1,483,000	124,133,045	1,483,000	108	-	-	807,783
Kao Ming Container Terminal Corp.	Mega Diamond Bond	Available-for-sale financial assets - current	-	-	-	-	147,635,312	1,865,000	147,635,312	1,865,000	851	-	-	67,584,604
	Union Bond	Available-for-sale financial assets - current	-	-	-	-	215,621,159	3,050,000	215,621,159	3,050,000	874	-	-	66,106,497
Kao Ming Container Terminal Corp.	Jih Sun Bond	Available-for-sale financial assets - current	-	-	-	-	290,000	290,000	290,000	290,000	20	-	-	-
	Polaris De-Bao Fund	Available-for-sale financial assets - current	-	-	-	-	25,241,535	290,000	25,241,535	290,000	20	-	-	-
Kao Ming Container Terminal Corp.	Polaris De-Li Equity Fund	Available-for-sale financial assets - current	-	-	-	-	131,344,913	1,290,000	131,344,913	1,290,000	40	-	-	44,144,068
	HTT (699) Bond Fund	Available-for-sale financial assets - current	-	-	-	-	87,008,833	870,000	87,008,833	870,000	21	-	-	430,000
Kao Ming Container Terminal Corp.	Hua Nan Kirm Money Market	Available-for-sale financial assets - current	-	-	-	-	42,116,943	545,000	42,116,943	545,000	21	-	-	66,953,391
	PCA Global Bond Fund of Fund	Available-for-sale financial assets - current	-	-	-	-	92,200,201	1,060,000	92,200,201	1,060,000	240	-	-	770,000
Kao Ming Container Terminal Corp.	PCA Global Bond Fund of Fund	Available-for-sale financial assets - current	-	-	-	-	19,738,600	230,000	19,738,600	222,426	(7,574)	-	-	230,000
	PCA Well Pool Fund	Available-for-sale financial assets - current	-	-	-	-	17,658,214	230,000	17,658,214	230,000	-	-	-	-
Kao Ming Container Terminal Corp.	Yunna Wan Tai Bond	Available-for-sale financial assets - current	-	-	-	-	100,000	100,000	100,000	100,000	37	-	-	-
	Alvarez Gbl Inv All Seasons Ret Of	Available-for-sale financial assets - current	-	-	-	-	6,899,454	100,000	6,899,454	100,000	-	-	-	-
Kao Ming Container Terminal Corp.	ING Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	-	-	26,694,744	330,000	26,694,744	325,793	(4,207)	-	-	-
	KEG Victory Money Market	Available-for-sale financial assets - current	-	-	-	-	8,955,235	140,000	8,955,235	140,000	28	-	-	35,028
Kao Ming Container Terminal Corp.	FSTC Taiwan Bond	Available-for-sale financial assets - current	-	-	-	-	44,977,781	500,000	44,977,781	500,000	36	-	-	-
	Fubon Chi-Hsing Money Market	Available-for-sale financial assets - current	-	-	-	-	34,141,578	500,000	34,141,578	500,000	2	-	-	470,002
Kao Ming Container Terminal Corp.	Energy Select SPDR (USD)	Available-for-sale financial assets - current	-	-	150,000	274,328	500,000	500,000	2,998	-	-	-	500,000	
	BGI Liquidity First Funds (EUR)	Financial assets at fair value through profit or loss - current	-	-	1,461,752	67,207	107,096,145	615,445	470,750	996,476	16,703	-	-	55,696
Kao Ming Container Terminal Corp.	BGI Liquidity First Funds (GBP)	Financial assets at fair value through profit or loss - current	-	-	2,284,050	116,391	24,030,449	1,174,304	108,502,181	4,572,899	-	-	-	2,169
	Principal guaranteed notes	Financial assets at fair value through profit or loss - current	-	-	-	-	-	-	26,168,021	1,284,081	-	-	-	6,614
Kao Ming Container Terminal Corp.	CAPITAL	Financial assets at fair value through profit or loss - current	-	-	-	-	115,074	-	-	-	-	-	-	115,074
	Yunna Principal Guaranteed Notes	Financial assets at fair value through profit or loss - current	-	-	-	-	300,070	-	-	-	-	-	-	300,070
Kao Ming Container Terminal Corp.	Short Rate Linked Principal Guarantee Note	Financial assets at fair value through profit or loss - current	-	-	-	-	145,059	-	-	-	-	-	-	145,059
	Mutual Fund	Available-for-sale financial assets - current	-	-	1,975,740	25,614	36,144,936	470,000	21,825,842	285,681	120	-	-	16,294,834
Kao Ming Container Terminal Corp.	PCA Well Pool Fund	Available-for-sale financial assets - current	-	-	4,401,143	68,624	17,279,442	270,000	11,443,960	178,645	42	-	-	10,236,625
	ING Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	22,501,744	300,000	18,698,159	250,000	18,465,900	246,383	190	-	-	22,734,003
Kao Ming Container Terminal Corp.	SinoBae Bond Fund	Available-for-sale financial assets - current	-	-	-	-	-	-	-	-	-	-	-	-
	Mutual Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	139,547	139,547	124,386	124,386	69	-	-	1,098,991
Kao Ming Container Terminal Corp.	First-Horizon Global Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	11,486,193	149,323	9,945,853	129,301	39	-	-	1,540,340
	PCA Well Pool Fund	Financial assets at fair value through profit or loss - current	-	-	4,225,014	56,305	9,288,317	124,113	123,975	124,113	138	-	-	11,510
Kao Ming Container Terminal Corp.	SinoBae Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	79,180	79,180	86,432	86,432	-	-	-	86,432

Notes:

A. Represents the investment income recognized under equity method, \$551,073 thousand, cumulative translation adjustment \$205,307 thousand, unrealized gain on financial instruments \$5 thousand and cash dividends received on equity-method investee \$(940,220) thousand.

B. Represents the investment income recognized under equity method \$306,150 thousand and unrealized gain on financial instruments \$946 thousand.

C. Carrying value is original acquisition amount.

SCHEDULE I

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

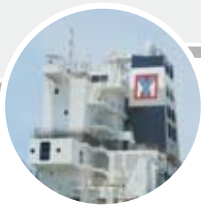
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yang Ming Marine Transport Corporation	All Oceans Transportation, Inc.	A	\$ 20,522,826 (Note E)	-	\$ -	-	\$ -	-
	Yang Ming (Liberia) Corp.	A	800,330 (Note F)	-	-	-	-	-
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	A	172,823 (Note G)	-	-	-	673,693	-
	Young-Carrier Company Limited	A	709,149	-	-	-	148,496	-
	Yang Ming Italy S.p.A.	A	148,496	-	-	-	-	-
All Oceans Transportation, Inc.	Yang Ming (Liberia) Corp.	B	7,157,576 (Note H)	-	-	-	-	-
Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	B	161,757	-	-	-	-	-
Young-Carrier Company Limited	Yang Ming Marine Transport Corporation	C	438,110	-	-	-	438,110	-
Yang Ming Line (Hong Kong) Ltd.	Yang Ming Marine Transport Corporation	C	137,523	-	-	-	137,523	-
Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	C	1,449,806 (Note I)	-	-	-	-	-
Yes Logistics Corp.	Yes Logistics Company, Ltd.	D	108,849	-	-	-	-	-
Yang Ming (America) Corp.	Olympic Container Terminal LLC	B	399,422 (Note J)	-	-	-	-	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yangming (UK) Ltd.	D	1,930,837 (Note K)	-	-	-	-	-

Notes:

- A. Subsidiary of the Corporation.
 B. The same parent company.
 C. Parent company.
 D. Ultimate parent company.
 E. Payment made for All Oceans Transportation Inc., interest receivable, dividends receivable and proceeds from sale of ships.
 F. Payment made for Yang Ming (Liberia) Corp., financing providing and proceeds from sale of ships. Has deducted the credit balance of the Corporation's long-term in Yang Ming (Liberia) Corp.
 G. Dividends receivable.
 H. Temporary payments, interest receivable and proceeds from sale of ships.

(Continued)



- I. Interest receivable and proceeds from sale of ships.
- J. Accounts receivable and financing providing.
- K. Proceeds from sale of ships.
- L. Collections between related parties have been made according to "Agency Accounting Procedure" by the Corporation and local business conventions.

(Concluded)

SCHEDULE J

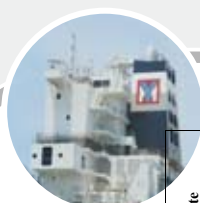
YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

Names, Locations, and Other Information of Investees on which the Company Exercises Significant Influence
 Year Ended December 31, 2010
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A)		Balance as of December 31, 2010		Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership				
Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	\$ 3,272,005	\$ 3,272,005	10,351	100.00	\$ 4,487,685	\$ 1,163,320	\$ 1,163,320	Subsidiary
	Yang Ming Line (Singapore) Pte. Ltd.	Singapore	Investment, shipping service; chartering, sale and purchase of ships; and forwarding agency	1,113,356	1,113,356	60,130,000	100.00	1,645,246	158,626	158,626	Subsidiary
	Ching Ming Investment Corp.	Taipei, Taiwan	Investment	1,500,013	1,500,013	160,650,000	100.00	1,640,812	128,125	128,125	Subsidiary
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	4,364,025	(530,585)	(530,585)	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	593,404	551,944	60,000,000	50.00	542,675	63,981	30,935	Subsidiary
	Kuang Ming Shipping Corp.	Taipei, Taiwan	Shipping service; shipping agency and forwarding agency	3,863,737	4,143,884	191,620,000	93.24	4,547,382	558,633	551,073	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	79,273	316,780	7,916,908	79.17	121,907	21,019	16,640	Subsidiary
	Jing Ming Transportation Co., Ltd.	Kaohsiung, Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	117,695	17,683	9,015	Subsidiary
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	143,860	143,860	13,500	100.00	292,663	293,217	293,217	Subsidiary
	Transyang Shipping Pte. Ltd.	Singapore	Shipping services; chartering, sale and purchase of ships; forwarding agency and shipping agency	57,802	57,802	1,345	49.00	90,614	69,503	34,057	Equity-method investee
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,378	3,378	1	100.00	(1,670,538)	(1,544,692)	(1,544,692)	Subsidiary
	Yuan Wang Investment Co., Ltd.	Taipei, Taiwan	Investment	179,810	179,810	5,211,474	49.75	199,640	21,636	10,764	Equity-method investee
	Kao Ming Container Terminal Corp.	Kaohsiung, Taiwan	Terminal operation and stevedoring	4,100,000	1,800,000	410,000,000	100.00	4,022,887	(96,156)	(96,156)	Subsidiary
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	24,988	39,500	2,083,092	20.83	31,751	16,841	-	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	548,286	493,111	55,630,977	46.36	503,005	61,235	-	Subsidiary
Yang Ming Line Holding Co.	Yang Ming (America) Corp.	New Jersey, U.S.A.	Shipping agency, forwarding agency and shipping managers	17,305	17,305	5,000	100.00	(28,337)	231,927	-	Subsidiary
	Olympic Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	31,530	31,530	(Note R)	100.00	(386,202)	9,374	-	Subsidiary
	Triumph Logistics, Inc.	U.S.A.	Container transportation	1,699	1,699	200	100.00	(10,341)	(7,499)	-	Subsidiary
	Topline Transportation Inc.	U.S.A.	Container transportation	4,860	4,860	100	100.00	(934)	(2,650)	-	Subsidiary
	Coastal Tarhed Express Inc.	U.S.A.	Container transportation	2,430	2,430	100	100.00	5,808	(1,564)	-	Subsidiary
	Transcont Intermodal Logistics, Inc.	U.S.A.	Inland forwarding agency	2,444	2,444	200	100.00	11,076	5,042	-	Subsidiary
	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	646,577	294,943	-	Equity-method investee
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation and machine lease	34,750	34,750	(Note G)	40.00	114,361	78,543	-	Equity-method investee
	Yang Ming Shipping (Canada) Ltd.	Canada	Shipping agency, forwarding agency and shipping managers	2,981	2,981	1,000	100.00	15,300	7,104	-	Subsidiary
Yang Ming Line (B.V.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(916,141)	965,534	-	Subsidiary
Yang Ming Line N.V.	Yang Ming Line B.V.	Amsterdam, The Netherlands	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	2,500	100.00	(918,666)	965,689	-	Subsidiary
Yang Ming Line B.V.	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	1,651	1,651	369	60.00	11,307	21,717	-	Subsidiary
	Yang Ming (Netherlands) B.V.	Amsterdam, The Netherlands	Shipping agency	820	540	(Note I)	100.00	39,840	41,409	-	Subsidiary

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V Financial Information



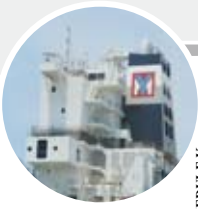
Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A) December 31, 2010	Investment Amount (Note A) December 31, 2009	Shares	Balance as of December 31, 2010 Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
Yang Ming (UK) Ltd.	Yang Ming (Italy) S.p.A. Yang Ming Shipping Europe GmbH Yang Ming (UK) Ltd. Yang Ming Shipping (Egypt) S.A.E.	Genova, Italy Hamburg, Germany London, U.K. Egypt	Shipping agency, forwarding agency and shipping managers Shipping agency, forwarding agency and shipping managers Shipping agency, forwarding agency and shipping managers	\$ 4,319 29,697 42,408 14,149	\$ 4,319 29,697 42,408 -	125,000 (Note B) 900,000 24,500	50.00 100.00 100.00 49.00	\$ 24,968 106,206 (1,119,112) 25,122	\$ 9,486 15,337 892,425 28,826	- - - -	Subsidiary Subsidiary Subsidiary Equity-method investee
Yang Ming (UK) Ltd.	Corstor Ltd. Yes Logistic UK Limited	U.K. U.K.	Forwarding agency and shipping managers Forwarding agency	25 -	25 -	(Note C) 200	50.00 100.00	7,469 (3,526) (Note E)	6,065 -	- -	Equity-method investee Subsidiary
Yang Ming (Italy) S.p.A.	Yang Ming (Naples) S.r.l.	Naples, Italy	Forwarding agency	238	238	(Note K)	60.00	1,958	1,374	-	Subsidiary
Yang Ming Line (Singapore) Pte Ltd.	Yang Ming Shipping (B.V.I) Inc. Yang Ming Line (Hong Kong) Ltd.	British Virgin Islands Hong Kong	Forwarding agency and shipping agency Forwarding agency and shipping agency	16 2,138	16 2,138	510 510,000	51.00 51.00	212,060 (75,520) (Note P)	(13,998) 6,965	- -	Subsidiary Subsidiary
	Yang Ming Line (India) Pvt. Ltd. Yang Ming (Korea) Co., Ltd.	India Korea	Shipping agency, forwarding agency and shipping managers Shipping agency, forwarding agency and shipping managers	2,228 10,107	2,228 10,107	300,000 60,000	60.00 60.00	(225) (Note E) 26,287	(21,624) 13,094	- -	Subsidiary Subsidiary
	Young Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	305,050	3,294	-	Subsidiary
	Yangming (Japan) Co., Ltd.	Tokyo, Japan	Shipping services; chartering, sale and purchase of ships; and forwarding agency	36,235	36,235	3,000	100.00	52,898	10,045	-	Subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	36,161	8,903	-	Subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	10,727	1,000,000	100.00	26,776	5,023	-	Subsidiary
	Sunbright Insurance Pte. Ltd. Yang Ming (Vietnam) Company Limited Promosa International Development Corporation	Singapore Vietnam Vietnam	Insurance Forwarding agency and shipping managers Invest industry district and real estate	32,440 3,197 254,358	32,440 3,197 254,358	2,000,000 (Note J) (Note O)	100.00 49.00 30.00	83,602 12,015 228,934	26,507 9,489 121,927	- - -	Subsidiary Equity-method investee Equity-method investee
	Yang Ming Anatolia Shipping Agency Yang Ming (U.A.E.) LLC.	Turkey U.A.E.	Shipping agency, forwarding agency and shipping managers Shipping agency, forwarding agency and shipping managers	1,077 2,140	1,077 -	50,000 (Note T)	50.00 49.00	41,570 25,891	76,580 52,860	- -	Subsidiary Equity-method investee
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	3,180	14	-	Subsidiary
Yang Ming Shipping (B.V.I) Inc.	Karlman Properties Limited	Hong Kong	Property agency	4	4	24,000,000	100.00	81,255	621	-	Subsidiary
Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Monrovia, Republic of Liberia	Forwarding agency	1,060,904	1,060,904	1	100.00	2,274,497	630,618	-	Subsidiary
Yes Logistics Corp.	Yes Yangming Logistics (Singapore) Pte. Ltd. Yes Logistics Corp. (USA)	Singapore Auckland, USA	Investment and subsidiaries management Shipping agency, forwarding agency and shipping managers	128,571 179,750	14,428 179,750	5,600,000 5,460,000	100.00 100.00	44,872 105,046	6,537 29,065	- -	Subsidiary Subsidiary
Yes Yangming Logistics (Singapore) Pte. Ltd.	Chang Ming Logistics Company Limited	Chongqing, China	Terminal operation and stevedoring	304,326	304,326	(Note D)	49.00	321,884	10,579	-	Equity-method investee
Yes Yangming Logistics (Singapore) Pte. Ltd.	Burger Yes B.V. Yes Logistics (Netherlands) B. V. Yes Logistics Company Ltd.	Netherlands Netherlands Hong Kong	Forwarding agency Forwarding agency Forwarding agency	7,587 1,224 114,417	7,587 1,224 4,304	9,000 (Note N) 29,000,000	50.00 100.00 100.00	3,563 5,372 33,594	124 3,186 3,694	- - -	Subsidiary Subsidiary Subsidiary
Yes Logistics Corp. (USA)	Golden Logistics Corp. Golden Logistics USA Corporation	Shanghai, China USA	Forwarding agency Container transportation	164,329 328	164,329 328	(Note L) 100	100.00 100.00	71,846 (1,873) (Note E)	16,871 (1,030)	- -	Subsidiary Subsidiary
Golden Logistics Corp.	YES Logistics Europe GmbH Golden Logistics (Qingdao) Corp. Star Logistics (Qingdao) Corp.	Hamburg, Germany Qingdao, China Qingdao, China	Forwarding agency Forwarding agency Forwarding agency	1,158 12,498 10,850	1,158 12,498 10,850	(Note H) (Note O) (Note S)	100.00 60.00 60.00	7,734 10,974 8,845	5,753 (341) (813)	- - -	Subsidiary Subsidiary Subsidiary

(Continued)

Notes:

- A. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- B. This is equivalent to EUR818,000, and no shares were issued.
- C. This is equivalent to GBP500, and no shares were issued.
- D. This is equivalent to US\$9,301,000, and no shares were issued.
- E. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000, and no shares were issued.
- G. This is equivalent to US\$1,000,000, and no shares were issued.
- H. Paid-in capital was equivalent to EUR25,000, and no shares were issued.
- I. This is equivalent to EUR18,000, and no shares were issued.
- J. This is equivalent to US\$94,000, and no shares were issued.
- K. This is equivalent to EUR6,000, and no shares were issued.
- L. This is equivalent to US\$5,000,000, and no shares were issued.
- M. Recognized as deducted from long-term receivables - related parties.
- N. This is equivalent to EUR 30,000, and no shares were issued.
- O. This is equivalent to US\$7,800,000, and no shares were issued.
- P. The loss of subsidiary was recognized in proportion to the Company's equity. Because the minority interest commits to share in the investees' losses, the cumulative equity of the Corporation in the investee's net loss in excess of the related investment is not charged against the Corporation.
- Q. This is equivalent to RMB5,000,000, and no shares were issued.
- R. This is equivalent to US\$1,000,000, and no shares were issued.
- S. This is equivalent to RMB2,960,000, and no shares were issued.
- T. This is equivalent to AED245,000, and no shares were issued.

(Concluded)



V • Financial Information

SCHEDULE K

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2010

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

Company Name	Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2010	Investment Flows		% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Value as of December 31, 2010 (Note E)	Accumulated Inward Remittance of Earnings as of December 31, 2010
						Outflow	Inflow				
Yang Ming Marine Transportation Corporation	Yangtze River Express Airlines Company Limited (Note A)	Shipping agency	RMB 500,000,000	Indirect investment through Singapore-based subsidiary's direct investment in Mainland China.	\$ 542,645 (US\$ 18,622,000)	\$ -	\$ -	12.00%	\$ -	(Note F)	\$ -
Yes Logistics Corp.	Golden Logistics Corp. (Note B)	Shipping agency	US\$ 5,000,000	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	145,700 (US\$ 5,000,000)	-	-	96.36%	16,769	\$ 69,231	-
	Chang Ming Logistics Company Limited (Note C)	Terminal operation and stevedoring	RMB 144,800,000	Investee's direct investment in Mainland China.	271,031 (US\$ 9,301,000)	-	-	47.22%	4,995	310,167	-

Company Name	Accumulated Investment in Mainland China as of December 31, 2010		Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment
	\$	(US\$)	\$	(US\$)	
Yang Ming Marine Transportation Corporation	542,645	(US\$ 18,622,000)	542,645	(US\$ 18,622,000)	\$ 25,229,689
Yes Logistics Corp.	416,731	(US\$ 14,301,000)	416,731	(US\$ 14,301,000)	652,930 (Note E)

Notes:

- The Corporation was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on November 29, 2005 and June 5, 2007.
- Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on June 3, 2004, July 4, 2006 and December 26, 2006.
- Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on April 11, 2005, August 22, 2006, November 29, 2006 and December 2, 2008.
- Calculated by the % ownership of direct or indirect investment.
- It represents 60% (\$1,088.216 thousand) of the net assets of Yes Logistics Corp. as of December 31, 2010.
- Impairment loss was recognized in 2007.
- United States dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.14.

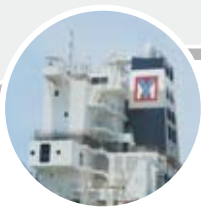
5.9 Independent Auditors' Report and Consolidated Financial Reports As of Dec.31,2010

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Yang Ming Marine Transport Corporation (the "Corporation") and its subsidiaries as of December 31, 2010 and 2009, 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 of the following subsidiaries which had been audited by other auditors: In 2010 YES Logistics Europe GmbH, YES Logistics (Shanghai) Corp., YES Logistics Company Ltd. and YES Logistics (Netherlands) B.V. and in 2010 and 2009, Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co.. The combined total assets of these subsidiaries were 3.3% (NT\$4,364,769 thousand) and 3.3% (NT\$3,778,408 thousand) of the total consolidated assets as of December 31, 2010 and 2009, respectively. The combined total operating revenues of these subsidiaries were 1.7% (NT\$2,240,038 thousand) and 0.7% (NT\$617,476 thousand) of the consolidated revenue in 2010 and 2009, respectively. Also, we did not audit the financial statements of the following equity-method investees which had been audited by other auditors: In 2010, Yang Ming (U.A.E.) Ltd. and Yang Ming Shipping (Egypt) S.A.E and in 2010 and 2009, West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited. The carrying values of these investments were 0.9% (NT\$1,153,319 thousand) and 0.9% (NT\$1,040,227 thousand) of the total consolidated assets as of December 31, 2010 and 2009, respectively. The equity in these investees' net income was 1.5% (NT\$202,287 thousand) of the consolidated income before income tax in 2010 and (0.9%) (NT\$153,087 thousand) of the consolidated loss before income tax in 2009. The financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries and investees included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

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



In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

Deloitte & Touche

March 9, 2011

Notice to Readers

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

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

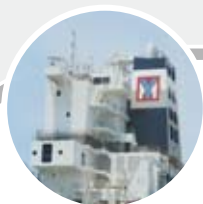
YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 13,896,439	10	\$ 8,050,003	7
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,403,493	1	919,507	-
Available-for-sale financial assets - current (Notes 2 and 6)	9,692,954	7	1,624,876	-
Notes receivable, net (Notes 2 and 23)	357,200	-	1,54,950	-
Accounts receivable, net of allowance for doubtful accounts of \$73,910 thousand and \$38,305 thousand at December 31, 2010 and 2009 (Note 2)	2,578,088	2	2,405,833	2
Accounts receivable from related parties (Note 23)	59,581	-	131,097	-
Other receivables (Notes 5 and 6)	626,766	1	15,519	-
Refundable deposits (Notes 9 and 24)	4,949,882	4	4,122,359	4
Shipping fuel, net (Notes 2 and 3)	1,175,910	1	1,287,351	1
Prepaid expenses	592,609	1	412,729	-
Advances to shipping agents	49,904	-	24,575	-
Deferred income tax assets - current (Notes 2 and 19)	431,830	-	546,582	-
Other current assets (Notes 23 and 24)	-	-	-	-
Total current assets	35,814,456	27	19,695,381	17
LONG-TERM INVESTMENTS (Notes 2, 6, 7 and 8)				
Available-for-sale financial assets - noncurrent	2,650,993	2	3,320,867	3
Financial assets carried at cost - noncurrent	472,515	1	677,723	-
Investments accounted for using equity method	1,672,507	1	1,724,735	1
Cash surrender value of life insurance	28,824	-	19,361	-
Total long-term investments	4,824,309	4	5,992,706	5
PROPERTIES (Notes 2, 9 and 24)				
Cost				
Land	471,304	-	471,304	-
Buildings	1,135,719	1	1,153,973	-
Containers and chassis	23,005,358	17	22,906,638	20
Ships	56,828,669	43	55,635,095	49
Leased assets	13,877,721	10	7,954,045	7
Leasehold improvements	239,216	-	242,718	-
Miscellaneous equipment	3,925,995	3	4,031,678	4
Total cost	99,484,078	74	92,395,451	81
Less: Accumulated depreciation	33,366,941	25	27,620,605	24
Less: Accumulated impairment	25,740	-	-	-
Construction in progress	66,091,397	49	64,774,846	57
Net properties	15,880,764	12	11,057,542	10
Net properties	81,972,161	61	75,832,388	67
INTANGIBLE ASSETS				
Computer software (Note 2)	32,323	-	36,112	-
Deferred pension cost (Notes 2 and 17)	2,427	-	258	-
Total intangible assets	34,750	-	36,370	-
OTHER ASSETS				
Assets leased to others, net (Notes 2, 10 and 24)	3,989,465	3	4,031,307	4
Nonoperating assets, net (Notes 2, 11 and 24)	323,589	-	319,137	-
Refundable deposits (Notes 9 and 24)	5,889,027	4	6,615,710	6
Deferred charges, net (Note 2)	45,024	-	131,119	-
Advances on long-term rent agreements (Note 12)	860,415	1	901,521	1
Miscellaneous (Notes 17 and 24)	51,602	-	265,924	-
Total other assets	11,159,122	8	12,264,718	11
TOTAL	\$ 133,804,798	100	\$ 113,891,563	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 13)	\$ 1,048,063	1	\$ 855,177	1
Notes payable (Note 23)	58,390	-	72,532	-
Hedging derivative liabilities - current (Note 2)	21,686	-	-	-
Payable to related parties (Note 23)	193,566	-	65,486	-
Income tax payable (Notes 2 and 19)	117,157	-	665,304	1
Accrued expenses	8,303,496	6	6,393,605	6
Advances on equipment	1,184,188	1	348,815	-
Payables from customers	3,008,907	2	2,529,909	2
Current portion of long-term interest-bearing debts (Notes 2, 9, 14 and 24)	17,861,239	14	8,288,808	7
Payable to shipping agents	1,266,869	1	1,122,942	1
Payable to shipping agents - related parties (Note 23)	147,699	-	92,985	-
Other current liabilities	363,208	-	353,521	-
Total current liabilities	33,574,938	25	20,789,084	18
LONG-TERM LIABILITIES				
Hedging derivative liabilities - noncurrent (Note 2)	-	-	15,595	-
Bonds payable (Notes 2 and 14)	8,945,210	7	15,040,000	13
Long-term debts (Notes 14 and 24)	34,098,287	26	37,318,530	33
Obligations under capital leases - long-term portion (Notes 2, 9 and 14)	11,065,490	8	5,781,958	5
Total long-term liabilities	54,108,987	41	58,156,099	51
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	479,639	-	479,639	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	1,302,302	1	1,262,833	1
Deferred income tax liabilities - noncurrent (Notes 2 and 19)	900,145	1	153,088	-
Unrealized gain on sale and leaseback (Notes 2 and 16)	551,192	-	608,672	-
Others	84,129	-	165,254	-
Total other liabilities	2,838,568	2	2,189,847	2
Total liabilities	91,001,932	68	81,614,669	72
YANG MING'S EQUITY				
Capital stock - \$10 par value				
Authorized - 2,562,466 thousand shares				
Issued - 2,562,466 thousand shares	25,624,665	19	25,624,665	23
Capital surplus	4,710,566	3	7,499,701	7
Additional paid-in capital	-	-	1,480,009	1
Treasury stock transactions	-	-	8,927	-
Long-term investments	8,927	-	-	-
Total capital surplus	4,719,493	3	8,988,637	8
Retained earnings (accumulated deficit)	-	-	-	-
Legal reserve	-	-	3,869,543	3
Special reserve	-	-	2,067,513	2
Unappropriated earnings (accumulated deficit)	11,787,853	9	(10,206,200)	(9)
Total retained earnings (accumulated deficit)	11,787,853	9	(4,269,144)	(4)
Other equity	(469,051)	-	240,626	-
Cumulative translation adjustments	(26,499)	-	(25,379)	-
Net loss not recognized as pension cost	413,020	-	1,200,905	-
Unrealized gain on financial instruments	(82,330)	-	1,416,152	-
Total other equity	42,049,481	31	31,760,310	28
Total controlling interest	753,385	1	446,584	-
MINORITY INTEREST	42,802,866	32	32,206,894	28
Total stockholders' equity	\$ 133,804,798	100	\$ 113,891,563	100

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



YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 23)	\$ 130,549,767	100	\$ 88,892,781	100
OPERATING COSTS (Notes 2, 20 and 23)	<u>108,885,960</u>	<u>83</u>	<u>100,384,006</u>	<u>113</u>
GROSS INCOME (LOSS)	<u>21,663,807</u>	<u>17</u>	<u>(11,491,225)</u>	<u>(13)</u>
OPERATING EXPENSES (Notes 20 and 23)				
Selling expenses	5,316,282	4	4,885,553	6
General and administrative expenses	<u>1,112,154</u>	<u>1</u>	<u>954,233</u>	<u>1</u>
Total operating expenses	<u>6,428,436</u>	<u>5</u>	<u>5,839,786</u>	<u>7</u>
OPERATING INCOME (LOSS)	<u>15,235,371</u>	<u>12</u>	<u>(17,331,011)</u>	<u>(20)</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties	632,533	1	876,830	1
Gain on sale of investments, net (Notes 7 and 8)	317,689	-	159,889	-
Investment income recognized under equity method (Notes 2 and 8)	283,686	-	331,015	1
Dividend income	175,528	-	325,316	1
Valuation gain on financial assets, net (Note 2)	150,003	-	381	-
Interest income (Note 23)	90,105	-	124,939	-
Rent income (Note 23)	79,905	-	97,329	-
Valuation gain on financial liabilities, net (Note 2)	-	-	126,156	-
Others	<u>177,419</u>	<u>-</u>	<u>261,362</u>	<u>-</u>
Total nonoperating income and gains	<u>1,906,868</u>	<u>1</u>	<u>2,303,217</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Exchange loss, net (Note 2)	1,781,667	2	128,983	-
Interest expense (Notes 2, 9 and 23)	1,378,978	1	1,139,624	2
Compensation loss (Note 25)	397,152	-	-	-
Valuation loss on financial liabilities, net (Note 2)	86,174	-	-	-
Impairment loss (Notes 2, 6, 7 and 9)	44,379	-	240,019	-
Others (Note 20)	<u>223,044</u>	<u>-</u>	<u>236,285</u>	<u>-</u>
Total nonoperating expenses and losses	<u>3,911,394</u>	<u>3</u>	<u>1,744,911</u>	<u>2</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

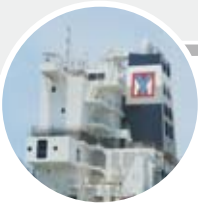
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	\$ 13,230,845	10	\$ (16,772,705)	(19)
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 19)	<u>1,369,152</u>	<u>1</u>	<u>(952,794)</u>	<u>(1)</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ 11,861,693</u>	<u>9</u>	<u>\$ (15,819,911)</u>	<u>(18)</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 11,787,853	9	\$ (15,841,129)	(18)
Minority interest	<u>73,840</u>	<u>-</u>	<u>21,218</u>	<u>-</u>
	<u>\$ 11,861,693</u>	<u>9</u>	<u>\$ (15,819,911)</u>	<u>(18)</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 21)				
Basic	<u>\$ 5.00</u>	<u>\$ 4.60</u>	<u>\$ (6.97)</u>	<u>\$ (6.18)</u>
Diluted	<u>\$ 4.99</u>	<u>\$ 4.59</u>	<u>\$ (6.97)</u>	<u>\$ (6.18)</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)



V Financial Information

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	Capital Stock		Capital Surplus (Note 18)		Retained Earnings (Accumulated Deficit) (Note 18)			Other Equity (Notes 3 and 18)			Total Stockholders' Equity		
	Shares (Thousands)	Amount	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit)	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost		Unrealized Gain (Loss) on Financial Instruments	Minority Interest
BALANCE, JANUARY 1, 2009	2,562,466	\$ 25,024,665	\$ 7,499,701	\$ 1,480,009	\$ 8,872	\$ 3,814,813	\$ 2,067,513	\$ 6,074,029	\$ 447,853	\$ (36,590)	\$ 25,832	\$ 457,450	\$ 47,464,147
Appropriations of 2008 earnings	-	-	-	-	-	54,730	-	(54,730)	-	-	-	-	-
Legal reserve	-	-	-	-	-	(384,370)	-	(384,370)	-	-	-	-	(384,370)
Cash dividends - \$0.15 per share	-	-	-	-	-	-	-	(15,841,129)	-	-	-	21,218	(15,819,911)
Consolidated net loss for the year ended December 31, 2009	-	-	-	-	-	-	-	-	(179,327)	-	-	(6,657)	(185,984)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	(2,716)	258,664	-	255,948
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	-	944,779	-	944,779
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(30,181)	-	(30,181)
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	55	-	-	-	(27,900)	-	1,811	-	(26,084)
Effect of changes on sale long-term equity-method investments	-	-	-	-	-	-	-	-	-	13,927	-	-	13,927
Change in net loss not recognized pension cost	-	-	-	-	-	-	-	-	-	-	-	(25,427)	(25,427)
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	446,584	446,584
BALANCE, DECEMBER 31, 2009	2,562,466	25,024,665	7,499,701	1,480,009	8,927	3,869,543	2,067,513	(10,206,200)	240,626	(25,379)	1,200,905	446,584	32,206,894
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	318,697	318,697
Compensation of 2009 deficits	-	-	-	-	-	-	-	2,789,135	-	-	-	-	-
Capital surplus - additional paid in capital	-	-	(2,789,135)	-	-	-	-	1,480,009	-	-	-	-	-
Capital surplus - treasury stock transactions	-	-	-	(1,480,009)	-	(3,869,543)	-	3,869,543	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	(2,067,513)	2,067,513	-	-	-	-	-
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-	-	-	11,787,853	(711,013)	-	-	73,840	11,861,693
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	-	(44,245)	(755,258)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	398	(58,523)	-	(58,125)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(723,838)	-	(723,838)
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	(5,522)	-	(5,522)
Change in net loss not recognized pension cost	-	-	-	-	-	-	-	-	-	(1,518)	-	-	(1,518)
Effect of changes on sale long-term equity-method investments	-	-	-	-	-	-	-	-	1,336	-	(2)	-	1,334
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	(41,491)	(41,491)
BALANCE, DECEMBER 31, 2010	2,562,466	25,024,665	4,710,566	-	8,927	-	-	11,787,853	(669,051)	(26,499)	413,020	753,385	42,802,866

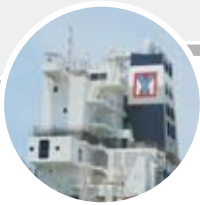
The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 9, 2011)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	\$ 11,861,693	\$ (15,819,911)
Depreciation	7,125,446	6,439,854
Amortization	64,177	87,723
Provision for doubtful accounts	37,104	161,133
Provision for pension cost	36,420	3,011
Provision for (reversal of) allowance for loss on shipping fuel	36,114	(552,096)
Gain on sale of investments	(317,689)	(159,889)
Gain on disposal of properties, net	(632,533)	(876,830)
Impairment loss on available-for-sale financial assets	-	174,787
Impairment loss on properties and other assets	36,686	-
Impairment loss on financial assets carried at cost	7,693	65,232
Investment income recognized under equity method	(283,686)	(331,015)
Cash dividends received from equity method investee	174,679	822,003
Deferred income tax	720,525	(1,783,980)
Valuation gain on financial instruments	(150,003)	(381)
Valuation loss (gain) on financial liabilities	86,174	(126,156)
Realized gain on sale and lease back	(57,480)	(50,304)
Others	20,707	(1,149)
Changes in operating assets and liabilities		
Financial assets held for trading	(285,298)	(266,604)
Notes receivable	(202,250)	8,855
Accounts receivable	(210,473)	(65,517)
Accounts receivable from related parties	71,516	(104,477)
Shipping fuel	(863,637)	(1,227,905)
Prepaid expenses	111,441	58,387
Advances to shipping agents	(179,680)	(115,166)
Other current assets	112,792	4,129
Notes payable	(14,142)	(51,737)
Financial liabilities held for trading	-	(18,978)
Payables to related parties	128,350	20,686
Income tax payable	(548,147)	534,958
Accrued expenses	1,909,891	1,728,849
Advances from customers	478,998	419,328
Payables to shipping agents	143,627	(1,635,635)
Payable to shipping agents - related parties	54,714	(103,681)
Other current liabilities	10,187	89,594
Advances on long-term rent agreements	41,106	41,107
Net cash provided by (used in) operating activities	<u>19,525,022</u>	<u>(12,631,775)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(24,388,219)	(9,265,917)
Proceeds from disposal of available-for-sale financial assets	15,752,986	9,222,844
Proceeds from disposal of held-to-maturity financial assets	-	3,621
		(Continued)



YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	2010	2009
Acquisition of financial assets carried at cost	\$ -	\$ (107,000)
Proceeds from disposal of financial assets carried at cost	477,081	19,994
Acquisition of investments accounted for using equity method	(14,485)	(94,600)
Proceeds from disposal of investments accounted for using equity method	-	750,215
Proceeds from capital reduction from equity method investees	21,685	8,500
Acquisition of properties and nonoperating assets	(9,146,209)	(12,516,903)
Proceeds from disposal of properties	881,737	4,031,888
Increase in cash surrender value of life insurance	(8,933)	(54)
Decrease (increase) in deferred charges	12,308	(117,092)
Decrease (increase) in refundable deposits	18,001	(290,447)
Decrease in other assets	214,798	116,073
Net cash used in investing activities	<u>(16,179,250)</u>	<u>(8,238,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in minority interest	341,074	-
Increase (decrease) in short-term loans	192,886	(136,627)
Issuance of principal of bonds	4,964,503	-
Repayment of principal of bonds	(2,082,000)	(1,584,000)
Proceeds from long-term debts	6,492,690	26,269,116
Repayments of long-term debts	(8,861,993)	(3,334,623)
Decrease in payment of obligations under capital leases	(153,080)	(89,488)
Increase (decrease) in other liabilities	(80,525)	4,887
Cash dividends and employees' bonus paid by Yang Ming	-	(384,240)
Cash dividends received by minority interest	(41,491)	(25,427)
Net cash provided by financing activities	<u>772,064</u>	<u>20,719,598</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>1,728,600</u>	<u>167,450</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,846,436	16,395
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,050,003</u>	<u>8,033,608</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,896,439</u>	<u>\$ 8,050,003</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 1,305,713	\$ 2,465,485
Less: Capitalized interest	115,109	30,541
Interest paid (excluding capitalized interest)	<u>\$ 1,190,604</u>	<u>\$ 2,434,944</u>
Income tax paid	<u>\$ 492,189</u>	<u>\$ 247,424</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of assets leased to others and nonoperating assets into properties	<u>\$ 14,265</u>	<u>\$ -</u>
Current portion of long-term interest-bearing debts	<u>\$ 17,861,239</u>	<u>\$ 8,288,808</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties and nonoperating assets	\$ 16,893,555	\$ 9,025,682
Decrease (increase) in payables on equipment	(835,373)	3,491,221
Increase in obligations under capital lease	<u>(6,911,973)</u>	<u>-</u>
Cash paid	<u>\$ 9,146,209</u>	<u>\$ 12,516,903</u>
Proceeds from disposal of available-for-sale financial assets	\$ 16,307,196	\$ 9,223,347
Proceeds from disposal of securities	<u>(554,210)</u>	<u>(503)</u>
Cash received	<u>\$ 15,752,986</u>	<u>\$ 9,222,844</u>

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

(With Deloitte & Touche audit report dated March 9, 2011)

(Concluded)



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