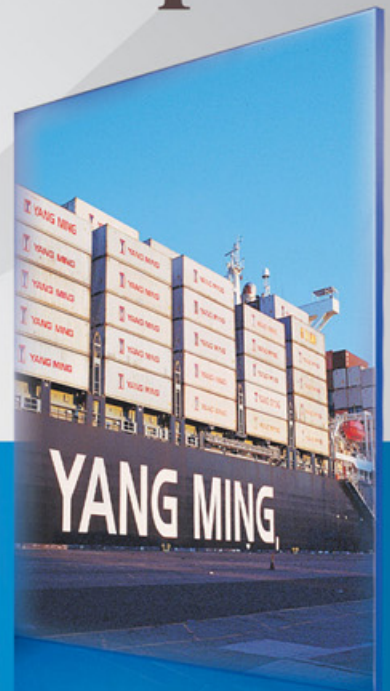
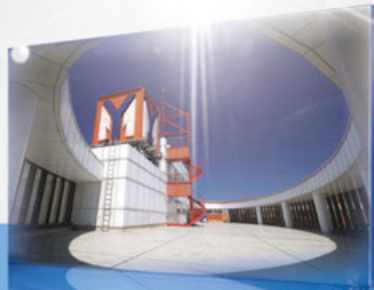


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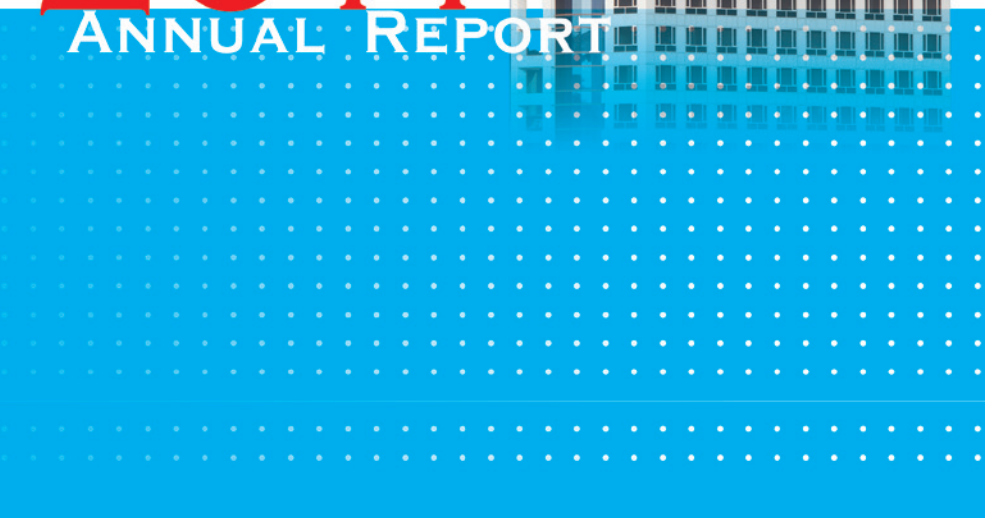


 **YANG MING**

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



2011
ANNUAL REPORT



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YANG MING MARINE TRANSPORT CORP.

Annual Report 2011

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YANG MING
陽明海運

I · Letter to Shareholders

1. Business Report, 2011

Under the shadow of European debt crisis, the slowness of U.S. economic recovery and high fuel prices, major indicators of the global economy continued to show weakness in 2011. The World Bank and Global Insight report showed the global GDP grew at a rate of between 2.7% and 3.0% in 2011.

In view of weak market demand, economic slowdown and conservative mentality, the World Bank estimated the global trade growth rate dropped to 6.6% in 2011, compared to 12.4% in 2009. Similarly the growth rate of box trade demand in 2011 dropped to 7.3%, which was much lower than the 2010 rate of 14.6% according to the Drewry Container Forecaster 2011 Q4 report. However, the fleet capacity supply in 2011 grew by 7.0%, which was a slight higher than the 6.5% growth of 2010. As we can see, while the demand growth decreased, the supply increased steadily.

As for the supply and demand balance of main East-West headhaul trades, the Drewry Container Forecaster 2011 Q4 report estimated the demand grew by 2.6% while the supply grew by 14.7% in the year, which was much higher than the growth of demand. In addition, a lot of new ship deliveries which were mostly deferred in 2009 entered the market in 2011. About 40.5% of the new vessels were in the 10,000 TEU or higher class. Most of these new vessels entered the Asia-Europe trade, increasing the capacity substantially. Our competitors took advantage of lower unit cost of ultra large vessels to spark fierce competition causing the ocean freights to fall sharply and reshuffling the Asia-Europe trade. The transpacific trade underwent the same market situation because of a cascade of ships from the Asia-Europe trade. Overall, the shipping carriers faced such harsh operating conditions resulting from the imbalance between supply and demand, fierce competition, and rising fuel costs.

Under the impact of plummeting ocean freights and increasing fuel prices, even though we tried hard to push rate restorations, adjust operating strategies, and cut down relevant operation costs, we still suffered a loss in 2011. Our consolidated revenue amounted to NT\$118.55 billion, and the net loss and loss per share for the year came to NT\$9.39 billion and NT\$3.33, although our container business volume amounted to 3.47 million TEUs in 2011.

2. Business Outlook and Strategies for 2012

In 2012, the world economic recovery is expected to keep going at a slow pace since uncertainty continues. The World Bank and Global Insight projected the world economy will grow by between 2.5% and 2.8% and world trade volume will increase slowly by 4.7%. There are still risks arising from the pressure of inflation, buoyant commodity prices, unsolved budget deficit and sovereign debt and nagging high unemployment in developed countries, housing and financial troubles in China, unpredictable political changes in the Middle East and extreme climate effect, etc. Yang Ming will cautiously observe and respond to the changes.

For the liner shipping industry, the Drewry Container Forecaster 2011 Q4 report projected the global box trade will grow by 5.9% and fleet capacity supply will grow by 9.2%, suggesting the oversupply and imbalance problem persist. The east-west long-haul services may face greater pressure of restoring the freight rates due to the obscure economy outlooks for Europe and the USA. The China domestic markets, intra-Asia trade, and emerging markets like Africa and South America 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.

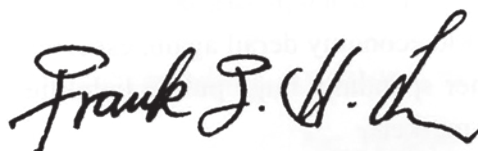
Facing this treacherous market, Yang Ming sets up “Return to Profits” as the annual policy. We will continue our efforts to increase our income and cut down our expenses by grasping every possibility to restore rates and strictly control operational costs. Our first priority is to return to profits. Our main strategies are:

1. Keep enhancing cooperation with members in CKYH alliance and all possible partners outside of the alliance, especially in existing main east-west long haul services including the transpacific and Asia-Europe, and intra-Asia trades. We will strengthen cooperation with Evergreen and China Shipping in the Asia-Europe trade in 2012 in order to provide customers with full-scale port coverage in services, higher frequency of service loops and expedition of delivery terms. We will also continue the rationalization and efficiency of main services to expand core department’s operating performance.
2. Develop emerging markets especially in the intra-Asia trade and China domestic market: We will strengthen our services and business developments in China to take advantage of opportunities brought by ECFA. In order to grasp China’s logistics and growing transportation trends and to meet customers’ demand for supply chain, we have signed a Letter of Intent with the top domestic logistics service provider in China, Sinotrans Limited, to promote the cooperation between two companies.
3. Strictly control bunker and relevant transportation costs: We will streamline our fleet, reduce container safety stock, and optimize cargo structure to improve marginal contribution. We will also keep adopting extra slow steaming strategy in the long-haul 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 region and a high tech, efficient, safe, green terminal.
5. Keep cultivating subsidiaries within Yang Ming Group not only to provide customers with high-quality and consistent all-round logistics services but also to disperse operating risks and achieve greater group synergy.
6. Seek to pass Authorized Economic Operator (AEO) certification to support the government’s AEO policy: We have implemented AEO system since July 2011 in a bid to raise our supply chain security standards and improve our working procedures and service quality. In April 2012, we have passed AEO verification. Once AEO review meeting approves, we will be the first shipping company that is granted AEO qualification in Taiwan.
7. Enhance management and service abilities by developing a new generation of integrated modules of information with the state-of-the-art technology. The efforts include strengthening corporate governance and continually energizing the organization and personnel. We will fulfill our responsibility as a “social enterprise and global citizen” by promoting friendly and creative marine culture, complying with international conventions and environmental standards, and taking measures to reduce greenhouse gas and making contributions to environmental protection.

In the coming year, the liner shipping industry is still unpredictable, complicated and challenging. Yang Ming will keep tabs on market changes and adopt various strategies to cope with changes. Moreover, the company will do the best to boost the performance in response to 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 form first container fleet, namely Ming Spring, Ming Summer, Ming Autumn, and Ming Winter.
- Completes and puts in service seven 2,054 TEU full-container vessels, YM Sun, YM Moon, YM Star, YM Galaxy, YM Glory Bridge, YM Ocean, and Ming Universe.
- Leases Dock No.70 at Kaohsiung Harbor for exclusive use.

1982-1991

- Completes and puts in service four 2,054 TEU full-container vessels, YM Comfort, YM Energy, YM Fortune, YM Longevity and eight 3,266 TEU full-container vessels, including Ming Propitious, Ming Peace.
- 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.
- 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 (YM Asia, YM America, YM Europe), and five 3,725 TEU full-container vessels (Ming East, Ming West, Ming South, Ming North, Ming Zenith), and seven 5,500 TEU full-container vessels (Ming Plum, Ming Orchid, Ming Bamboo, and so on).
- Merges the China Merchants Steam Navigation Co., Ltd. (1995).
- Completes privatization (1996).
- Obtains ISO 9002/ISM CODE accreditation and also the ROC National Outstanding Quality Case Award (1996).

- Enters into agreement with COSCO Container Lines Ltd., Kawasaki Kisen Kaisha, Ltd., and Hanjin Shipping Co., Ltd. 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.
- Leases Terminal 7D - Olympic Container Terminal LLC (OCT) at the Port of Tacoma on the U.S. West Coast for exclusive use.
- 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.
- Inaugurates the Antwerp International Terminal.
- Rated as having comparatively transparent information by the Securities and Futures Institute.
- Becomes a certificated member of the Customs-Trade Partnership Against Terrorism (C-TPAT), authorized by U.S. Customs.
- 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 Commonwealth 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.
- Acquires the Certification of the OHSAS 18001 (Occupational Health and Safety Assessment Serial), ISO 14001:2004 Environmental Management System and ISO 9001:2000; obtains ISPS Code Certificate for all self-owned vessels, putting Yang Ming at the forefront among domestic and world competitors.
- Establishes Yang Ming Cultural Foundation and YM Oceanic Culture & Art Museum (OCAM) in Keelung to promote oceanic culture.
- Rejuvenates bulk carriers by purchasing a 77,000-ton vessel, Medi Taipei.
- Completes and puts in service four 1,500 TEU full-container vessels (YM Hawk, YM Harmony, YM Horizon, YM Heights), seven 1,805 TEU full-container vessels(YM Intelligent, YM Ideals, YM Immense, and so on), and three 8,200 TEU full-container vessels (YM Unity, YM Utmost, and Unison).

2007

- Completes and puts in service one 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.
- Wins “Happy & Healthy Company Emblem” offered by DOH National Health Bureau.
- Inaugurates YM Museum of Marine Exploration in 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).
- Wins Wen Xin Award granted by the Council for Cultural Affairs.
- Holds 2008 Keelung Fairy Tale Festival jointly with Keelung City Government.
- Completes and puts in service three 8,200 TEU full-container vessels, YM Uberty, YM Utopia, YM Upward and three 4,250 TEU full-container vessels, YM Eminence, YM Elixir, YM Enhancer and an 81,200 D.W.T. Panamax-class bulk carrier, KM Mt. Jade.
- Transfers bulk business to subsidiary, Kuang Ming Shipping Corp.
- Inaugurates CKYH's Euromax Terminal in Rotterdam.
- 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, 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 (AWE4).
- Cooperates with CKYH and Evergreen Line on U.S. East Coast/ Northwest Europe trade (TAE).
- Opens with CKYH the 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.
- Establishes Yang Ming Shipping (Egypt) S.A.E.
- Kuang Ming Shipping Corp., a subsidiary of the Yang Ming, began its stock transaction in over-the-counter market
- Completes and puts in service two 6,500 TEU full-container vessels, YM Mandate and YM Maturity.
- Hosts the International Council of Containership Operators Conference in Taipei.
- Opens with Hanjin Shipping, STX Pan Ocean, Sinotrans Container Lines the Far East/Australia Service (CKA).
- Opens with Hanjin Shipping, Hyundai Merchant Marine, and United Arab Shipping Company the Asia/Adriatic Express service (AAX).
- Opens with Taiwan Navigation Corporation the second link (TC2) of cross-strait direct shipping.
- Opens Japan-China-Malaysia Service (JCM).
- Wins the LOG-NET Outstanding E-commerce Award.
- Wins Carrier of the Year Award granted by Target Corporation.
- Wins the Council for Cultural Affairs' Wenxin Golden Award.
- Rated by the Council of Labor Affairs as National-class Friendly Workplace.
- Wins "CO2 Reduction Label" from the Environmental Protection Administration (EPA).
- Transports the Taiwan Pavilion at Shanghai Expo to Taiwan.

2011

- Inaugurates Kao Ming Container Terminal (KMCT), a subsidiary of the Yang Ming, on January 1.
- Wins "CO2 Reduction Label" from the Environmental Protection Administration (EPA).
- Wins the LOG-NET E-Commerce Excellence Award.
- Rated by the Council of Labor Affairs as National-class Friendly Workplace.
- Opens Far East/West-North Europe direct shipping link (NE6).
- Extends Japan-Taiwan-South China Service (JTS) to Manila port.

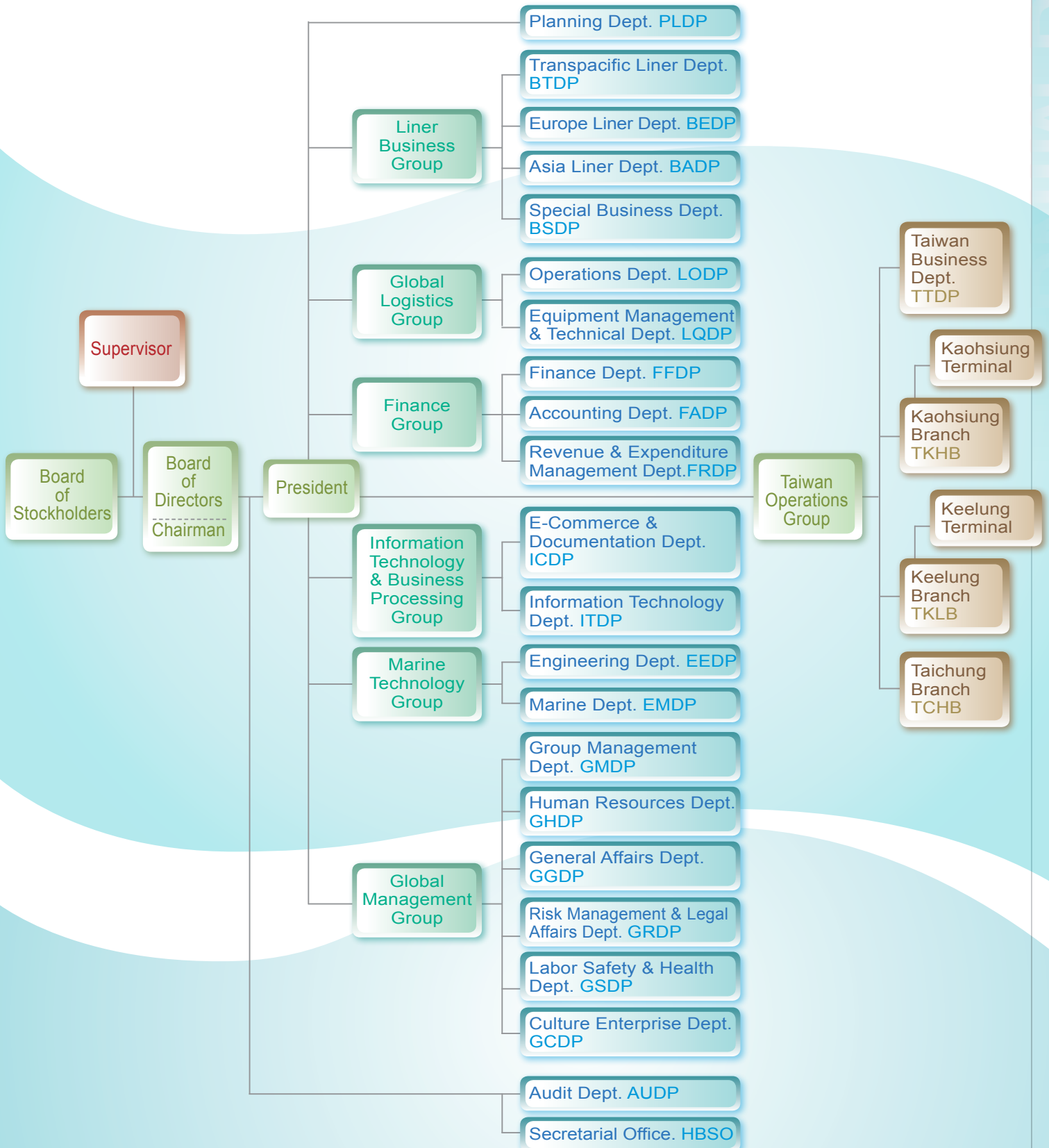
- Restructures with OOCL the China-Pakistan Express Service (CPX) and China-India Express Service (CIS).
- Opens with CNC the Japan-Korea-Vietnam Service (JKS).
- Opens with Hanjin the Far East/ U.S. West-North Coast Route (PNW)
- Opens Kaohsiung/Haiphong Service(KH1)
- Opens Taichung/Kaohsiung blue Highway transport mode.
- Opens with WHL and IAL the Japan-Taiwan-Indonesia Service (JTI), in addition, also opens with IAL the Taiwan-Indonesia Service(TIS) and with WHL the Thailand-Java-Singapore Service(TJS)
- Cooperates with Sinotrans Limited in logistics service.
- Completes and puts in service three 6,600 TEU full-container vessels, YM Mutuality, YM Mobility and YM Milestone.

2012

- Kao Ming Container Terminal (KMCT) received the first 13,000 TEU full-container vessel in Taiwan and demonstrated its high operational efficiency.
- Upgrades with K-Line, PIL, WHL and CSCL the service between Asia and Black Sea
- Kao Ming Container Terminal (KMCT) obtains the Certification of the ISO9001 Certificate for Quality Management System/ ISO14001 Certificate for Environmental Management System/OHSAS18001 Certificate for Occupational Health & Safety Management System/TOSHMS Certificate for Taiwan Occupational Safety and Health Management System.
- CKYH-the Green Alliance initiate cooperation with Evergreen on Asia-Europe trades starting from April 2012.

III · Corporate Governance Report And Capital Overview

3.1 Organization Chart



3.2 Directors, Supervisors and Management Team

APR. 30, 2012

Position	Chairman/ Board of Directors	Director	Director	Director	Director	Director	Director	Director	Director	Supervisor	Supervisor
Name	Feng-Hai Lu	Chih-Tsong Hwang	Jiann-Yeu Chen	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	July. 28, 2011	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 1,000,842,140 shares										
	shares	which represent 35.51% of the company's stocks									
Spouse, under-aged children's holding shares	0	35,263	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%
										319,000	65,707,426
										0.01%	2.33%

3.2.1 Top management

Apr. 30, 2012

Position	Name	Date appointed	Entitled for other companies presently
President	Shuh-Shun Ho	Oct.1, 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., 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., Yang Ming (America) Corp., and YES Logistics Corp. Director and Chairman of West Basin Container Terminal LLC, and United Terminal Leasing LLC
Senior Executive Vice President	R.B. Chiou	Apr. 1, 2006	Director of Yangming (Japan) Co., Ltd., Yang Ming (Singapore) Pte. Ltd., Yang Ming Line (India) Pvt. Ltd., Yang Ming (Korea) Co. Ltd. Supervisor of Taiwan Fertilizer Co., Ltd. Chairman of YES Logistics Corp.
Senior Executive Vice President	J.S. Wang	Aug. 1, 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. 1, 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.1,2010	Director of Transyang Shipping Pte. Ltd., and Yang Ming (UK) Ltd.
Executive Vice President	Wen-Bor Lin	Sep.1, 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., and 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., 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.6,2011	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..6, 2011	Director of Jing Ming Transportation Co., Ltd., Kao Ming Container Terminal Corp., Yang Ming (Singapore) Pte. Ltd., Yang Ming (Korea) Co. 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

Apr. 30, 2012

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 Regulations" and related provisions. Shareholders' proposals and disputes are handled by the Share Affairs Department with extreme care.
	Name list of major shareholders that control the Company.	The Company sets up the roster of major shareholders and files reports on the major shareholders' status in accordance with the law and regulations.
	Establishment of risk-control mechanism and 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 the related 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 follow the latest regulations to appoint Independent Directors in next re-election.
	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 the rights and interests of banks, creditors and investors 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 to disclose 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 material 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 and wages committee.		Our company has an Auditing Department to submit reports to boards of directors periodically. The Company has established a remuneration committee.

6. The company has established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” to address 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” and “Code of Ethical Management of Yang Ming Marine Transport Corporation” 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 requires 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 material information, operation and financial information in accordance with related regulations. All relevant business and financial 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 and “Code of Ethical Management of Yang Ming Marine Transport Corporation” established in 2012 ban staff members (including managerial officers) to win business by giving suppliers 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 to be made in line with agreements. They are given adequate information to make them fully understand the Company’s operating and financial status.
- (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 management 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)	Casualties	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 with 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, 2012.

(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 its staff were there once again, donating generously to help the 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 Pakistan was ravaged by floods in 2010 and Japan by great earthquakes in 2011, Yang Ming actively transported relief goods from Yang Ming’s global ports of call to these regions free of freight charge. Moreover, Yang Ming and its global staff make donations to the needy people at the end of every year.

In order to promote oceanic culture and conservation education, Yang Ming set up the "Yang Ming Cultural Foundation"(YMCF) and two permanent exhibition facilities: the YM Oceanic Culture & Art Museum (OCAM) 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 Cultural Foundation won Social Education Award and OCAM won the Gold Award of 2011-2012 English Services Emblem in 2011.

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, and the 319 Hope Engineering Project. We have also transported 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. As environmental protection is everyone's responsibility, Yang Ming has also encouraged employees to actively do anything that is environmentally friendly. Thus, Yang Ming holds some activities such as the environmental conference and twice held sales activities for reused articles donated by employees to promote the "Go Green & Save the Earth" concept.

(10) Safety 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 health-care programs 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.

- (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. We have applied for the authentication of Authorized Economic Operator (AEO) in Keelung Customs Bureau.

3.4 Internal Control Statement

Yang Ming Marine Transport Corporation Internal Control Statement

Date: 23, March, 2012

The Company states the following with regard to its internal control system during the period from 01, January, 2011 to 31, December, 2011, 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, 2012, 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, 2012

Shares category	Authorized capital					Remark
	Issued Shares			Un-issued shares	Total shares	
	Listed	Unlisted	Total			
Common stock	2,818,713,123	0	2,818,713,123	181,286,877	3,000,000,000	

3.5.2 Shares Issued

Date	Par value (NT\$)	Actual capital received		Authorized capital		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	

Date	Par value (NT\$)	Actual capital received		Authorized capital		Notes	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Remarks
May.2008	10	2,400,000,000	24,000,000,000	2,328,962,146	23,289,621,460	2008 Q1 Convertible bonds transformation	263,953 Shares
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
Oct.2011	10	3,000,000,000	30,000,000,000	2,818,713,123	28,187,131,230	2010 Recapitalization new issuance of	256,246,647 shares

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

Unit:NT\$

Items	Year	2010	2011	Jan. 1, 2012~ APR. 30, 2012
		Market-price per share	Highest price	29.45
	Lowest price	10.00	10.10	11.70
	Average price	17.31	19.57	14.93
Net worth per share	Before earnings appropriation	16.41	10.41	8.45
	After earnings appropriation	14.92	-	-
Earnings per share	Weighted average number of outstanding shares	2,562,466 (Note) thousand shares	2,818,713 (Note) thousand shares	2,818,713 (Note) thousand shares
	Earnings per share	4.18	-3.33	-1.91
Dividends per share	Cash dividend	1.25	-	-
	Stock dividend	1.00	-	-
Return on Investment	Price / Earnings ratio	4.14	N.A.	N.A.
	Price / Cash dividends ratio	13.85	N.A.	-
	Cash dividends/ Price ratio	7.22%	N.A.	-

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

3.6 Issuance of Corporate Bond

Apr 30, 2012

Bond Category	Seventh Debenture Bonds	Thirteenth Debenture Bonds	Fourteenth Debenture Bonds	Fifteenth Debenture Bonds	First Private Placement Debenture Bonds	Second Private Placement Debenture Bonds
Date of Issuance	Nov. 20, 2000	Oct 23, 2006	May 20, 2010	Dec 27, 2011	Mar 6, 2012	Mar 30, 2012
Par Value	NTD 1 million	NTD 1 million	NTD 1 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 6,000 million	NTD 5,000 million	NTD 6,500 million	NTD 5,544 million	NTD 4,350 million
Interest Rate	6.02%	5 years(3,000 million)-2.09% 7 years(3,000 million)-2.32%	1.42%	1.3%	4 years(1,759 million), 5 years(3,785 million), 2.08% 2.18%	4 years(1,550 million), 5 years(2,800 million), 2.08% 2.18%
Terms of Reimbursement	12 years, Date of maturity: Nov. 29, 2012	5 years, Date of maturity: Oct 23, 2011 7 years, Date of maturity: Oct 23, 2013	5 years, Date of maturity: May 20, 2015	5 years, Date of maturity: Dec 27, 2016	4 years, Date of maturity: Mar 6, 2016 5 years, Date of maturity: Mar 6, 2017	4 years, Date of maturity: Mar 30, 2016 5 years, Date of maturity: Mar 30, 2017
Guarantor	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	A: Bank of Taiwan B: Mega International Commercial Bank C: Taipei Fubon Bank D: Taiwan Corporation Bank E: First Commercial Bank F: Chang Hwa Bank G: Hua Han Bank H: Shin Kong Bank	Nil	Nil
Trustee	Bank of Taiwan	ChinaTrust Commercial Bank	Taipei Fubon Bank	E.SUN Bank	Taipei Fubon 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	NA	NA

Bond Category	Seventh Debenture Bonds	Thirteenth Debenture Bonds	Fourteenth Debenture Bonds	Fifteenth Debenture Bonds	First Private Placement Debenture Bonds	Second Private Placement Debenture Bonds
Way of Reimbursement	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Maturity: 5years-For 3.4,5years,33%, 33%,34% due respectively 7years-reimbursed in cash upon maturity	Maturity: 5years-For 4.5years,50%, 50% due respectively	Maturity: 5years-For 4.5years,50%, 50% due respectively	Maturity: 4years-reimbursed in cash upon maturity y 5years-reimbursed in cash upon maturity	Maturity: 4years-reimbursed in cash upon maturity y 5years-reimbursed in cash upon maturity
Unreimbursed Amount	NTD 960 million	NTD 3,000 million	NTD 5,000 million	NTD 6,500 million	NTD 5,544 million	NTD 4,350 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 1, 2010 twBBB	Taiwan Ratings Corporation, June 1, 2010 twBBB	Taiwan Ratings Corporation A: June.1,2010 twAAA B: June.1,2010 twAA+ C: June.1,2010 twAA D: June.1,2010 twAA E: June.1,2010 twAA- F: June.1,2010 twAA- G: June.1,2010 twAA- H: June.1,2010 twAA-	Taiwan Ratings Corporation A: Oct.26,2011 twAAA B: Oct.26,2011 twAA+ C: Oct.25,2011 twAA+ D: Feb.3,2011 twAA E: Nov.4,2011 twAA- F: Oct.27, 2011 twAA- G: June 23, 2011 twAA- H: July.14, 2011 twAA-	Taiwan Ratings Corporation, July 4, 2011 twBBB	Taiwan Ratings Corporation, July 4, 2011 twBBB
Amount of Converted Common Stock , GDR or other valuable securities	Nil	Nil	Nil	Nil	Nil	Nil

3.7 Issuance of GDR

Conditions of the issuance of GDR

Apr. 30, 2012

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 30,2012)		53,306,040 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	2011	the highest	USD 9.84
		the lowest	USD 3.16
		the average	USD 5.46
	From Jan 1, 2012 to Apr 30, 2012	the highest	USD 6.08
		the lowest	USD 4.09
		the average	USD 5.06

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, 2011, YM operated 87 vessels, comprising 85 full container vessels and 2 bulk carriers owned by Taiwan Power Company.

The services of year 2011 fell into two categories:

– Container Liner Service

Offering fixed-day weekly liner 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 2009 to 2011

Items	Unit:TEU					
	2009	Pct.	2010	Pct.	2011	Pct.
Cargo for Trans-ocean	1,874,804	67	2,132,395	67	2,230,397	64
Cargo for Intra-Asia	909,275	33	1,073,351	33	1,242,195	36
Total	2,784,079	100	3,205,746	100	3,472,592	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 0.4% in 2011; it is forecasted that the total cargo volume for the eastbound trade will keep growing, at a rate of 3.1%, in 2012. According to Alphaliner, YM's 2011 market share in the transpacific trade was 4.8%.

4.2.2. Asia-Europe/Mediterranean Trade

According to Drewry Report, the overall westbound volume of Asia-Europe trade increased by 3.8% in 2011 while the total westbound volume of Asia-Mediterranean trade increased by 4.2%; it is forecasted that the total westbound volume of Asia -Europe trade and Asia -Mediterranean trade will grow by 2.1% and 2.0% respectively in 2012. According to Alphaliner, YM's 2011 market share in the Asia -Europe and Asia -Mediterranean trade was approximately 2.7%.

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 2011 the overall westbound volume of Transatlantic trade increased by 8.3% while the total eastbound volume increased by 6.6%; it is anticipated that the annual westbound volume will grow by 2.5% and eastbound volume will grow by 4.0% in year 2012.

4.2.4. Intra-Asia Trade

Based on Global Insight report, the increasing rate of Intra Asia total shipments in 2011 was around 6.69%, is estimated to be 9.5% in 2012 and 8.5% in 2013. Additionally, the market share of YM Intra Asia trade is about 3.5%. It reveals that YM still has the opportunity to improve profitability and room for enlarging its share in the Intra Asia market if it can keep a close eye on the vessel supply market and overall capacity situation and flexibly adjust the business strategies all the time.

4.3. Employees Status

Year		2010	2011	APR. 30, 2012
Number of employees	Office service	1,190	1,254	1,245
	Sea service	385	299	225
	Total	1,575	1,553	1,470
Average age		40.27	39.57	39.57
Average service years		12.51	12.30	12.30
Education level	Ph.D	4	4	4
	Master's degree	254	288	283
	College degree	1006	1021	972
	High school degree	242	192	173
	Middle school and below	69	48	38

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 year the company will continuously:

- (1) Implement the Environmental Compliance Program (ECP) for all vessels sailing to US ports.
- (2) 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) Acquire bunker convention certificates from the signatory states of the 2001 Bunker Convention
- (4) 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) Abide by the Panama Canal Shipboard Oil Pollution Emergency Plan for all vessels passing through the Panama Canal.
- (6) Implement the system of vessel-induced pollution clearance Agreement for all vessels sailing to China ports.
- (7) Modify the piping system and tank for gray water & sewage collecting tank for all vessels sailing to Turkey, Dubai and US ports.
- (8) Switch over to low-sulphur fuel oil for all vessels sailing to special areas covered by MARPOL 73/78/97 Regulations and local rules.

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

We must observe MARPOL 73/78/97 Regulations and local 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 Regulations and local rules.

4.6 Important Contracts

Apr.30, 2012

Name of contract	Party	Contract Period	Primary content
Slot Charter Agreement	NYK	2009.07.01~ the indefinite duration	US North East coast / South East coast
Slot Charter Agreement	UASC	2012.03.17~2013.03.17	Mediterranean / U.S East Coast
Vessel Sharing and Slot Allocation Agreement	COSCON/ HJS/ "K"Line/ EMC	2012.03.05~2013.03.05	U.S East Coast / North Europe
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	CSCL / "K"Line/ HJS	2009.02.26~ the indefinite duration	Far East / Red Sea Service
Vessel Sharing and Slot Allocation Agreement	COSCON/ "K"Line/ HJS	2002.03.22 ~ the indefinite duration	Asia/U.S. West Coast ; Asia/U.S. East Coast ; Asia/Europe ; Asia/ Mediterranean
Slot Exchange Agreement	CSCL	2011.07~2013.04	Far East / Europe
Slot Exchange Agreement	CSCL	2012.02~2013.02	Far East / Mediterranean
Slot Exchange Agreement	EMC	2012.04~2013.04	Far East / Mediterranean
Joint Service Agreement	OOCL	2011.03.17~ indefinite duration	CPX China-Pakistan service
Joint Service Agreement	EMC/OOCL	2006.04.04~ indefinite duration	THX Taiwan-Ho chi minh service
Joint Service Agreement	STX/CNC	2008.09.18~ indefinite duration	CTS China-Thailand service
Joint Service Agreement	TNC	2010.03.21~ indefinite duration	TCX Taiwan-China service
Joint Service Agreement	TNC	2010.07.15~ indefinite duration	TC2 Taiwan-China service
Joint Service Agreement	OEL	2010.10.11~ indefinite duration	SCS Intra-Asia service
Slot exchange Agreement	IDM	2011.09.05~ indefinite duration after duration	PR6 Taiwan-Hong Kong service
Slot exchange Agreement	CNC	2009.01.13~ indefinite duration	JTX,MCT,CN1,Intra-Asia service
Slot exchange Agreement	KMTC	2010.11.16~ indefinite duration	CKI Intra-Asia service
Slot exchange Agreement	EMC	2009.09.06~ indefinite duration	NSD,JTH,TPI Intra-Asia service
Slot charter Agreement	BTL	2009.06.12~ indefinite duration	TP2 Intra-Asia service

Name of contract	Party	Contract Period	Primary content
Slot charter Agreement	SNL	2012.01.04~ indefinite duration	TC3 Intra-Asia service
Slot charter Agreement	WHL	2009.07.22~ indefinite duration	KSS Intra-Asia service
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, 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, 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, 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, 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, one year from the date on which the initial Advance is made. 2. The rest principal shall be repaid on the final maturity date.
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, 1.5 years from the date on which the initial Advance is made. 2. The rest principal shall be repaid on the final maturity date.
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, six months from the date on which the initial Advance is made.

Name of contract	Party	Contract Period	Primary content
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, 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, 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, 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, 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.

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V、Financial Information

5.1 Condensed Balance Sheets and Income Statements

Balance Sheet

UNIT:NT\$1,000

Items	Year	Accounting data for the past 5 years					
		Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Mar. 31, 2012
Current Assets		17,695,469	11,446,296	13,214,144	27,378,443	16,382,413	20,384,953
Investments in Shares of Stock		23,304,253	26,461,125	24,705,343	25,117,278	22,807,044	22,230,971
Net Properties		17,594,143	15,507,976	16,860,915	14,994,958	19,445,134	19,982,351
Other Assets		29,023,551	33,713,920	26,479,411	26,877,469	29,375,825	30,595,111
Total Assets		87,617,416	87,129,317	81,259,813	94,368,148	88,010,416	93,193,386
Current Liabilities	Unappropriated	14,716,907	12,036,425	13,523,572	25,579,249	22,860,582	18,872,956
	Appropriated	17,148,838	12,420,795	13,523,572	25,579,249	-	-
Total Long-Term Debts		19,229,489	24,852,581	34,791,856	24,991,188	34,575,294	49,252,905
Other Liabilities		3,237,578	3,233,614	1,184,075	1,748,230	1,227,077	1,235,324
Total Liabilities	Unappropriated	37,183,974	40,122,620	49,499,503	52,318,667	58,662,953	69,361,185
	Appropriated	39,615,905	40,506,990	49,499,503	52,318,667	-	-
Capital stock		23,286,982	25,624,665	25,624,665	25,624,665	28,187,131	28,187,131
Capital surplus		8,980,008	8,988,582	8,988,637	4,719,493	4,719,493	4,719,493
Retained Earnings	Unappropriated	16,170,046	11,956,355	(4,269,144)	11,787,853	(3,376,574)	(8,763,168)
	Appropriated	11,409,062	11,571,985	(4,269,144)	8,584,770	-	-
Unrealized loss on financial instruments		1,933,242	25,832	1,200,905	413,020	42,923	100,309
Unrealized loss on investments in shares of stock		-	-	-	-	-	-
Cumulative translation adjustments		100,131	447,853	240,626	(469,051)	(158,441)	(344,495)
Net loss not recognized as pension costs		(38,967)	(36,590)	(25,379)	(26,499)	(67,069)	(67,069)
Total Stockholders' Equities	Unappropriated	50,433,442	47,006,697	31,760,310	42,049,481	29,347,463	23,832,201
	Appropriated	45,672,458	46,622,327	31,760,310	38,846,398	-	-

Income Statement

UNIT:NT\$1,000

Items \ Year	Accounting data for the past 5 years					
	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~ Dec 31,2011	Jan. 1, 2012~ Mar. 31, 2012
Operating revenue	114,220,255	117,133,641	74,503,197	111,918,885	98,029,207	21,287,998
Gross profit (loss)	4,213,036	311,113	(15,845,670)	15,248,317	(9,498,202)	(5,957,446)
Operating income (loss)	2,110,972	(1,502,641)	(17,407,290)	12,833,151	(10,977,174)	(6,378,425)
Non-operating income	5,869,673	4,501,158	1,976,476	1,656,086	2,589,375	837,505
Non-operating expenses	975,557	2,207,142	2,431,168	1,676,693	1,818,326	566,955
Income (loss) before income tax	7,005,088	791,375	(17,861,982)	12,812,544	(10,206,125)	(6,107,875)
Cumulative effect of change in accounting principles	-	-	-	-	-	-
Net income (loss)	6,020,284	547,293	(15,841,129)	11,787,853	(9,398,878)	(5,386,594)
Earnings per share	2.36	0.21	(6.18)	4.18	(3.33)	(1.91)

Consolidated Balance Sheet

UNIT:NT\$1,000

Items	Year	Accounting data for the past 5 years					
		Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Mar. 31, 2012
Current Assets		24,062,706	17,031,381	19,695,381	35,863,053	23,646,331	29,387,685
Investments in Shares of Stock		3,335,094	7,270,581	6,677,967	4,824,309	4,550,743	4,599,824
Net Properties		68,203,731	77,216,501	75,832,388	72,787,521	80,547,863	79,492,688
Other Assets		13,410,054	11,773,119	12,301,088	10,785,719	10,949,981	11,580,016
Total Assets		112,947,072	112,698,968	113,821,563	133,867,446	129,408,039	134,723,306
Current Liabilities	Unappropriated	19,405,732	19,561,022	20,789,084	33,582,429	29,996,566	29,387,685
	Appropriated	21,837,662	19,945,392	20,789,084	-	-	-
Total Long-Term Debts		38,614,817	41,020,125	58,156,099	54,108,987	66,178,045	79,326,388
Other Liabilities		4,032,151	4,653,674	2,669,486	3,373,164	2,828,512	2,447,133
Total Liabilities	Unappropriated	62,052,700	65,234,821	81,614,669	91,064,580	99,003,123	109,833,147
	Appropriated	64,484,630	65,619,191	81,614,669	87,861,497	-	-
Capital stock		23,286,982	25,624,665	25,624,665	25,624,665	28,187,131	28,187,131
Capital surplus		8,980,008	8,988,582	8,988,637	4,719,493	4,719,493	4,719,493
Retained Earnings	Unappropriated	16,170,046	11,956,355	(4,269,144)	11,787,853	(3,376,574)	(8,763,168)
	Appropriated	11,409,062	11,571,985	(4,269,144)	8,584,770	-	-
Unrealized loss on financial instruments		(35,588)	1,935,242	25,832	413,020	42,923	100,309
Unrealized loss on investments in shares of stock		-	-	-	-	-	-
Cumulative translation adjustments		168,626	100,131	447,853	(469,051)	(158,441)	(344,495)
Net loss not recognized as pension costs		(96,743)	(38,967)	(36,590)	(26,499)	(67,069)	(67,069)
Minority Interest		372,209	460,930	457,450	753,385	1,057,453	1,057,959
Total Stockholders' Equities	Unappropriated	50,894,372	47,464,147	32,206,894	42,802,866	30,404,916	24,890,159
	Appropriated	46,133,388	47,079,777	32,206,894	39,599,783	-	-

Consolidated Income Statement

UNIT:NT\$1,000

Year Items	Accounting data for the past 5 years					
	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~ Dec. 31, 2011	Jan. 1, 2012~ Dec. 31, 2012
Operating revenue	133,801,232	137,817,302	88,892,781	130,549,767	118,554,959	25,960,223
Gross profit (loss)	11,862,786	6,775,329	(11,491,225)	21,663,807	(4,932,279)	(5,159,591)
Operating income (loss)	5,723,909	732,122	(17,331,011)	15,235,371	(10,564,344)	(6,534,464)
Non-operating income	4,133,953	3,300,155	2,303,217	1,899,175	2,715,237	1,152,728
Non-operating expenses	2,484,637	3,032,897	1,744,911	3,903,701	2,005,328	686,212
Income (loss) before income tax	7,373,225	999,380	(16,772,705)	13,230,845	(9,854,435)	(6,067,948)
Cumulative effect of change in accounting principles	-	-	-	-	-	-
Consolidated net income(Loss)	6,063,370	575,580	(15,819,911)	11,861,693	(9,295,286)	(5,371,864)
Minority interest	43,086	28,287	21,218	73,840	103,592	21,838
Controlling interest	6,020,284	547,293	(15,841,129)	11,787,853	(9,398,878)	(5,393,702)
Earnings per share	2.36	0.21	(6.18)	4.18	(3.33)	(1.91)

5.2 CPA and Audit results for the past 5 years

Year	CPA name	Audit Opinion
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
Jan. 1, 2011~ Dec. 31, 2011	Hung Yu Mei · Lin An Hwei	Modify Unqualified

5.3 Financial Statement Analysis

Items		Financial Analysis for the years from 2007 to 2012						
		Year 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~ Dec. 31, 2011	Jan. 1, 2012~ Mar. 31,2012	
Financial conditions	Debt to Total Assets Ratio	42.44	46.05	60.92	55.44	66.65	74.43	
	Long-term funds to net properties	393.22	460.28	391.87	446.87	326.27	363.35	
Institutional solvency	Current ratio (%)	120.24	95.10	97.71	106.82	71.66	108.01	
	Acid-test ratio (%)	92.88	76.44	69.35	88.37	45.36	76.83	
	Time interest earned	9.67	2.00	(19.73)	14.73	(11.10)	(29.67)	
Operating performance	Receivables turnover	33.62	35.07	29.88	56.50	63.41	78.25	
	Average collection period(days)	10.86	10.41	12.22	6.46	5.76	4.66	
	Payables turnover	-	-	-	-	-	-	
	Turnover of the fixed assets	6.49	7.55	4.42	7.46	5.04	4.26	
	Turnover of the total assets	1.30	1.34	0.92	1.19	1.11	0.91	
Profitability	Return on total assets (%)	7.79	1.31	(18.05)	14.31	(9.54)	(23.05)	
	Return on stockholder's equity (%)	12.91	1.12	(40.22)	31.94	(26.33)	(81.03)	
	Ratio of income against paid-in capital (%)	Operating income (Loss)	9.07	(5.86)	(67.93)	50.08	(38.94)	(90.52)
		Pre-tax income (Loss)	30.08	3.09	(69.71)	50.00	(36.21)	(86.68)
	Profit Margin (%)	5.27	0.47	(21.26)	10.53	(9.59)	(25.3)	
	Earnings per share	2.60 2.36	0.21 0.21	(6.18) (6.18)	4.60 4.18	(3.33) -	(1.91) -	
Cash flow	Cash flow ratio (%)	41.91	26.49	-	73.32	-	-	
	Cash flow adequacy ratio (%)	53.53	43.86	5.78	37.82	16.22	-	
	Cash reinvestment ratio (%)	5.96	0.94	-	20.81	-	-	
Leverage	Operation Leverage	4.38	(7.88)	0.58	1.69	0.21	0.63	
	Finance Leverage	1.62	0.66	0.95	1.08	0.93	0.97	

Note 1: According to the adjusted outstanding shares.

Consolidated Financial Statement Analysis

Items		Year	Financial Analysis for the years from 2007 to 2012						
			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~ Dec. 31,2011	Jan. 1, 2012~ Dec. 31,2012	
Financial conditions	Debt to Total Assets Ratio		54.94	57.88	71.70	68.03	76.50	81.52	
	Long-term funds to net properties		130.56	114.00	118.57	132.11	118.59	129.77	
Institutional solvency	Current ratio (%)		124.00	87.07	94.74	106.79	78.83	106.55	
	Acid-test ratio (%)		95.55	68.38	68.72	88.43	54.01	79.36	
	Time interest earned		5.43	1.70	(13.72)	10.59	(5.00)	(13.74)	
Operating performance	Receivables turnover		32.99	36.07	34.06	47.00	46.14	41.80	
	Average collection period(days)		11.06	10.12	10.72	7.77	7.91	8.73	
	Payables turnover		-	-	-	-	-	-	
	Turnover of the fixed assets		1.96	1.78	1.17	1.79	1.47	1.31	
	Turnover of the total assets		1.18	1.22	0.78	0.98	0.92	0.77	
Profitability	Return on total assets (%)		6.95	1.44	(13.23)	10.44	(6.10)	(15.30)	
	Return on stockholder's equity (%)		12.91	1.12	(40.22)	31.94	(26.33)	(81.14)	
	Ratio of income against paid-in capital(%)	Operating income (Loss)		24.58	5.51	(67.63)	59.46	(37.48)	(92.73)
		Pre-tax income (Loss)		31.66	3.90	(65.46)	51.63	(34.96)	(86.11)
	Profit Margin (%)		4.50	0.40	(17.82)	9.03	(7.93)	(20.78)	
	Earnings per share (note1)		2.60 2.36	0.21 0.21	(6.18) (6.18)	4.60 4.18	(3.33) -	(2.16) -	
Cash flow	Cash flow ratio (%)		56.44	21.10	-	58.08	15.24	21.46	
	Cash flow adequacy ratio (%)		69.15	48.56	20.35	29.57	19.89	24.01	
	Cash reinvestment ratio (%)		8.36	1.47	-	15.72	-	4.36	
Leverage	Operation Leverage		3.28	21.01	0.17	2.06	(0.51)	0.07	
	Finance Leverage		1.41	(1.05)	0.94	1.10	0.87	0.94	

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 2011 ^③	Estimated cash shortage of 2011 ①+②-③	Supplementary plan for the cash shortage	
				Investment Plan	Financing Plan
6,680,430	2,544,111	21,354,474	(12,129,933)	2,277,626	18,393,769

1. The state of the cash flow of 2011

Due to dissatisfied industry condition, we accumulated NT\$7,146,672 thousands net cash outflow from operation activities. Combined with our scheduled investing and financing plan, the net decrease in cash of 2011 was mitigated to NT\$2,674,425 thousands.

2. Analysis of the 2012 cash flow

- (1) Operation Activities: An estimated NT\$2,544,111 thousands was provided for operation activities.
- (2) Investing Activities: NT\$17,649,557 thousands was spent as capital expenditure such as purchase of fixed assets and investment.
- (3) Financing Activities: NT\$3,704,917 thousands for repayment of loan principal.

3. Supplementary plan for the cash shortage:

- (1) Investment Plan: NT\$2,277,626 thousands was obtained from disposal of financial assets.
- (2) Financing Plan: NT\$18,393,769 thousands was obtained from long-term financing activities.

5.5 Major capital expenditure items

To meet the operating requirement, the Company's major capital expenditure item in 2012 is to acquired 4x8,200 teu class container vessels. The estimated capital expenditure for the project is around NT\$12.7 billion. The fleet is planned to be deployed in Asia-Europe service. After the project completion, the Company estimates the revenue would be increased 11,689 thousands of US dollars each round trip per vessel.

The Company planned to arrange the funding from investing and financing activities.

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 loss recognized in equity method was NT\$840.293 million at the end of 2011. The major reasons is imbalance between container shipping supply and demand, and freight rate declined in Europe, Asia, and US markets.

The improvement plans included freight rate restoration program, bunker fuel consumption volumes saving, and fleet re-deployment etc.

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 through periodical 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 the respective departments in charge. High-risk projects are assigned to designated committees or Audit Department for further examination according to the characteristics of risks and investment amount, and the projects whose investment amounts are over internal management standards 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 gain/loss were both under 3% of the income before income tax in 2011.
- B. Due to the characteristic of shipping industry, over 90% of our revenues and expenses 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.
- C. As global economy recovered, bunker price rose around 30% in 2011, which led to the increase of our bunker cost. We have adopted certain measures, such as slow steaming and fuel hedging, to mitigate the impact of surging fuel price. 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, funds 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 for business development. 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 with 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 reviews them periodically. YM has finalized the business plans of 2012, including adjusting Asia–Europe and Asia–Mediterranean services, launching new Asia - U.S. East Coast service and Asia–Australia service and upsizing a number of current services such as Asia–Black Sea service, Asia–U.S. Pacific Southwest service and Asia – U.S. Pacific Northwest service. Moreover, the new market developments (such as the Asia–South Africa & South America service, Asia – East India or West Africa) are under study and YM is looking for the suitable opportunities to step into the new markets in view of the global factors. YM will keep strengthening the existing market and advancing the service quality by rendering the cost-competitive services to customers as usual.

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 the changes and planning countermeasures in advance. The changes in policies and laws have no major influence on the Company's financial status.

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

A. For YM itself —

YM has numerous subsidiaries and agents located worldwide and keeps establishing information systems and undertaking the improvement in operating process to meet the expanding commercial and information technology requirements. To enhance our competitiveness, we also provide timely information feedback, 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 the environment-friendly new ships to reduce bunker consumption and keep up new technologies.

D. For safety —

In response to the counter-terrorism policy at ports, YM has also installed the ship security alert system on the operating vessels, as well as updating the electronic navigation charts and the maritime satellite communications system 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 capacity utilization, widening the service scope, and increasing the sailing frequency, YM actively cooperates with our CKYH – the Green Alliance member lines – and also with other strategic partners. Moreover, we look for further cooperation opportunities to explore into new markets and diversify the deployment of vessel capacity as well as optimizing our vessel deployment on different routes to better meet the changeable market demand and achieve operational efficiency. Due to the cooperation with Alliance members and strategic partners, it helps YM well-arrange the fleet deployment, increase the operational flexibility and enhance the competitiveness.

B. Seasonal service adjustments

YM makes the service and/or capacity adjustments to cope with seasonal decline or short-term swing in cargo volume during the specific periods (such as Chinese Lunar New Year holiday, China Labor Day holiday, China National Day holiday, Golden Week in Japan and the traditional winter slack season), aiming to reduce the operating costs and enhance the service 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.31,2011

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, 2011 and 2010, 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, 2011 and 2010 in which the Corporation has long-term investments accounted for using equity method. The carrying values of these investments were 2.8% (NT\$2,436,761 thousand) and 2.1% (NT\$1,937,909 thousand) of the Corporation's total assets as of December 31, 2011 and 2010, respectively. The equity in these investees' net income (loss) was 4.0% (NT\$408,259 thousand) and 3.5% (NT\$451,843 thousand) of the Corporation's loss (income) before income tax in 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010 and have issued a modified unqualified opinion thereon in our report dated March 26, 2012.

March 26, 2012

Deloitte & Touche

Notice to Readers

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

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

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011		2010		2011	2010	
	Amount	%	Amount	%		Amount	%
CURRENT ASSETS							
Cash (Note 4)	\$ 6,680,430	8	\$ 9,354,855	10	\$ -	3	\$ -
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	250,169	-	632,841	1	-	4	-
Available-for-sale financial assets - current (Notes 2 and 6)	157,904	-	8,479,668	9	-	-	-
Derivative financial assets for hedging - current (Notes 2 and 25)	49,161	-	-	-	47,136	-	21,686
Accounts receivable, net of allowance for doubtful accounts of \$9,454 thousand and \$16,016 thousand at December 31, 2011 and 2010 (Notes 2 and 3)	397,964	1	605,455	1	4,461,621	5	4,283,189
Accounts receivable from related parties (Notes 2, 3 and 26)	815,289	1	1,273,187	1	30,691	-	56,430
Other receivables (Notes 2, 5 and 6)	28,977	-	5,897	-	1,008,327	1	2,068,432
Prepaid expenses and other receivables (Notes 2, 20 and 26)	69,033	-	88,052	-	1,000,277	1	1,000,278
Ships (Note 2, 17)	5,818,535	7	4,374,606	5	2,386,093	3	2,351,063
Ships under construction (Notes 13 and 26)	193,913	-	387,673	-	4,502,191	5	14,617,839
Deferred income tax assets - current (Notes 2 and 22)	9,753	-	39,470	-	1,095,669	1	-
Advances to shipping agents (Note 26)	1,069,367	1	1,355,154	1	1,212,576	1	1,009,101
Other current assets	215,978	-	207,591	-	1,271,025	1	1,008,897
Total current assets	16,382,413	19	27,378,443	29	465,923	1	50,094
LONG-TERM INVESTMENTS (Notes 2, 6, 8, 9 and 26)							
Available-for-sale financial assets - noncurrent	2,225,347	3	2,632,207	3	22,860,582	26	25,579,249
Financial assets carried at cost - noncurrent	386,469	-	411,640	-	14,436,490	16	8,945,210
Investments accounted for using equity method	20,195,528	23	22,073,431	23	19,085,653	22	14,931,071
Total long-term investments	22,807,044	26	25,117,278	27	573,532	1	633,288
PROPERTIES (Notes 2, 10, 13, 26 and 27)							
Cost							
Land	427,836	-	427,836	1	479,639	1	479,639
Buildings	770,528	1	749,213	1	-	-	-
Containers and chassis	25,409,096	29	23,405,358	24	1,168,410	1	1,131,300
Ships	6,075,923	7	6,529,880	7	-	-	563,287
Leased assets	2,732,756	3	2,868,206	3	58,667	-	53,643
Leasehold improvements	146,272	-	146,272	-	-	-	-
Miscellaneous equipment	2,230,944	3	2,638,782	3	1,227,077	1	1,748,230
Total cost	37,813,355	43	36,465,547	39	1,227,077	1	1,748,230
Less: Accumulated depreciation	22,091,558	25	21,344,849	23	58,662,953	67	52,318,667
Less: Accumulated impairment	-	-	25,740	-	-	-	-
Construction in progress	3,723,337	4	-	-	-	-	-
Net properties	19,445,134	22	14,994,958	16	28,187,131	32	25,624,665
INTANGIBLE ASSETS							
Computer software (Note 2)	19,949	-	28,246	-	4,710,566	5	4,710,566
Deferred pension cost (Notes 2 and 20)	1,747	-	1,961	-	8,927	-	8,927
Total intangible assets	21,696	-	30,207	-	4,719,493	5	4,719,493
OTHER ASSETS							
Assets leased to others, net (Notes 2, 11 and 27)	3,929,802	4	3,962,947	4	-	-	-
Nonoperating assets, net (Notes 2 and 12)	234,339	-	234,339	-	1,176,785	1	-
Advances on long-term rentals agreements (Note 13)	6,422	-	6,422	-	3,453	-	-
Retained earnings - accumulated loss	322,665	-	323,874	-	(4,637,882)	(6)	11,782,853
Long-term receivables from related parties (Notes 9 and 26)	23,702,668	27	21,495,979	23	-	-	-
Deferred income tax assets - noncurrent (Notes 2 and 22)	466,780	1	-	-	(3,376,574)	(4)	11,782,853
Miscellaneous (Note 2)	4,003	-	10,794	-	-	-	-
Total other assets	29,354,129	33	26,847,262	28	(158,441)	-	(469,051)
Total other equity	-	-	-	-	(67,499)	-	(26,499)
Total stockholders' equity	-	-	-	-	42,923	-	413,220
TOTAL	\$ 88,010,416	100	\$ 94,368,148	100	\$ 94,368,148	100	\$ 94,368,148

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

(With Deloitte & Touche audit report dated March 26, 2012)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 26)	\$ 98,029,207	100	\$ 111,918,885	100
OPERATING COSTS (Notes 2, 7, 23 and 26)	<u>107,527,409</u>	<u>110</u>	<u>96,670,568</u>	<u>87</u>
GROSS INCOME (LOSS)	<u>(9,498,202)</u>	<u>(10)</u>	<u>15,248,317</u>	<u>13</u>
OPERATING EXPENSES (Notes 23 and 26)				
Selling expenses	1,188,715	1	1,907,694	2
General and administrative expenses	<u>290,257</u>	<u>-</u>	<u>507,472</u>	<u>-</u>
Total operating expenses	<u>1,478,972</u>	<u>1</u>	<u>2,415,166</u>	<u>2</u>
OPERATING INCOME (LOSS)	<u>(10,977,174)</u>	<u>(11)</u>	<u>12,833,151</u>	<u>11</u>
NONOPERATING INCOME AND GAINS				
Gains on disposal of properties (Note 26)	1,109,707	1	168,531	-
Interest income (Note 26)	586,722	1	498,996	1
Gain on disposal of financial instruments, net (Notes 8 and 9)	372,744	-	281,343	1
Dividend income	160,015	-	163,352	-
Rent income (Note 26)	111,929	-	86,004	-
Exchange gain, net (Note 2)	13,206	-	-	-
Investment income recognized under equity method (Notes 2 and 9)	-	-	224,339	-
Valuation gain on financial assets, net (Notes 2 and 5)	-	-	76,161	-
Others (Note 26)	<u>235,052</u>	<u>-</u>	<u>157,360</u>	<u>-</u>
Total nonoperating income and gains	<u>2,589,375</u>	<u>2</u>	<u>1,656,086</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	843,211	1	933,285	1
Investment loss recognized under equity method (Notes 2 and 9)	840,293	1	-	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	47,136	-	86,174	-
Valuation loss on financial assets, net (Notes 6 and 8)	4,225	-	-	-
Exchange loss, net (Note 2)	-	-	497,383	-
Impairment loss (Notes 2 and 10)	-	-	36,686	-
Others (Note 23)	<u>83,461</u>	<u>-</u>	<u>123,165</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,818,326</u>	<u>2</u>	<u>1,676,693</u>	<u>1</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	\$ (10,206,125)	(11)	\$ 12,812,544	12
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 22)	<u>(807,247)</u>	<u>(1)</u>	<u>1,024,691</u>	<u>1</u>
NET INCOME (LOSS)	<u>\$ (9,398,878)</u>	<u>(10)</u>	<u>\$ 11,787,853</u>	<u>11</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	<u>\$ (3.62)</u>	<u>\$ (3.33)</u>	<u>\$ 4.55</u>	<u>\$ 4.18</u>
Diluted	<u>\$ (3.62)</u>	<u>\$ (3.33)</u>	<u>\$ 4.54</u>	<u>\$ 4.17</u>

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

(With Deloitte & Touche audit report dated March 26, 2012)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Dividend Per Share)

	Capital Stock		Capital Surplus (Notes 2 and 21)		Retained Earnings (Accumulated Loss) (Notes 2 and 21)		Other Items of Stockholders' Equity (Notes 2 and 21)		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	Not Loss Not Recognized as Pension Cost	Unrealized Gain or Loss on Financial Instruments
BALANCE, JANUARY 1, 2010	2,562,466	\$ 25,024,665	\$ 7,499,701	\$ 1,480,009	\$ 8,927	\$ 3,869,543	\$ 2,067,513	\$ (10,206,200)	\$ 2,40,626	\$ (25,379)	\$ 1,200,905	\$ 31,760,310
Compensation of 2009 deficit	-	-	(2,789,135)	-	-	-	-	2,789,135	-	-	-	-
Capital surplus - additional paid-in capital	-	-	-	(1,480,009)	-	(3,869,543)	-	1,480,009	-	-	-	-
Capital surplus - treasury stock transactions	-	-	-	-	-	-	-	3,869,543	-	-	-	-
Legal reserve	-	-	-	-	-	-	(2,067,513)	2,067,513	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	11,787,853	-	-	-	11,787,853
Net income for the year ended December 31, 2010	-	-	-	-	-	-	-	-	(711,013)	-	-	(711,013)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	398	(58,523)	(58,125)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	-	(723,838)	(723,838)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(5,522)	(5,522)
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	(1,518)	-	(1,518)
Changes in net loss not recognized pension cost	-	-	-	-	-	-	-	-	1,336	-	(2)	1,334
Effect of changes on sale long-term equity-method investments	-	-	4,710,566	-	8,927	-	-	11,787,853	(469,051)	(26,499)	413,020	42,049,481
BALANCE, DECEMBER 31, 2010	2,562,466	25,024,665	4,710,566	-	8,927	1,178,785	82,530	(1,178,785)	-	-	-	293,739
Appropriations of 2010 earnings	-	-	-	-	-	1,178,785	82,530	(1,178,785)	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	(82,530)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(3,203,083)	-	-	-	(3,203,083)
Cash dividends - \$1.25 per share	256,247	2,562,466	-	-	-	-	-	(2,562,466)	-	-	-	-
Stock dividends - \$1 per share	-	-	-	-	-	-	-	(9,398,878)	-	-	-	(9,398,878)
Net loss for the year ended December 31, 2011	-	-	-	-	-	-	-	-	293,739	418	(35,976)	(35,558)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	(401,038)	(401,038)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	-	66,931	66,931
Changes in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(40,988)	-	(40,988)
Changes in unrealized gain on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	16,871	-	(14)	16,857
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	(1,584,441)	-	42,923	(1,541,518)
Effect of changes on sale long-term equity-method investments	-	-	-	-	-	-	-	(4,637,889)	-	(67,069)	-	(4,704,958)
BALANCE, DECEMBER 31, 2011	2,818,713	\$ 28,187,131	\$ 4,710,566	\$ -	\$ 8,927	\$ 1,178,785	\$ 82,530	\$ (4,637,889)	\$ (1,584,441)	\$ (67,069)	\$ 42,923	\$ 29,347,463

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 26, 2012)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (9,398,878)	\$ 11,787,853
Depreciation	3,129,433	3,355,738
Amortization	19,097	25,070
Unrealized exchange loss (gain)	28,203	(77,937)
Reversal of doubtful accounts	(8,119)	(3,144)
Provision for (reversal of) allowance for loss on shipping fuel	(44,854)	33,334
Gain on disposal of financial instruments, net	(372,744)	(281,343)
Gain on disposal of properties, net	(1,109,707)	(168,531)
Provision for (repayment of) pension cost	(22,817)	49,749
Valuation loss (gain) on financial assets	4,225	(76,161)
Valuation loss on financial liabilities	47,136	86,174
Impairment loss on properties and other assets	-	36,686
Investment loss (income) recognized under equity-method	840,293	(224,339)
Cash dividends received from equity-method investee	541,229	1,117,223
Deferred income tax	(960,692)	582,446
Changes in operating assets and liabilities		
Financial instruments held for trading	665,297	(240,950)
Accounts receivable	213,776	32,584
Accounts receivable from related parties	457,898	172,300
Other receivable from related parties	(587,828)	910,809
Shipping fuel	(1,399,075)	(1,021,953)
Prepaid expenses	140,366	104,478
Advances to shipping agents	285,787	(39,202)
Other current assets	(8,273)	(18,209)
Accrued expenses	(1,117,975)	189,992
Accrued expenses - related parties	290,869	43,939
Income tax payable	(25,739)	56,430
Advances from customers	32,030	590,098
Accounts payable	329,985	1,445,513
Payable to shipping agents	203,475	(70,858)
Payable to shipping agents - related parties	262,128	320,246
Other current liabilities	415,833	(23,786)
Advances on long-term rent agreements	2,969	41,106
	<u>(7,146,672)</u>	<u>18,735,355</u>
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(17,699,951)	(22,727,445)
Proceeds from disposal of available-for-sale financial assets	26,562,716	14,507,925
Proceeds from capital reduction of equity-method	-	237,507
Acquisition of investments accounted for using equity method	-	(2,341,460)
Proceeds from disposal of investments accounted for using equity method	436,834	360,133
Proceeds from disposal of financial assets carried at cost	-	477,081

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Acquisition of properties	\$ (3,784,820)	\$ (703,083)
Acquisition of nonoperating assets	-	(5,074)
Acquisition of assets leased to others	(7,802)	-
Proceeds from disposal of properties	1,254,514	187,921
Increase in long-term receivable from related parties	(4,415,471)	(2,382,014)
Acquisition of computer software	(8,792)	(12,754)
Decrease in other assets	6,617	216,616
Decrease in refundable deposits	<u>1,179</u>	<u>53</u>
Net cash provided by (used in) investing activities	<u>2,345,024</u>	<u>(12,184,594)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from commercial paper	3,546,359	-
Payment for commercial paper	(2,140,000)	-
Increase in short-term debt	2,638,672	-
Proceeds from long-term debt	11,488,160	1,660,000
Repayment of long-term debt	(5,493,598)	(5,448,606)
Proceeds from issuance of bonds	6,451,280	4,985,210
Repayment of principal of bonds	(11,080,000)	(2,082,000)
Payments for obligations under capital leases	(85,587)	(29,113)
Increase (decrease) in other liabilities	5,020	(74,038)
Cash dividends paid	<u>(3,203,083)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>2,127,223</u>	<u>(988,547)</u>
NET INCREASE (DECREASE) IN CASH	(2,674,425)	5,562,214
CASH, BEGINNING OF YEAR	<u>9,354,855</u>	<u>3,792,641</u>
CASH, END OF YEAR	<u>\$ 6,680,430</u>	<u>\$ 9,354,855</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 900,725</u>	<u>\$ 921,478</u>
Income tax paid	<u>\$ 194,733</u>	<u>\$ 389,821</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of assets leased to others and nonoperating assets into properties	<u>\$ -</u>	<u>\$ 14,265</u>
Reclassification of properties into assets leased to others	<u>\$ 13,244</u>	<u>\$ -</u>
Reclassification of advances on long-term rent agreements into properties	<u>\$ 131,452</u>	<u>\$ -</u>
Reclassification of investment into deduction to long-term receivables from related parties	<u>\$ 1,252,252</u>	<u>\$ 1,670,538</u>
Current portion of long-term interest-bearing debts	<u>\$ 4,502,191</u>	<u>\$ 14,617,839</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties	\$ 7,508,157	\$ 1,392,873
Decrease in long-term receivables from related parties	(2,627,668)	-
Increase in payables on equipment	(1,095,669)	-
Increase in obligations under capital lease	-	(689,790)
Cash paid	<u>\$ 3,784,820</u>	<u>\$ 703,083</u>
Proceeds from disposal of available-for-sale financial assets	\$ 26,008,003	\$ 15,062,638
Receivables from disposal of securities	554,713	(554,713)
Cash paid	<u>\$ 26,562,716</u>	<u>\$ 14,507,925</u>

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

(With Deloitte & Touche audit report dated March 26, 2012)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(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, 2011 and 2010.

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, 2011 and 2010, the Corporation had 1,553 and 1,575 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 spun-off department were \$4,000,716 thousand. The Corporation exchanged the net assets for 176,330 thousand of Kuang Ming Shipping Corp.'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 ROC.

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:

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

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 are 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.

Accounting Estimates

Under above guidelines, law 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 property, plant and equipment, impairment of assets, income tax, pension cost, loss on pending litigations, payables to shipping agents, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

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 those not classified as current assets are noncurrent. Current liabilities are obligations incurred for trading purpose or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Hedge Accounting

Derivatives that are designated and effective as 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 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.

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.

Impairment of Accounts Receivable

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.

As discussed in Note 3 to the financial statements, the Corporation adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Corporation should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Corporation's past experience of in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, nonoperating assets, leased assets, computer software and investments accounted for using 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 in 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.

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.

Investments Accounted for Using 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 cost of investment is allocated to the assets and liabilities of the investee (proportionate to the percentage of ownership) based on their fair values at the date of investment, and the excess of the investment cost over the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. The excess of the fair value of the net identifiable assets of the investee over the investment cost is used to reduce the fair value of each of the noncurrent assets of the investee (except for financial assets other than investments accounted for using equity method, 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 Corporation's percentage of ownership in the investee; however, if the Corporation 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 Corporation's percentage of ownership in the investee. Profits from sales of products between equity-method investees are deferred to the extent of the Corporation's equity interests in these investees.

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.

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 from long-term investments is insufficient, the shortage is debited to retained earnings.

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 basis over estimated useful lives as follows: buildings, 53 to 56 years; containers and chassis, 6 to 10 years; ships, 20 to 25 years; dry dock, 2.5 years; leased assets, 5 to 9 years; leasehold improvements, 6 to 11 years; and miscellaneous equipment, 3 to 18 years. Properties still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

The related cost and accumulated depreciation of 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.

Computer Software

Computer software products acquired are initially recorded at cost and are amortized on a straight-line basis over periods ranging from 2 years to 3 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.

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.

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

An 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. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. 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.

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 results in the adjustments of differences in income tax expense and deferred income taxes between the Corporation and its subsidiary and any related distribution or payments arising from the adjustments to the consolidated tax returns will be recorded as receivables from or payables to related parties on the financial statements. The Corporation will discontinue to file consolidated tax returns in 2011 since the Corporation became disqualified to apply according to the regulation.

Revenue Recognition

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

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2011.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Corporation adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions included loans and receivables originated by the Corporation under SFAS No. 34. This accounting change did not have significant influence on the financial statements.

Operating Segments

On January 1, 2011, the Corporation adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Corporation that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." SFAS No. 41 only changed the way the Corporation discloses information of the segments. The Corporation considered the cost of restating the segment information as of and for the year ended December 31, 2010 to be so high that the Corporation decided not to restate it.

4. CASH

	<u>December 31</u>	
	2011	2010
Petty cash and cash on hand	\$ 2,050	\$ 2,023
Checking accounts and demand deposits	5,301,677	5,506,905
Time deposits: Interest - 0.29% to 1.80% in 2011 and 0.35% to 4.90% in 2010	<u>1,376,703</u>	<u>3,845,927</u>
	<u>\$ 6,680,430</u>	<u>\$ 9,354,855</u>

As of December 31, 2011 and 2010, the Corporation had no time deposits with maturity of over one year.

The overseas deposits as of December 31, 2011 and 2010 are summarized in the accompanying Schedule A and Schedule B.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial Instruments at FVTPL

	<u>December 31</u>	
	2011	2010
<u>Financial assets held for trading</u>		
Mutual fund	\$ 181,673	\$ 40,666
Forward exchange contracts	51,743	-
Crude oil swap and oil swap option	15,484	-
Quoted stocks	1,269	1,962
Principal guaranteed notes	<u>-</u>	<u>590,213</u>
	<u>\$ 250,169</u>	<u>\$ 632,841</u>
<u>Financial liabilities held for trading</u>		
Forward exchange contracts	<u>\$ 47,136</u>	<u>\$ -</u>

Principal guaranteed notes were held to link to TTT50, Chughwa Telecom and interest was at rate range of commercial paper. The contract had been repaid by February 2011.

Foreign exchange forward contracts were held mainly to hedge the exchange rate risks on 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 for the years ended December 31, 2011 and 2010 entered into by the Corporation were based on forecasted cash flows, and the risk of the transaction can be controlled by the Corporation.

Outstanding forward contracts as of December 31, 2011 were as follows:

	Currency	Duration	Contract Amount (In Thousands)	Fair Value (In Thousands)
<u>December 31, 2011</u>				
Buy	USD/NTD	February 2012	USD32,500/NTD936,000	\$ 51,743
Sell	USD/NTD	February 2012	USD32,500/NTD936,000	(47,136)

Outstanding forward contracts as of December 31, 2010 had been settled.

The Corporation's purpose for trading crude oil swap and oil swap option was to reduce the cost burden from oil price increase. The Corporation entered into crude oil swap and oil swap option contracts. The amounts of the contracts ranged from US\$2,495 thousand to US\$12,628 thousand and from US\$2,100 thousand to US\$11,992 thousand every month for the years ended December 31, 2011 and 2010, respectively.

The terms of the derivatives mentioned above did not qualify as effective hedging instruments; thus, hedge accounting was not applied.

Outstanding crude oil swap and oil swap option contracts as of December 31, 2011 were as follows:

	Due Date	Notional Amount	Unsettled Amount	
			Contract Amount	Fair Value
<u>December 31, 2011</u>				
Crude oil swap and oil swap option	2012.03.31	US\$104,384 thousand	US\$9,832 thousand	\$ 15,484

Outstanding crude oil swap and oil swap option contracts as of December 31, 2010 had been settled.

Net gains from financial assets held for trading were \$287,534 thousand and \$193,974 thousand for the years ended December 31, 2011 and 2010, respectively.

Net losses from financial liabilities held for trading were \$47,136 thousand and \$86,174 thousand for the years ended December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the receivables from disposal of securities were \$28,917 thousand and \$25,178 thousand, respectively, and were recognized as other receivables. The proceeds had been received.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Domestic quoted stocks	\$ 2,322,671	\$ 2,772,534
Corporate bonds	60,580	58,280
Mutual funds	<u>-</u>	<u>8,281,061</u>
	2,383,251	11,111,875
Less: Current portion	<u>(157,904)</u>	<u>(8,479,668)</u>
	<u>\$ 2,225,347</u>	<u>\$ 2,632,207</u>

The Corporation recognized valuation loss on financial assets of \$43,391 thousand for the year ended December 31, 2011.

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

7. SHIPPING FUEL

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Shipping fuel	<u>\$ 5,818,535</u>	<u>\$ 4,374,606</u>

As of December 31, 2010, the allowance for inventory devaluation was \$44,854 thousand.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2011 and 2010, was \$30,342,732 thousand and \$22,052,235 thousand, respectively. The cost of shipping fuel recognized as operating cost for the year ended December 31, 2011 included \$44,854 thousand reversal of write-downs of fuel price. The cost of shipping fuel recognized as operating cost for the year ended December 31, 2010 included \$33,334 thousand provision for loss on shipping fuel due to decline of fuel price.

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Domestic unquoted common stocks				
Taipei Port Container Terminal Co., Ltd.	\$ 381,369	9.76	\$ 406,640	9.76
United Stevedoring Corporation	5,000	10.00	5,000	10.00
Overseas unquoted common stocks				
Antwerp International Terminal	<u>-</u>	14.02	<u>-</u>	16.33
	<u>\$ 386,369</u>		<u>\$ 411,640</u>	

The Corporation recognized valuation loss on financial assets of \$25,271 thousand and \$4,065 thousand for the years ended December 31, 2011 and 2010, respectively.

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

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2011		2010	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Kao Ming Container Terminal Corp.	\$ 4,218,853	100.00	\$ 4,022,887	100.00
Kuang Ming Shipping Corp.	4,070,974	86.57	4,547,582	93.24
Yang Ming Line (B.V.I.) Holding Co., Ltd.	3,517,151	100.00	4,487,685	100.00
All Oceans Transportation, Inc.	3,420,972	100.00	4,364,025	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,887,746	100.00	1,645,246	100.00
Ching Ming Investment Co., Ltd.	1,464,818	100.00	1,640,812	100.00
Yes Logistics Corp.	583,656	50.00	542,675	50.00
Yang Ming Line Holding Co.	549,015	100.00	292,663	100.00
Yunn Wang Investment Co., Ltd.	172,322	49.75	199,640	49.75
Jing Ming Transportation Co., Ltd.	115,916	50.98	117,695	50.98
Honming Terminal & Stevedoring Co., Ltd.	115,640	79.17	121,907	79.17
Transyang Shipping Pte. Ltd.	78,265	49.00	90,614	49.00
Yang Ming (Liberia) Corp.	<u>(1,252,252)</u>	100.00	<u>(1,670,538)</u>	100.00
	18,943,076		20,402,893	
Add: Investment deducted from long-term receivables from related parties	<u>1,252,252</u>		<u>1,670,538</u>	
	<u>\$ 20,195,328</u>		<u>\$ 22,073,431</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, 2011 and 2010 were as follows:

	Non-amortizing Assets	
	2011	2010
Balance, beginning of year	\$ 671	\$ -
Additions	<u>-</u>	<u>671</u>
Balance, end of year	<u>\$ 671</u>	<u>\$ 671</u>

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

	Years Ended December 31	
	2011	2010
Yang Ming (Liberia) Corp.	\$ 483,894	\$ (1,544,692)
Yang Ming Line Holding Co.	245,229	293,217
Kuang Ming Shipping Corp.	242,189	551,073
Kao Ming Container Terminal Corp.	195,817	(96,156)
Yang Ming Line (Singapore) Pte. Ltd.	163,030	158,626
Yes Logistics Corp.	26,523	30,935
Transyang Shipping Pte. Ltd.	16,790	34,057
Yunn Wang Investment Co., Ltd.	10,721	10,764
Honming Terminal & Stevedoring Co., Ltd.	8,775	16,640
Jing Ming Transportation Co., Ltd.	5,458	9,015
Ching Ming Investment Co., Ltd.	(157,671)	128,125
All Oceans Transportation, Inc.	(943,053)	(530,585)
Yang Ming Line (B.V.I.) Holding Co., Ltd.	<u>(1,137,995)</u>	<u>1,163,320</u>
	<u>\$ (840,293)</u>	<u>\$ 224,339</u>

The Corporation committed to support the operation of Yang Ming (Liberia) Corp. and therefore the credit balance of \$1,252,252 thousand and \$1,670,538 thousand on this investment was reclassified as deduction of long-term receivables from related parties as of December 31, 2011 and 2010, 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 construction and operation periods. MOTC Harbor Bureau approved Kao Ming Container Terminal Corp. to start its operation on January 5, 2011. The board of directors of the Corporation resolved to increase investments in Kao Ming Container Terminal Corp. within the capital disbursement of \$3,700,000 thousand, and the amount of capital increase was \$3,300,000 thousand as of December 31, 2011. Kao Ming Container Terminal Corp. secured a \$16,200,000 thousand syndicated bank loans on December 18, 2008, so as to fund the construction of Kaohsiung Intercontinental Container Terminal, and as of December 31, 2011 the banks have allotted \$5,940,000 thousand.

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 dispose 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.

For the years ended December 31, 2011 and 2010, the Corporation disposed of 13,700 thousand shares and 13,894 thousand shares to specified persons and employees (both approximately equal to 6.76% of Kuang Ming Shipping Corp's current share capital) at an average price of \$31.89 and \$25.97 per share, and recognized a disposal gain of \$83,501 thousand and \$22,377 thousand, respectively. As of December 31, 2011, the Corporation disposed of 27,594 thousand shares (approximately equal to 13.43% of Kuang Ming Shipping Corp's current share capital) at an average price of \$28.88 per share, and recognized disposal gain of \$105,878 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 controlling interest. Thus, the consolidated financial statements as of and for the years ended December 31, 2011 and 2010 include the accounts of the Corporation and its direct and indirect subsidiaries. The Corporation did not have control over Transyang Shipping Pte. Ltd., and Yunn Wang Investment Co., Ltd., therefore the accounts of these companies were not included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in the consolidation.

10. PROPERTIES

	Year Ended December 31, 2011								
	Land	Buildings	Containers and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Construction in Process	Total
Cost									
Beginning balance	\$ 427,836	\$ 749,213	\$ 23,005,358	\$ 6,529,880	\$ 2,868,206	\$ 146,272	\$ 2,638,782	\$ -	\$ 36,365,547
Addition	-	-	3,619,287	63,000	-	-	102,533	3,723,337	7,508,157
Disposal	-	-	(1,215,549)	(516,957)	(135,450)	-	(621,823)	-	(2,489,779)
Reclassification	-	21,315	-	-	-	-	131,452	-	152,767
Ending balance	<u>\$ 427,836</u>	<u>770,528</u>	<u>25,409,096</u>	<u>6,075,923</u>	<u>2,732,756</u>	<u>146,272</u>	<u>2,250,944</u>	<u>3,723,337</u>	<u>41,536,692</u>
Accumulated depreciation									
Beginning balance	-	159,983	15,592,907	1,706,532	2,143,723	133,284	1,608,420	-	21,344,849
Addition	-	15,001	1,843,525	898,343	96,852	3,627	200,522	-	3,057,870
Disposal	-	-	(1,208,259)	(482,266)	(135,450)	-	(493,257)	-	(2,319,232)
Reclassification	-	8,071	-	-	-	-	-	-	8,071
Ending balance	-	<u>183,055</u>	<u>16,228,173</u>	<u>2,122,609</u>	<u>2,105,125</u>	<u>136,911</u>	<u>1,315,685</u>	-	<u>22,091,558</u>
Accumulated impairment									
Beginning balance	-	-	-	-	-	-	25,740	-	25,740
Addition	-	-	-	-	-	-	(25,740)	-	(25,740)
Ending balance	-	-	-	-	-	-	-	-	-
	<u>\$ 587,473</u>	<u>\$ 9,180,923</u>	<u>\$ 9,180,923</u>	<u>\$ 3,953,314</u>	<u>\$ 627,631</u>	<u>\$ 9,361</u>	<u>\$ 935,259</u>	-	<u>\$ 19,445,134</u>

	Year Ended December 31, 2010								
	Land	Buildings	Containers and Chassis	Ships	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Construction in Process	Total
Cost									
Beginning balance	\$ 427,836	\$ 729,397	\$ 22,906,639	\$ 6,453,650	\$ 2,178,416	\$ 146,272	\$ 2,693,215	\$ -	\$ 35,535,425
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>\$ 427,836</u>	<u>749,213</u>	<u>23,005,358</u>	<u>6,529,880</u>	<u>2,868,206</u>	<u>146,272</u>	<u>2,638,782</u>	<u>3,723,337</u>	<u>36,365,547</u>
Accumulated depreciation									
Beginning balance	-	140,380	14,022,346	725,857	2,049,611	129,657	1,505,532	-	18,573,383
Addition	-	14,052	2,000,429	1,031,793	94,112	3,627	185,079	-	3,329,092
Disposal	-	-	(429,868)	(51,118)	-	-	(82,191)	-	(563,177)
Reclassification	-	5,551	-	-	-	-	-	-	5,551
Ending balance	-	<u>159,983</u>	<u>15,592,907</u>	<u>1,706,532</u>	<u>2,143,723</u>	<u>133,284</u>	<u>1,608,420</u>	-	<u>21,344,849</u>
Accumulated impairment									
Beginning balance	-	-	-	-	-	-	25,740	-	25,740
Addition	-	-	-	-	-	-	(25,740)	-	(25,740)
Ending balance	-	-	-	-	-	-	-	-	-
	<u>\$ 589,230</u>	<u>\$ 7,412,451</u>	<u>\$ 7,412,451</u>	<u>\$ 4,823,348</u>	<u>\$ 724,483</u>	<u>\$ 12,988</u>	<u>\$ 1,004,622</u>	-	<u>\$ 14,994,958</u>

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 28. 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 terms of the leased chassis were eight years. 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, 2011 and 2010 were as follows:

	December 31			
	2011		2010	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	\$ 26,499	\$ 802,647	\$ 30,772	\$ 896,680
Less: Unamortized interest expense	<u>4,700</u>	<u>142,362</u>	<u>6,143</u>	<u>179,011</u>
	<u>\$ 21,799</u>	<u>\$ 660,285</u>	<u>\$ 24,629</u>	<u>\$ 717,669</u>

11. ASSETS LEASED TO OTHERS, NET

	December 31	
	2011	2010
Cost		
Land	\$ 2,920,184	\$ 2,920,184
Buildings	<u>1,212,305</u>	<u>1,225,818</u>
	4,132,489	4,146,002
Accumulated depreciation - buildings	<u>202,687</u>	<u>183,055</u>
	<u>\$ 3,929,802</u>	<u>\$ 3,962,947</u>

Future rental payments receivable were summarized as follows:

Fiscal Year	Amount
2012	\$ 107,326
2013	82,615
2014	45,939
2015	36,489
2016	13,631

Rentals after 2017 amount to \$842 thousand. The present value of those rentals, computed at an annual interest rate of 1.355%, is \$787 thousand.

12. NONOPERATING ASSETS, NET

	December 31	
	2011	2010
Cost		
Land	\$ 234,359	\$ 234,359
Buildings	<u>1,585</u>	<u>1,746</u>
	235,944	236,105
Accumulated depreciation - buildings	<u>1,585</u>	<u>1,746</u>
	<u>\$ 234,359</u>	<u>\$ 234,359</u>

13. 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 the construction and operation of the First and Second Logistics Centers of the Kaohsiung Third Container Center. The final review 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 commenced operation in 2008. The issue regarding the tenancy calculation had been arbitrated by the Arbitration Association of the Republic of China, and the Corporation reclassified the amount of \$131,452 thousand, which was part of the original investment of \$691,554 thousand, into miscellaneous equipment in properties. The amount of \$560,092 thousand was reclassified into advances on long-term rent agreement which are amortized over 28 years and 9 months.

	Current	Long-term	Total
<u>December 31, 2011</u>			
Advances on long-term rent agreement	<u>\$ 31,572</u>	<u>\$ 694,422</u>	<u>\$ 725,994</u>
<u>December 31, 2010</u>			
Advances on long-term rent agreement	<u>\$ 41,106</u>	<u>\$ 819,309</u>	<u>\$ 860,415</u>

14. SHORT-TERM DEBT

	December 31, 2011
Unsecured bank loans, interest rate 1.20% to 1.59%	\$ 2,450,000
Other short-term loans, interest rate 1.098% to 1.315%	<u>188,672</u>
	<u>\$ 2,638,672</u>

Other short-term loans were financed by Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line (B.V.I.) holding Co., Ltd. in the amounts of \$99,957 thousand and \$88,715 thousand, respectively. Please refer to Schedule E for financing provided.

15. COMMERCIAL PAPER PAYABLE

	<u>December 31, 2011</u>	
	Interest Rate	Amount
Commercial paper payable	0.988%-1.088%	\$ 3,250,000
Less: Unamortized discount on commercial paper payable		<u>3,641</u>
		<u>\$ 3,246,359</u>

16. LONG-TERM INTEREST-BEARING DEBTS

	Current	Long-term	Total
<u>December 31, 2011</u>			
Long-term unsecured bank loans	\$ -	\$ 10,450,000	\$ 10,450,000
Long-term secured bank loans	3,455,438	8,635,633	12,091,071
Domestic unsecured bonds	960,000	3,000,000	3,960,000
Domestic secured bonds	-	11,436,490	11,436,490
Capital leases	<u>86,753</u>	<u>573,532</u>	<u>660,285</u>
	<u>\$ 4,502,191</u>	<u>\$ 34,095,655</u>	<u>\$ 38,597,846</u>

(Continued)

	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> (Concluded)

Long-term Unsecured Bank Loans

The unsecured bank loan will be repaid in New Taiwan dollars in one-lump sum payment at maturity. The balance of 2010 was repaid in advance in December 2011. Interest rate was 1.10% to 1.544% and 0.8% on December 31, 2011 and 2010, 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 1.2674% to 2.315% and 0.9789% to 2.1% on December 31, 2011 and 2010, 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 June 1, 2010, the bonds had 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. As of June 18, 2011, the bonds had been fully repaid.

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. As of June 18, 2011, the bonds had been fully repaid.

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. As of June 18, 2011, the bonds had been fully repaid.

October 2004 Bonds: Type A, B, D, E, G, H, I - Aggregate face value of \$500,000 thousand for each type and maturity from October 8 to October 20 in 2011; 3.30% annual interest. As of October 20, 2011, the bonds had been fully repaid.

Type C - Aggregate face value of \$800,000 thousand and maturity on October 12, 2011; 3.30% annual interest. As of October 20, 2011, the bonds had been fully repaid.

Type F - Aggregate face value of \$700,000 thousand and maturity on October 15, 2011; 3.30% annual interest. As of October 20, 2011, the bonds had been fully repaid.

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

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. As of October 23, 2011, the bonds had been fully repaid.

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 advance guarantee on the date of issuance and every year thereafter. The guarantee payments are recognized as costs of the corporate bond issuance and are amortized over the issuance period. As of December 31, 2011 and 2010 unamortized cost of issuance both amounted to \$14,790 thousand.

On December 27, 2011 the Corporation issued five-year domestic secured bonds with an aggregate face value of \$6,500,000 thousand.

The bond features and terms are as follows:

- December 2011 Bonds:
- Type A - Aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.
 - Type B - Aggregate face value of \$500,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.
 - Type C - Aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.
 - Type D - Aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.
 - Type E - Aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.
 - Type F - Aggregate face value: \$1,000,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.
 - Type G - Aggregate face value of \$500,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.
 - Type H - Aggregate face value of \$500,000 thousand; repayments: 50% - December 27, 2015 and 50% - December 27, 2016, 1.30% annual interest.

Guarantees:

- Type A: Guaranteed by Taiwan Bank.
- Type B: Guaranteed by Mega International Commercial Bank.
- Type C: Guaranteed by Taipei Fubon Financial Bank.
- Type D: Guaranteed by Taiwan Cooperative Commercial Bank.
- Type E: Guaranteed by First Commercial Bank.
- Type F: Guaranteed by Chang Hwa Bank.
- Type G: Guaranteed by Hua Nan Commercial Bank.
- Type H: Guaranteed by Shin Kong 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 costs of the corporate bond issuance and are amortized over the issuance period. As of December 31, 2011, unamortized cost of issuance amounted to \$48,720 thousand.

Commercial Paper

The Corporation signed a three-year 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 in September 2009. 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 was 1.376% on December 31, 2010, and outstanding loans amounted to \$1,840,000 thousand.

Obligations under Capital Leases

Obligations under capital leases are summarized in Note 10.

Unsecured Private Bonds

In order to expand working capital and improve financial operation, on March 6, 2012, the Corporation issued the first unsecured private bonds with an aggregate face value of \$5,544,000 thousand. March 2012 bonds: Type A - Aggregate face value of \$1,759,000 thousand and maturity on March 6, 2016; 2.08% annual interest. Type B - Aggregate face value of \$3,785,000 thousand and maturity on March 6, 2017; 2.18% annual interest.

In order to expand working capital and improve financial operation, the board resolved to issue the second unsecured private bonds with an aggregate face value of \$4,350,000 thousand. Type A - Aggregate face value of \$1,550,000 thousand and four-year maturity; 2.08% annual interest. Type B - Aggregate face value of \$2,800,000 thousand and five-year maturity; 2.18% annual interest.

17. ACCOUNTS PAYABLE

	December 31	
	2011	2010
Fuel	\$ 3,460,359	\$ 3,072,129
Space hire	<u>1,001,262</u>	<u>1,211,060</u>
	<u>\$ 4,461,621</u>	<u>\$ 4,283,189</u>

18. ACCRUED EXPENSES

	December 31	
	2011	2010
Container lease	\$ 543,377	\$ 470,357
Salary and bonus	134,496	948,121
Interest	86,255	143,769
Maintenance	86,050	54,481
Vessel charter hire	697	204,169
Others	<u>251,195</u>	<u>247,595</u>
	<u>\$ 1,102,070</u>	<u>\$ 2,068,492</u>

19. 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.

20. 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 contributed amounts equal to 13% of salaries to the pension fund; starting from September 2011, the Corporation contributed amounts equal to 3% of salaries every month. 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.

1) Pension cost

	2011	2010
Services cost	\$ 57,140	\$ 94,225
Interest cost	46,803	45,845
Projected return on plan assets	(12,226)	(8,456)
Unrecognized net transition obligation amortization	(328)	(328)
Unrecognized prior cost amortization	(1,544)	(1,544)
Unrecognized net loss	<u>19,683</u>	<u>20,671</u>
	109,528	150,413
Accounts receivable-related parties	<u>(19,153)</u>	<u>(21,678)</u>
Pension cost	<u>\$ 90,375</u>	<u>\$ 128,735</u>

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

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation (VBO)	\$ 1,082,752	\$ 927,572
Non-vested benefit obligation	<u>637,469</u>	<u>655,407</u>
Accumulated benefit obligation (ABO)	1,720,221	1,582,979
Additional benefit based on future salaries	<u>533,505</u>	<u>509,708</u>
Projected benefit obligation	2,253,726	2,092,687
Fair value of plan assets	<u>(641,529)</u>	<u>(573,286)</u>
Plan funded status	1,612,197	1,519,401
Unrecognized net transition asset	362	690
Unrecognized prior service cost	29,930	31,474
Unrecognized pension cost	(540,760)	(446,172)
Additional minimum pension liability	<u>66,681</u>	<u>25,907</u>
Accrued pension cost	<u>\$ 1,168,410</u>	<u>\$ 1,131,300</u>
Vested benefit	<u>\$ 1,478,610</u>	<u>\$ 1,311,091</u>

3) Actuarial assumptions

Discount rate	2.00%	2.25%
Future salary increase rate	2.50%	2.50%
Expected rate of return on plan assets	2.00%	2.00%

	Years Ended December 31	
	2011	2010
4) Contributions to the fund	<u>\$ 67,785</u>	<u>\$ 33,650</u>
5) Payments from the fund	<u>\$ 4,789</u>	<u>\$ 39,097</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 \$47,685 thousand and \$44,073 thousand for the years ended December 31, 2011 and 2010, 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 pension cost of \$5,372 thousand and \$32,063 thousand for the years ended December 31, 2011 and 2010, respectively.

21. 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 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 2011, there were 5,330,595 units outstanding, representing 53,306,040 shares, 1.89% 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 shares 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. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. 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.

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 in proposing 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 stock.

The Corporation did not accrue bonus to employees and remuneration to directors and supervisors because of the losses for the year ended December 31, 2011. The bonus to employees for the year ended December 31, 2010 was accrued in the amount of \$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 amount subsequently resolved by the shareholders differs from the proposed amount, the difference is 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 reversed 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. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

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.

The stockholders resolved to appropriate the 2010 earnings on June 24, 2011, as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal capital reserve	\$ 1,178,785	
Special reserve	82,530	
Cash dividends	3,203,083	\$1.25
Stock dividends	2,562,466	1.00

The bonus to employees of \$156,886 thousand for 2010 was approved in the stockholders' meeting on June 24, 2011. The approved amount of the bonus to employees was not different from that in the financial statements for the year ended December 31, 2010.

The shareholders' meeting held on June 24, 2011 also resolved to distribute stock dividends out of undistributed earnings in the amount of \$2,562,466 thousand. The above capital increase was approved by the Financial Supervisory Commission of Executive Yuan on August 3, 2011. The revision of registration of the capital increase was approved by the Ministry of Economic Affairs, ROC on October 6, 2011.

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 the deficit from 2009. In addition a deficit of \$8,138,687 thousand had been offset by the following:

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>

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, 2011 and 2010, 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>2011</u>				
Balance, beginning of year	\$ 424,440	\$ 6,578	\$ (17,998)	\$ 413,020
Recognized in shareholders' equity	(377,113)	(35,976)	66,931	(346,158)
Transferred to profit or loss	<u>(23,925)</u>	<u>(14)</u>	<u>-</u>	<u>(23,939)</u>
Balance, end of year	<u>\$ 23,402</u>	<u>\$ (29,412)</u>	<u>\$ 48,933</u>	<u>\$ 42,923</u>
<u>2010</u>				
Balance, beginning of year	\$ 1,148,278	\$ 65,103	\$ (12,476)	\$ 1,200,905
Recognized in shareholders' equity	(672,117)	(58,523)	(5,522)	(736,162)
Transferred to profit or loss	<u>(51,721)</u>	<u>(2)</u>	<u>-</u>	<u>(51,723)</u>
Balance, end of year	<u>\$ 424,440</u>	<u>\$ 6,578</u>	<u>\$ (17,998)</u>	<u>\$ 413,020</u>

22. 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", the Corporation and its subsidiary can file a joint tax return once the Corporation 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 since 2009. The Corporation held less than 90% of the shares of Kuan Ming Shipping Corp. and will terminate to file a joint tax return starting from 2011.

- a. A reconciliation of income tax expense (benefit) based on income (loss) before income tax at the statutory rate of 17% and income tax expense (benefit) was as follows:

	<u>Years Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Income tax expense (benefit) at the statutory rate	\$ (1,735,041)	\$ 2,178,132
Tax effect of adjusting items:		
Permanent differences	(84,585)	(144,309)
Temporary differences	132,825	40,766
Loss carryforwards provided (used)	<u>1,686,801</u>	<u>(2,074,589)</u>
Income tax payable - current	<u>\$ -</u>	<u>\$ -</u>

b. Tax expense (benefit) was as follows:

	Years Ended December 31	
	2011	2010
Income tax payable - current	\$ -	\$ -
Overseas income tax	163,203	245,676
Deferred income tax expenses		
Temporary differences	(86,885)	(42,181)
Loss carryforwards	(1,773,807)	2,050,725
Effect of tax law changes on deferred income tax	-	17,397
Adjustment to valuation allowance	900,000	(1,443,495)
Adjustment to prior years' taxes	<u>(9,758)</u>	<u>196,569</u>
	<u>\$ (807,247)</u>	<u>\$ 1,024,691</u>

In May 2010, 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 20% to 17%, effective January 1, 2010.

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

	December 31	
	2011	2010
Current		
Deferred income tax assets		
Unrealized exchange loss	\$ 6,954	\$ 28,864
Unrealized shipping fuel valuation losses	-	7,625
Others	<u>2,799</u>	<u>2,981</u>
	<u>\$ 9,753</u>	<u>\$ 39,470</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 2,154,776	\$ 381,083
Deferred pension cost	128,107	122,664
Unrealized impairment loss on financial assets	10,026	10,026
Unrealized impairment loss on long-term leases for chartered-in vessels	-	35,347
Impairment loss on properties and miscellaneous equipment	<u>-</u>	<u>6,236</u>
	2,292,909	555,356
Less: Valuation allowance	<u>(1,150,000)</u>	<u>(250,000)</u>
	<u>1,142,909</u>	<u>305,356</u>
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(629,613)	(828,871)
Differences in estimated service lives of ships	(46,516)	-
Unrealized gain on financial instruments	<u>-</u>	<u>(39,772)</u>
	<u>(676,129)</u>	<u>(868,643)</u>
	<u>\$ 466,780</u>	<u>\$ (563,287)</u>

Loss carryforwards as of December 31, 2011 comprised of:

Unused Amount	Expiry Year
\$ 2,752,795	2019
9,922,357	2021

The tax returns through 2009 had been assessed by the tax authorities.

d. Information about integrated income tax was as follows:

	December 31	
	2011	2010
Unappropriated earnings generated before July 1, 1998	<u>\$ 1,303,718</u>	<u>\$ 1,264,774</u>
Unappropriated earnings generated on and after July 1, 1998	<u>\$ -</u>	<u>\$ -</u>

The actual creditable ratio for distribution of earnings of 2010 was 11.06%.

There was deficit and operating loss in 2011; thus, no ICA ratio was calculated for 2011.

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2011			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Personnel expenses				
Salary	\$ 752,583	\$ 693,084	\$ -	\$ 1,445,667
Insurance	44,832	70,837	-	115,669
Pension	67,070	76,362	-	143,432
Others	<u>83,117</u>	<u>121,046</u>	<u>-</u>	<u>204,163</u>
	<u>\$ 947,602</u>	<u>\$ 961,329</u>	<u>\$ -</u>	<u>\$ 1,908,931</u>
Depreciation	\$ 3,038,220	\$ 63,510	\$ 27,703	\$ 3,129,433
Amortization	-	17,088	2,009	19,097
	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	39,573	67,985	-	107,558
Pension	76,206	128,665	-	204,871
Others	<u>83,056</u>	<u>126,889</u>	<u>-</u>	<u>209,945</u>
	<u>\$ 1,131,014</u>	<u>\$ 1,908,115</u>	<u>\$ -</u>	<u>\$ 3,039,129</u>
Depreciation	\$ 3,262,079	\$ 65,786	\$ 27,873	\$ 3,355,738
Amortization	2,795	19,706	2,569	25,070

24. EARNINGS PER SHARE

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

	<u>Amount (Numerator)</u>		<u>Shares (Denominator) (In Thousand Shares)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>Net Income (Loss)</u>		<u>Income Before Income Tax</u>	<u>Net Income (Loss)</u>
<u>Year ended December 31, 2011</u>					
Basic EPS	\$ (10,206,125)	\$ (9,398,878)	2,818,713	\$ (3.62)	\$ (3.33)
Impact of dilutive potential common shares					
Bonus to employees	-	-	-		
Diluted EPS	<u>\$ (10,206,125)</u>	<u>\$ (9,398,878)</u>	<u>2,818,713</u>	<u>\$ (3.62)</u>	<u>\$ (3.33)</u>
<u>Year ended December 31, 2010</u>					
Basic EPS	\$ 12,812,544	\$ 11,787,853	2,818,713	\$ 4.55	\$ 4.18
Impact of dilutive potential common shares					
Bonus to employees	-	-	6,333		
Diluted EPS	<u>\$ 12,812,544</u>	<u>\$ 11,787,853</u>	<u>2,825,046</u>	<u>\$ 4.54</u>	<u>\$ 4.17</u>

The Corporation should presume that the entire amount of 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. The Corporation did not consider the bonus to employees' potential shares in the calculation of diluted EPS for the year ended December 31, 2011 due to its anti-dilutive effect.

The number of shares had been retroactively adjusted for stock dividends; thus, basic EPS and diluted EPS for 2010 went down to \$4.18 and \$4.17 from \$4.60 and \$4.59.

25. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

	<u>December 31</u>			
	<u>2011</u>		<u>2010</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	\$ 250,169	\$ 250,169	\$ 632,841	\$ 632,841
Available-for-sale financial assets - current	157,904	157,904	8,479,668	8,479,668
Derivative financial assets for hedging - current	49,161	49,161	-	-
Available-for-sale financial assets - noncurrent	2,225,347	2,225,347	2,632,207	2,632,207

(Continued)

	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets carried at cost - noncurrent	\$ 386,369	\$ -	\$ 411,640	\$ -
Refundable deposits	322,695	322,695	323,874	323,874
Long-term receivables from related parties	23,702,068	23,702,068	21,495,979	21,495,979

Liabilities

Financial liabilities at fair value through profit or loss - current	47,136	47,136	-	-
Derivative financial liabilities for hedging - current	229	229	21,686	21,686
Long-term debt	22,541,071	22,541,071	18,386,509	18,386,509
Bonds payable	15,396,490	15,524,167	20,025,210	20,156,178
Obligations under capital lease	660,285	660,285	717,669	717,669

(Concluded)

Place of transaction:

Place of Transaction	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial asset</u>				
Domestic	\$ -	\$ -	\$ 590,213	\$ 590,213
Overseas (including foreign institutions in Taiwan)	116,388	116,388	-	-
<u>Financial liability</u>				
Domestic	47,365	47,365	-	-
Overseas (including foreign institutions in Taiwan)	-	-	21,686	21,686

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, short-term debt, commercial paper payable, accrued expenses, accrued expenses - related parties, accounts payable, payables to shipping agents and payables to shipping agents - related parties, 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 and obligations under capital leases are measured at the present values of expected cash flows which are discounted at the interest rate of 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:

	Market Price		Valuation Techniques	
	December 31		December 31	
	2011	2010	2011	2010
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 182,943	\$ 42,628	\$ 67,227	\$ 590,213
Available-for-sale financial assets - current	157,904	8,479,668	-	-
Available-for-sale financial assets - noncurrent	2,225,347	2,632,207	-	-
Derivative financial assets for hedging - current	-	-	49,161	-
<u>Liabilities</u>				
Derivative financial liabilities for hedging - current	-	-	229	21,686
Financial liabilities at fair value through profit or loss - current	-	-	47,136	-
Bonds payable	15,524,167	20,156,178	-	-

- d. Net gain (loss) on changes in fair value determined using valuation technique was \$19,877 thousand and \$(5,960) thousand for the years ended December 31, 2011 and 2010, respectively.
- e. Financial assets and liabilities affected by interest rate were as follows:

	December 31			
	2011		2010	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
<u>Risk of interest rate change</u>				
Fair value risk	\$ 1,398,051	\$ 21,941,805	\$ 1,284,079	\$ 19,742,878
Cash flow risk	5,201,301	22,541,072	7,948,267	19,386,510

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 in marketable securities for trading purpose helps the Corporation avoid significant risk.

For the years ended December 31, 2011 and 2010, 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 in fair value of this contract due to change in market interest rate should not cause additional risk for the Corporation. As of June 30, 2011, the interest rate swap contracts had been settled.

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 stock price-linked and interest rate-linked principal guaranteed notes to earn higher investment income. The Corporation chooses commodities highly correlated to stock prices and commercial paper interest rates. The Corporation arranges to receive more than original investment amounts on the settlement date, thus market risk is not significant.

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 strike price, the Corporation can sell foreign currency at a higher price or rely on premiums to offset a portion of exchange loss; when exchange rate is higher than strike 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 counterparties' 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 loss resulting from default on contracts.

3) Liquidity risk

The Corporation entered into interest rate swaps and crude oil 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 debts, 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 and oil swap contracts to hedge future cash flows.

As of December 31, 2011, the interest rate swap contracts had been settled.

As of December 31, 2011, the interest rate swap contracts were as follows:

Hedged Items	Designated Hedging Instruments			Fair Value	Expected Period of Cash Flows	Expected Period for Realization of Gains or Losses
	Instruments Designated	Contract Amount	Unsettled Amount			
Bonds with floating interest rate	Interest rate swap	\$ (1,000,000)	\$ (1,000,000)	\$ (21,686)	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011

The Corporation entered into crude oil swap and oil swap option contracts. The contracts were settled in the amounts that ranged from US\$1,722 thousand to US\$1,845 thousand every month for the year ended December 31, 2011.

As of December 31, 2011, the crude oil swap and oil swap option contracts were as follows:

Hedged Items	Designated Hedging Instruments			Fair Value	Expected Period of Cash Flows	Expected Period for Realization of Gains or Losses
	Instruments Designated	Contract Amount	Unsettled Amount			
Oil forecast transaction	Oil swap	US\$ 80,700 thousand	US\$ 64,323 thousand	\$ 48,932	February 1, 2011 - December 31, 2012	February 1, 2011 - December 31, 2012

h. Reclassifications

On July 1, 2008, the Corporation reclassified its financial assets in accordance with the 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 abovementioned financial assets held for trading within a short period of time as a result of the economic instability and deterioration of the world's financial markets that has occurred during the year of 2008, the Corporation reclassified these held for trading financial assets to available-for-sale financial assets.

The carrying amounts and fair values of the reclassified financial assets (excluding those that had been derecognized) as of December 31, 2011 and 2010 were as follows:

	Years Ended December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets	\$ 97,324	\$ 97,324	\$ 140,327	\$ 140,327

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2011 and 2010) for the years ended December 31, 2011 and 2010 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	Years Ended December 31			
	2011		2010	
	Gains (Losses) Recorded	Pro Forma Gains (Losses)	Gains (Losses) Recorded	Pro Forma Gains (Losses)
Available-for-sale financial assets	\$ (43,391)	\$ (37,668)	\$ -	\$ (14,055)

26. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2011 and 2010 and the related balances, in addition to those mentioned in Notes 9, 14, 16 and 28 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 owned (controlled) by MOTC. Furthermore, apart from the transactions that had been disclosed, the Corporation does 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	
	2011	2010
Salaries	\$ 26,874	\$ 20,798
Incentives	17,930	6,316
Bonus	<u>-</u>	<u>2,538</u>
	<u>\$ 44,804</u>	<u>\$ 29,652</u>

27. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2011	2010
Properties, net	\$ 5,822,187	\$ 6,954,006
Assets leased to others, net	<u>1,408,434</u>	<u>1,417,467</u>
	<u>\$ 7,230,621</u>	<u>\$ 8,371,473</u>

28. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 26 and Schedule F, commitments and contingent liability as of December 31, 2011 were as follows:

- a. Obligations to provide crew to two ships of Chinese Petroleum Corporation under contracts expiring on various dates in early November 2012. The daily compensation under the contracts is \$144 thousand for the crew.
- 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 expense for the year ended December 31, 2011 was \$8,962,653 thousand. Refundable deposit made under the lease contract was \$321,486 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2012	\$ 6,444,569
2013	3,577,432
2014	3,207,904
2015	3,015,869
2016	2,777,950

Rentals after 2017 amount to \$1,994,277 thousand. The present value of those rentals, computed at an annual interest rate of 1.355%, is \$1,824,852 thousand.

The shareholders had met and resolved to spin off its tramp business department into a subsidiary, Kuang Ming (Liberia) Corp., including the obligations on the lease contracts in the tramp business department. Kuang Ming (Liberia) Corp.'s lease contracts were not included in the future minimum rentals summary.

- c. Leases of containers and chassis under capital lease agreements expiring on various dates until February 2018. Rental for the year ended December 31, 2011 was about \$85,587 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2012	\$ 125,471
2013	125,166
2014	125,166
2015	125,166
2016	125,171

Rentals after 2017 amount to \$161,857 thousand. The present value of those rentals, computed at an annual interest rate of 1.355%, is \$151,323 thousand.

- d. The Corporation transferred from All Oceans Transportation five ship construction contracts amounting to US\$581,195 thousand which were signed with CSBC Corporation, Taiwan. As of December 27, 2011, All Oceans has paid \$2,629,315 thousand.
- e. Guarantees of shipbuilding agreements, and loans obtained for operating needs of 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\$ 5,000
All Oceans Transportation, Inc.	Subsidiary	US\$ 220,455
Yang Ming (Liberia) Corp.	Subsidiary	US\$ 644,170
Kuang Ming (Liberia) Corp.	Subsidiary	US\$ 178,522 and JPY 6,912,000
Kao Ming Container Terminal Corp.	Subsidiary	NT\$ 1,500,000
United Terminal Leasing LLC	Indirect equity-method investee	US\$ 10,673
West Basin Container Terminal LLC	Indirect equity-method investee	US\$ 24,800
Olympic Container Terminal LLC	Subsidiary	US\$ 5,000

29. 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.

30. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The Corporation's reportable segments under SFAS No. 41 are marine cargo transportation department, tramp business department, wharf business department and other departments. The Corporation has disclosed operating segment financial information in its consolidated financial report. The Corporation decided not to restate the segment information for the year ended December 31, 2010 due to high cost of doing the restatement.

31. OTHERS

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

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 333,970	30.29	\$ 10,115,952	\$ 286,522	29.14	\$ 8,349,254
JPY	1,118,344	0.3901	436,304	581,172	0.3582	208,204
GBP	5,801	46.6920	270,870	3,111	45.1553	140,463
RMB	43,754	4.8120	210,543	44,240	4.4213	195,597
EUR	5,114	39.1044	199,986	2,870	38.9398	111,760
THB	117,069	0.9585	112,216	277,356	0.9705	269,181
HKD	25,656	3.8989	100,028	7,874	3.7486	29,516
INR	81,500	0.5679	46,285	122,108	0.6501	79,380
AED	4,987	8.2469	41,124	2,257	7.9338	17,904
MYR	4,271	9.5417	40,751	12,688	9.4503	119,903
AUD	1,103	30.7231	33,873	8,236	26.6907	244,523
<u>Nonmonetary items</u>						
USD	5,842	30.29	176,967	2,000	29.14	58,280
EUR	2,594	39.1044	101,424	56	38.9398	2,169
GBP	1,719	46.6920	80,249	146	45.1553	6,614

(Continued)

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Investments accounted for using equity method						
USD	\$ 157,805	30.29	\$ 4,779,925	\$ 166,289	29.14	\$ 4,845,670
<u>Financial liabilities</u>						
Monetary items						
USD	252,938	30.29	7,661,481	225,003	29.14	6,556,586
RMB	108,651	4.8120	522,826	99,250	4.4213	438,815
JPY	1,097,692	0.3901	428,247	611,294	0.3582	218,996
HKD	83,549	3.8989	325,746	41,043	3.7486	153,855
EUR	6,526	39.1044	255,209	3,496	38.9398	136,114
KRW	4,620,781	0.0261	120,747	3,196,815	0.0260	83,141
THB	90,483	0.9585	86,732	47,238	0.9705	45,845
SAR	6,023	8.0771	48,648	9,693	7.7705	75,323
AED	3,217	8.2469	26,526	10,958	7.9338	86,938
BDT	42,065	0.3702	15,571	121,282	0.4129	50,077
Nonmonetary items						
USD	8	30.29	229	-	-	-

(Concluded)

SCHEDULE A

YANG MING MARINE TRANSPORT CORPORATION

**OVERSEAS DEPOSITS
 DECEMBER 31, 2011**

Country	Currency	Foreign-currency Amount (Thousands)	New Taiwan Dollar Exchange Rate	New Taiwan Dollar Amount (Thousands)
Japan	USD	\$ 2	30.29	\$ 55
	JPY	729,741	0.3901	284,694
Hong Kong	USD	1,586	30.29	48,053
	HKD	21,297	3.8989	83,036
	RMB	19,374	4.8120	93,229
United States	USD	12,594	30.29	381,477
Belgium	EUR	120	39.1044	4,690
Indonesia	USD	2	30.29	58
Malaysia	USD	5	30.29	159
	MYR	2,904	9.5417	27,704
Great Britain	USD	80	30.29	2,437
	GBP	458	46.692	21,366
Germany	USD	1	30.29	38
	EUR	1,773	39.1044	69,323
Philippines	USD	32	30.29	984
	PHP	5,025	0.6909	3,472
Singapore	USD	20	30.29	618
	SGD	538	23.2785	12,513
India	INR	72,322	0.5679	41,073
Thailand	THB	112,182	0.9585	107,530
Korea	USD	1,630	30.29	49,368
	KRW	426,164	0.0261	11,136
Canada	USD	105	30.29	3,177
	CAD	16	29.6670	479
Australia	USD	10	30.29	289
	AUD	840	30.7231	25,804
Dubai	AED	3,969	8.2469	32,729

SCHEDULE B**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
Great 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 C

YANG MING MARINE TRANSPORT CORPORATION

RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED 31 DECEMBER 2010
(In thousands of New Taiwan Dollars)

2011	Name of Related Party (Below)	Charter Hire		Agent's Income		Charter Income		Charter Expenses		Ship Management		Other Operating Income		Operating Costs		Depreciation Expenses		Interest Income		Borrowing Income		Nonoperating Income and Gains		Purchase of Properties		Sale of Properties		Other Income		Other Expenses	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	Kuang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	All Ocean Transportation, Inc.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Shengyang Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Cheng Ming Investment Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Line B.V.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Line (India) Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Young Career Company	\$ 338,773	F 64	\$ 160,905	97	\$ 864,233	100	\$ -	-	\$ 57,627	46	\$ -	-	\$ 7,085,527	F 28	\$ 312,000	1	\$ 529,033	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Line (Hong Kong) Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 152,101	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yangming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 79,749	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Line (M.S.B.)	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 46,101	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (America) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 1,076,018	3	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Line (Australia) Pte. Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 86,436	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Line (India) Pte. Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 10,812	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Line (India) Pte. Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 77,717	13	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (Vietnam) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 41,541	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Wan Hai Container Corporation	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 2,204,502	7	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Oriental Overseas Container Line Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 580,666	2	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (Korea) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 107,468	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (Belgium) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 53,221	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (Netherlands) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 94,848	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 179,108	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (Australia) Pte. Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 19,319	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Shanghai Agways S.A. (China) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Shanghai Agways S.A. (China) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Shanghai Agways S.A. (China) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Taiwan Navigation Co., Ltd.	\$ 191,083	36	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 44,698	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Cultural Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 321,180	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Kao Ming Container Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 898,771	2	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 67,427	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (Australia) Pte. Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 9,939	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming (Australia) Pte. Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 42,818	1	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	Yang Ming Shipping Co., Ltd.	\$ -	-	\$																											

J. Receivables from disposal of ships from All Oceans Transportation Inc. and from Yang Ming (Libera) Corp. will be offered by rental payable and the payment made for All Oceans Transportation Inc. periodically.

K. Other related parties, with which the Corporation had no transactions for the year ended December 31, 2011, are listed in Schedule J.

L. The Corporation of ships chartered contract to contracts with Marine Star Ltd, Corp. by Yang Ming Line B.V. On December 18, 2011, the transaction was transferred to All Oceans Transportation. The Corporation drew the bill to pay Morning Star rent and deposit through Yang Ming Line B.V. and All Oceans Transportation. The deposit was \$310,866 thousand and \$310,866 thousand for the years ended December 31, 2011 and 2010, respectively. The cost was \$153,180 thousand and \$157,500 thousand for the years ended December 31, 2011 and 2010, respectively.

(Continued)

SCHEDULE E

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

FINANCING PROVIDED
DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Borrower	Financial Statement Account	Maximum Balance for the Year (Note C)	Ending Balance (Note C)	Interest Rate	Nature of Financing (Note A)	In the Last Five Years Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Maximum Amount of Financing to Individual Borrower (Notes C and D)	Maximum Amount of Financing that Can Be Provided by the Financier (Note B)
											Item	Value		
0	Yang Ming Marine Transport Corporation	Yang Ming (Liberia) Corp. All Oceans Transportation, Inc.	Other receivables Other receivables	\$ 7,000,000 10,300,000	\$ 7,000,000 (Note M) 7,673,732 (Note N)	1.9550% 1.9550%	1 1	\$ 9,675,457 14,035,714	Repayment of loans Obtain working capital	\$ - -	- -	\$ 8,804,239 (Notes C and D) 8,804,239 (Notes C and D)	\$ 14,673,732 (Note B) 14,673,732 (Note B)	
1	Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming (U.A.E.) LLC. Antwerp International Terminal NV Yang Ming Transportation Corp.	Other receivables Other receivables Other receivables	2,023 (US\$) 12,771 (EUR) 99,957 (US\$) 3,300 (US\$)	20,664 (US\$) - 99,957 (US\$) 3,300 (US\$)	- - 1.3150%	2 2 2	- - -	Obtain working capital Obtain working capital Obtain working capital	- - -	- - -	189,591 (Note F) 189,591 (Note F) 189,591 (Note F)	379,182 (Note E) 379,182 (Note E) 379,182 (Note E)	
2	Yang Ming (America) Corp.	Olympic Container Terminal LLC	Other receivables	460,408 (US\$) 15,200 (US\$)	460,408 (US\$) 15,200 (US\$)	2.00%	2	-	Obtain working capital	-	-	490,698 (Note H)	545,220 (Note G)	
3	Yang Ming Shipping (B.V.) Inc.	Karlhan Properties Limited	Other receivables	46,591 (HK\$) 11,950 (HK\$)	20,664 (US\$) 5,300 (US\$)	0.50%	2	-	Repayment of loans	-	-	46,238 (Note I)	92,476 (Note E)	
4	Yang Ming Line B.V.	Antwerp International Terminal NV	Other receivables	12,771 (EUR) 327 (EUR)	12,771 (EUR) 327 (EUR)	2.496%	2	-	Obtain working capital	-	-	13,309 (Note K)	17,745 (Note J)	
5	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Transportation Corp.	Other receivables	88,715 (GBP) 1,900 (GBP)	88,715 (GBP) 1,900 (GBP)	1.0980%	2	-	Obtain working capital	-	-	1,107,221 (Note F)	2,214,442 (Note E)	

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 60% of the net assets of the Corporation. For borrowers with transactions with the Corporation, maximum financing is 50% of the net assets of the Corporation. For borrowers with short-term financing need, the maximum is 10% of the net assets of the Corporation.
- For borrowers with transactions with the Corporation, maximum financing is the lower of 15% of the net assets of the Corporation or 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.
- For borrowers that is a subsidiary of the Corporation, maximum financing is the lower of 30% of the latest net assets audited or reviewed by CPA of the Corporation and the subsidiary in the last five years.
- The maximum financing amount is 50% of the total assets of the lender. For borrowers with transactions with the lender, maximum financing is 30% of the total assets of the lender. For borrowers with short-term financing need, the maximum is 20% of the total assets of the lender.
- For borrowers with transactions with the lender, maximum financing is the lower of 15% of the total assets of the lender or the total amount of transactions between the lender and the borrower in the last five years. For the borrower needing short-term financing, maximum financing is 10% of the total assets of the lender.

(Continued)

- G. Represents US\$ 18,000,000.
- H. Represents 90% of US\$ 18,000,000.
- I. For borrowers with transactions with the lender, maximum financing is the lower of 15% of the total assets of the lender or the total amount of transactions between the lender and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 10% of the total assets of the lender.
- J. The maximum financing amount is 80% of the paid in capital of the lender. For borrowers with transactions with the lender, maximum financing is 40% of the paid in capital of the lender. For borrowers with short-term financing need, the maximum is 40% of the paid in capital of the lender.
- K. For borrowers with transactions with the lender, maximum financing is the lower of 30% of the paid in capital of the lender or the total amount of transactions between the lender and the borrower in the last two years. For the borrower needing short-term financing, maximum financing is 30% of the paid in capital of the lender.
- L. United States dollars, Hong Kong dollars and Euros dollars translated into New Taiwan dollars at the exchange rate of US\$1=30.29, GBP\$1=46.6920, EUR1=39.1044 and HK\$1=3.8988 as of December 31, 2011.
- M. The balance of actual financing provided as of December 31, 2011 was \$4,600,654 thousand.
- N. The balance of actual financing provided as of December 31, 2011 was \$3,774,590 thousand.
- O. The balance of actual financing provided as of December 31, 2011 was \$99,957 thousand (US\$3,300 thousand).
- P. The balance of actual financing provided as of December 31, 2011 was \$384,683 thousand (US\$12,700 thousand).
- Q. The balance of actual financing provided as of December 31, 2011 was \$18,286 thousand (HK\$4,690 thousand).
- R. The balance of actual financing provided as of December 31, 2011 was \$12,771 thousand (EUR327 thousand).
- S. The balance of actual financing provided as of December 31, 2011 was \$88,715 thousand (GBP1,900 thousand).

(Concluded)

SCHEDULE F

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

DECEMBER 31, 2011

(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. Kuang Ming (Liberia) Corp. Yang Ming (Liberia) Corp. Yang Ming (America) Corp. Kao Ming Container Terminal Corp. United Terminal Leasing LLC West Basin Container Terminal LLC Olympic Container Terminal LLC	Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary Equity-method investee of subsidiary Equity-method investee of subsidiary Subsidiary	\$ 46,955,941 (Note B) 46,955,941 (Note B) 46,955,941 (Note B) 46,955,941 (Note B) 46,955,941 (Note B) 46,955,941 (Note B) 46,955,941 (Note B) 46,955,941 (Note B)	\$ 6,677,594 (US\$ 220,455) 8,413,370 (US\$ 188,742 and JPY 6,912,000) 19,511,909 (US\$ 644,170) 302,900 (US\$ 10,000) 2,000,000 (Note B) 441,174 (US\$ 14,565) 751,192 (US\$ 24,800) 151,454 (US\$ 5,000)	\$ - - - - - - - -	22.75% 27.61% 66.49% 0.52% 5.11% 1.10% 2.56% 0.52%	\$ 58,694,926 (Note A) 58,694,926 (Note A) 58,694,926 (Note A) 58,694,926 (Note A) 58,694,926 (Note A) 58,694,926 (Note A) 58,694,926 (Note A) 58,694,926 (Note A)	
1	Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee of subsidiary	290,359 (Note D)	13,626 (US\$ 450)	9,706 (US\$ 320)	-	0.03%	362,949 (Note C)
2	Yang Ming Line (B.V.) Holding Co., Ltd.	Yang Ming (UK) Ltd.	Subsidiary	4,428,883 (Note F)	9,459 (GBP 203)	2,782 (GBP 60)	-	0.01%	5,536,104 (Note E)
3	All Oceans Transportation, Inc.	Yang Ming Marine Transport Corporation	Parent	24,656,387 (Note H)	12,466,000	12,466,000 (Note N)	12,466,000 (Note N)	42.48%	30,820,484 (Note G)
4	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Subsidiary	7,523,761 (Note J)	2,657,542 (JPY 4,716,000 and US\$ 27,000)	2,657,542 (JPY 4,716,000 and US\$ 27,000)	-	9.06%	9,404,702 (Note I)
5	Kuang Ming (Liberia) Corp.	Kuang Ming Shipping Corp.	Parent	5,796,832 (Note L)	781,740 (US\$ 6,000 and NT\$ 600,000)	781,740 (US\$ 6,000 and NT\$ 600,000)	-	2.66%	7,246,040 (Note K)

(Continued)

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 50% of assets of Yang Ming Line Holding Co.
- D. Represents 80% of the amount mentioned in Note C.
- E. Represents 50% of assets of Yang Ming Line (B.V.I.) Holding Co., Ltd.
- F. Represents 80% of the amount mentioned in Note E.
- G. Represents 100% of asset of All Oceans Transportation, Inc.
- H. Represents 80% of the amount mentioned in Note G.
- I. Represents 200% of its latest audited or reviewed net asset value.
- J. Represents 80% of the amount mentioned in Note I.
- K. Represents 200% of its latest audited or reviewed net asset value of Kuang Ming (Liberia) Corp.
- L. Represents 80% of the amount mentioned in Note K.
- M. United States dollars, Great Britain Pounds, Japanese yen and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1=\$30.29, GBP1=\$46.6920, JPY1=\$0.3901 and HK\$1=\$3.8988 on December 31, 2011.
- N. Represents 14 ships used as guarantees, with carrying value of \$12,051,421 thousand as of December 31, 2011.

(Concluded)

SCHEDULE G

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2011
(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, 2011			Note
				Shares/Units	Carrying Value	% of Ownership	
Yang Ming Marine Transport Corporation	<u>Common stock</u> Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	Investments accounted for by the equity method	10,351	\$ 3,517,151	100.00	\$ 3,517,151
	Kuang Ming Shipping Corp.	Subsidiary	Investments accounted for by the equity method	177,920,000	4,070,974	86.57	4,070,974
	All Oceans Transportation, Inc.	Subsidiary	Investments accounted for by the equity method	1,000	3,420,972	100.00	3,420,972
	Kao Ming Container Terminal Corp.	Subsidiary	Investments accounted for by the equity method	410,000,000	4,218,853	100.00	4,218,853
	Yang Ming Line (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	60,130,000	1,887,746	100.00	1,887,746
	Ching Ming Investment Corp.	Subsidiary	Investments accounted for by the equity method	160,650,000	1,464,818	100.00	1,464,818
	Yes Logistics Corp.	Subsidiary	Investments accounted for by the equity method	60,000,000	583,656	50.00	584,327
	Yang Ming Line Holding Co.	Subsidiary	Investments accounted for by the equity method	13,500	549,015	100.00	549,015
	Yunn Wang Investment Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	5,211,474	172,322	49.75	172,322
	Homming Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for by the equity method	7,916,908	115,640	79.17	115,640
	Jing Ming Transportation Co., Ltd.	Subsidiary	Investments accounted for by the equity method	8,615,923	115,916	50.98	115,916
	Transyang Shipping Pte. Ltd.	Equity-method investee	Investments accounted for by the equity method	1,345	78,265	49.00	78,265
	Yang Ming (Liberia) Corp.	Subsidiary	Investments accounted for by the equity method	1	(1,252,252)	100.00	(1,252,252)
	Taipei Port Container Terminal Co., Ltd.	-	-	41,000,000	381,369	9.76	-
	United Stevedoring Corp.	-	-	500,000	5,000	10.00	-
	Antwerp International Terminal N.Y.	-	-	1,486,030	-	14.02	-
	Taiwan Navigation Co., Ltd.	Governed by the MOTC	-	70,758,243	2,225,347	16.96	2,225,347
	Taiwan Fertilizer Co., Ltd.	-	-	18,000	1,269	-	1,269
	China Steel Corp.	-	-	841,229	24,227	0.01	24,227
	Greatek Electronics Inc.	-	-	482,698	11,585	0.09	11,585
Cathay Financial Holding Co., Ltd.	-	-	1,841,380	60,213	0.02	60,213	
Aten International Co., Ltd.	-	-	25,614	1,299	0.02	1,299	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Yang Ming Line (B.V.) Holding Co., Ltd.	Mutual fund BlackRock ICS Euro Liquidity Funds (formerly BGI Liquidity First Funds (EUR))	-	Financial assets at fair value through profit or loss - current	2,593,680	\$ 101,424	-	\$ 101,424	
	BlackRock ICS GBP Liquidity Funds (formerly BGI Liquidity First Funds (GBP))	-	Financial assets at fair value through profit or loss - current	1,718,698	80,249	-	80,249	
Yang Ming Line N.V.	Corporate bonds Deutsche Bank AG	-	Available-for-sale financial assets - current	2,000,000	60,580	-	60,580	
	Common stock Yang Ming Line N.V.	Subsidiary	Investments accounted for by the equity method	1,500,000	(2,383,887)	100.00	(2,383,887)	Note B
Yang Ming Line B.V.	Common stock Yang Ming Line B.V.	Subsidiary	Investments accounted for by the equity method	2,500	(2,389,353)	100.00	(2,389,353)	Note B
	Common stock Yang Ming (Belgium) N.V.	Subsidiary	Investments accounted for by the equity method	553	23,255	89.92	23,255	
Yang Ming (Italy) S.p.A.	Common stock Yang Ming (Belgium) N.V.	Subsidiary	Investments accounted for by the equity method	(Note C)	15,463	100.00	15,463	
	Common stock Yang Ming (Netherlands) B.V.	Subsidiary	Investments accounted for by the equity method	125,000	22,940	50.00	22,940	
Kuang Ming Shipping Corp.	Common stock Yang Ming (Italy) S.p.A.	Subsidiary	Investments accounted for by the equity method	900,000	(2,645,277)	100.00	(2,645,277)	Note B
	Common stock Yang Ming (UK) Ltd.	Subsidiary	Investments accounted for by the equity method	(Note D)	116,669	100.00	116,669	
Yang Ming (Netherlands) B.V.	Common stock Yang Ming Shipping Europe GmbH	Equity-method investee	Investments accounted for by the equity method	24,500	38,472	49.00	38,472	
	Common stock Yang Ming (Belgium) N.V.	Subsidiary	Investments accounted for by the equity method	62	2,607	10.08	2,607	
Yang Ming (Italy) S.p.A.	Common stock Yang Ming (Naples) S.r.l.	Subsidiary	Investments accounted for by the equity method	(Note E)	1,790	60.00	1,790	
	Common stock Constor Ltd.	Equity-method investee	Investments accounted for by the equity method	(Note F)	7,028	50.00	7,028	
Kuang Ming Shipping Corp.	Yes Logistic (UK) Limited	Subsidiary	Investments accounted for by the equity method	200	(3,646)	100.00	(3,646)	Note B
	Common stock Kuang Ming (Liberia) Corp.	Subsidiary	Investments accounted for by the equity method	2	3,623,020	100.00	3,623,020	
Kao Ming Container Terminal Corp.	Mutual fund Fuh Hua Money Market	-	Available-for-sale financial assets - current	4,787,199	66,792	-	66,792	
	Mutual fund Mega Diamond Money Market	-	Available-for-sale financial assets - current	5,769,623	65,309	-	65,309	
Kao Ming Container Terminal Corp.	Mutual fund PCA Well Pool Fund	-	Available-for-sale financial assets - current	8,385,744	101,175	-	101,175	
	Mutual fund PCA Well Pool Fund	-	Available-for-sale financial assets - current	929,839	12,188	-	12,188	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Market Value or Net Asset Value (Note A)	Note	
				Shares/Units	Carrying Value	% of Ownership			
Yang Ming Line (Singapore) Pte. Ltd.	Common stock Yang Ming Shipping (B.V.I.) Inc.	Subsidiary	Investments accounted for by the equity method	510	\$ 215,131	51.00	\$ 215,131	Note R	
	Yang Ming Line (Hong Kong) Ltd.	Subsidiary	Investments accounted for by the equity method	510,000	(57,556)	51.00	(57,556)		
	Yang Ming Line (India) Pvt. Ltd.	Subsidiary	Investments accounted for by the equity method	300,000	16,140	60.00	16,140		
	Yang Ming (Korea) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	60,000	28,143	60.00	28,143		
	Young-Carrier Company Ltd.	Subsidiary	Investments accounted for by the equity method	910,000	291,096	91.00	291,096		
	Yangming (Japan) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	3,000	28,082	100.00	28,082		
	Yangming (Singapore) Pte Ltd.	Subsidiary	Investments accounted for by the equity method	1,000,000	52,459	100.00	52,459		
	Yang Ming Line (M) Sdn. Bhd.	Subsidiary	Investments accounted for by the equity method	1,000,000	33,746	100.00	33,746		
	Sunbright Insurance Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	2,000,000	122,058	100.00	122,058		
	Yang Ming (Vietnam) Company Limited	Equity-method investee	Investments accounted for by the equity method	(Note G)	5,331	49.00	5,331		
	Formosa International Development Corporation	Equity-method investee	Investments accounted for by the equity method	(Note H)	241,039	30.00	168,081		
	Yang Ming Anatolia Shipping Agency S.A.	Subsidiary	Investments accounted for by the equity method	50,000	36,837	50.00	36,837		
	Yang Ming (U.A.E.) LLC	Equity-method investee	Investments accounted for by the equity method	(Note I)	36,988	49.00	36,988		
	Yang Ming Shipping (B.V.I.) Inc.	Common stock Kafman Properties Limited	Subsidiary	Investments accounted for by the equity method	24,000,000	84,938	100.00		84,938
	Yangming (Japan) Co., Ltd.	Common stock Manwa & Co., Ltd.	Subsidiary	Investments accounted for by the equity method	200	3,547	100.00		3,547
Ching Ming Investment Corp.	Other Cash surrender Value in Insurance	-	Financial asset carried at cost - noncurrent	-	20,396	-	-		
	Common stock Homong Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for by the equity method	2,083,092	30,102	20.83	30,102		
	Yes Logistics Corp	Subsidiary	Investments accounted for by the equity method	55,630,977	541,003	46.36	541,003		
	SF Technology Venture Capital Investment Corp.	-	Financial asset carried at cost - noncurrent	1,121,629	3,337	7.24	-		
	United Venture Capital Corp.	-	Financial asset carried at cost - noncurrent	2,880,000	7,152	9.04	-		
	Ascenick Venture Capital Corp.	-	Financial asset carried at cost - noncurrent	784,000	7,896	2.14	-		
	China Technology Venture Capital Corp.	-	Financial asset carried at cost - noncurrent	1,458,600	6,120	8.96	-		
	Kingmax Technology Corp.	-	Financial asset carried at cost - noncurrent	822,115	6,421	1.38	-		
	Formosa Plastics Corporation	-	Financial assets at fair value through profit or loss - current	100,000	8,080	-	8,080		
	Apex Biotechnology Corp.	-	Financial assets at fair value through profit or loss - current	80,000	4,832	-	4,832		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	China Steel Structure Co., Ltd.	-	Financial assets at fair value through profit or loss - current	255,000	\$ 6,821	0.13	\$ 6,821	
	Formosa Chemicals & Fibre corp.	-	Financial assets at fair value through profit or loss - current	90,000	7,191	-	7,191	
	Yungay Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss - current	143,000	6,521	0.03	6,521	
	Ta Yih Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss - current	31,000	1,752	0.04	1,752	
	Oriental Union Chemical Corp.	-	Financial assets at fair value through profit or loss - current	100,000	3,800	0.01	3,800	
	Taiwan Fertilizer Co., Ltd.	-	Financial assets at fair value through profit or loss - current	101,000	7,121	0.01	7,121	
	HTC Corporation	-	Financial assets at fair value through profit or loss - current	452	225	-	225	
	Formosa International Hotels Corp.	-	Financial assets at fair value through profit or loss - current	9,000	3,528	0.01	3,528	
	Chang Hwa Commercial Bank Ltd.	-	Financial assets at fair value through profit or loss - current	160,000	2,632	-	2,632	
	Fubon Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	754,000	24,166	0.01	24,166	
	First Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss - current	450,000	7,987	0.01	7,987	
	Largan Precision Co., Ltd.	-	Financial assets at fair value through profit or loss - current	10,000	5,660	0.01	5,660	
	Dynapack International Technology Corp.	-	Financial assets at fair value through profit or loss - current	29,000	3,350	0.02	3,350	
	Wistron Corp.	-	Financial assets at fair value through profit or loss - current	170,000	6,520	0.01	6,520	
	Powertech Technology Inc.	-	Financial assets at fair value through profit or loss - current	143,000	9,166	0.02	9,166	
	Phison Electronics Corp.	-	Financial assets at fair value through profit or loss - current	94,000	17,155	0.05	17,155	
	Apple Inc.	-	Financial assets at fair value through profit or loss - current	100	1,226	-	1,226	
	Nippon Shokubai	-	Financial assets at fair value through profit or loss - current	6,000	1,935	-	1,935	
	Polians Taiwan Top 50 Tracker	-	Financial assets at fair value through profit or loss - current	192,000	9,563	-	9,563	
	Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	3,874,966	126,711	0.04	126,711	
	China Steel Corporation	-	Available-for-sale financial assets - current	454,639	13,094	-	13,094	
	Delta Electronics, Inc.	-	Available-for-sale financial assets - current	25,821	1,859	-	1,859	
	Hon Hai Precision Ind. Co., Ltd.	-	Available-for-sale financial assets - current	316	26	-	26	
	AU Optonics Corp.	-	Available-for-sale financial assets - current	720,778	9,370	0.01	9,370	
	MediaTek Inc.	-	Available-for-sale financial assets - current	56,020	15,546	-	15,546	
	Taiwan Navigation Co., Ltd.	Governed by the MOTC	Available-for-sale financial assets - noncurrent	933,000	29,343	0.22	29,343	
	Coretronic Corporation	-	Available-for-sale financial assets - current	10,000	205	-	205	
	Radiant Opto-Electronics Corp.	-	Available-for-sale financial assets - current	171	15	-	15	
	Taiwan Surface Mounting Technology Corp.	-	Available-for-sale financial assets - current	33,695	2,012	0.01	2,012	
	Formosa Petrochemical Corp.	-	Available-for-sale financial assets - current	6,200	582	-	582	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Mutual fund JF (TW) Japan Brilliance		-	Available-for-sale financial assets - current	1,000,000	\$ 6,760	-	\$ 6,760	
PineBridge Global Medallion FoFs		-	Available-for-sale financial assets - current	1,330,274	14,460	-	14,460	
Frankling Templeton Developing Markets Trust		-	Available-for-sale financial assets - current	2,524	1,446	-	1,446	
Fidelity Emerging Markets Fund		-	Available-for-sale financial assets - current	2,477	1,361	-	1,361	
Fidelity European Growth Fund		-	Available-for-sale financial assets - current	8,990	7,656	-	7,656	
Fidelity European Aggressive Fund		-	Available-for-sale financial assets - current	4,514	1,891	-	1,891	
Hua Nan Global Infrastructure A Ace		-	Available-for-sale financial assets - current	200,000	1,148	-	1,148	
Capital Strategin Growth		-	Available-for-sale financial assets - current	1,000,000	11,140	-	11,140	
Allianz GIS RCM Little Dragons Fund		-	Available-for-sale financial assets - current	15,235	38,276	-	38,276	
Value Partners Concord TW Home Run Eg		-	Available-for-sale financial assets - current	500,000	5,765	-	5,765	
PCA Well Pool Money Market		-	Financial assets at fair value through profit or loss - current	5,016,749	65,760	-	65,760	
Capital Money Market		-	Financial assets at fair value through profit or loss - current	321,500	5,000	-	5,000	
Sino Pac		-	Financial assets at fair value through profit or loss - current	616,513	14,784	-	14,784	
UPAMC Quality Growth		-	Financial assets at fair value through profit or loss - current	1,165,639	19,641	-	19,641	
IBT 1699 Money Market Fund		-	Financial assets at fair value through profit or loss - current	5,457,789	71,121	-	71,121	
Jih Sun Money Market		-	Financial assets at fair value through profit or loss - current	1,409,318	20,096	-	20,096	
Prudential Financial Return Fund		-	Financial assets at fair value through profit or loss - current	425,762	6,369	-	6,369	
PCA Umbrella Fund- Global Bond Fund of Fund		-	Financial assets at fair value through profit or loss - current	860,536	10,042	-	10,042	
Yuanta India		-	Financial assets at fair value through profit or loss - current	223,585	1,610	-	1,610	
FSITC China Century		-	Financial assets at fair value through profit or loss - current	632,645	4,549	-	4,549	
Capital Chimesse Golden Age Equity		-	Financial assets at fair value through profit or loss - current	243,013	2,039	-	2,039	
PineBridge Global Multi-Strat Hi Yld		-	Financial assets at fair value through profit or loss - current	1,008,380	10,601	-	10,601	
Prudential Financial Global Biohealth		-	Financial assets at fair value through profit or loss - current	11,621	201	-	201	
PineBridge Gbl Emerging Mkt HI Yld Bd A		-	Financial assets at fair value through profit or loss - current	1,000,000	10,509	-	10,509	
Allianz Gbl Inv Rising Asia Fd		-	Financial assets at fair value through profit or loss - current	239,102	2,336	-	2,336	
Fuh Hua Emerging Market Active Allc FoF		-	Financial assets at fair value through profit or loss - current	1,000,000	9,380	-	9,380	
PCA Global High Yield Bond A		-	Financial assets at fair value through profit or loss - current	1,000,143	10,198	-	10,198	
UPAMC James Great China		-	Financial assets at fair value through profit or loss - current	558,353	6,778	-	6,778	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	PineBridge BRIC Infrastructure Equity	-	Financial assets at fair value through profit or loss - current	623,609	\$ 4,796	-	\$ 4,796	
	Yuantia Greater China Small & Medium Cap	-	Financial assets at fair value through profit or loss - current	628,332	4,511	-	4,511	
	FSITC Innovation	-	Financial assets at fair value through profit or loss - current	200,200	1,754	-	1,754	
	Jih Sun MIT Mainstream	-	Financial assets at fair value through profit or loss - current	500,000	4,130	-	4,130	
	SinoPac Global Investment Grade Bond	-	Financial assets at fair value through profit or loss - current	1,000,000	9,998	-	9,998	
	Allianz Global Investors Asian Smnr Cos	-	Financial assets at fair value through profit or loss - current	247,323	1,961	-	1,961	
	Capital Chinese Golden Age Equity	-	Financial assets at fair value through profit or loss - current	87,705	813	-	813	
	Taishin Latin America	-	Financial assets at fair value through profit or loss - current	500,000	4,230	-	4,230	
	HSBC Taiwan Success	-	Financial assets at fair value through profit or loss - current	398,873	10,391	-	10,391	
	Taishun Hi Div Yield Balanced	-	Financial assets at fair value through profit or loss - current	390,565	5,052	-	5,052	
	Taishun India	-	Financial assets at fair value through profit or loss - current	500,000	4,055	-	4,055	
	SinoPac Balance	-	Financial assets at fair value through profit or loss - current	328,737	7,436	-	7,436	
	Jih Sun Small Cap	-	Financial assets at fair value through profit or loss - current	139,491	1,519	-	1,519	
	PCA Export	-	Financial assets at fair value through profit or loss - current	351,795	8,028	-	8,028	
	FSITC Global High Yield Bond A	-	Financial assets at fair value through profit or loss - current	2,013,077	25,000	-	25,000	
	Fuh Hua You Li Money Market	-	Financial assets at fair value through profit or loss - current	160,724	2,091	-	2,091	
	Fuh Hua Money Market	-	Financial assets at fair value through profit or loss - current	149,887	2,091	-	2,092	
Yes Logistissess Corp.	Common stock Yes Yangming Logistics (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	5,025,188	36,962	100.00	36,962	
	Yes Logistics Corp.	Subsidiary	Investments accounted for by the equity method	5,460,000	120,234	100.00	120,234	
	Chang Ming Logistics Company Limited	Equity-method investee	Investments accounted for by the equity method	(Note J)	358,819	49.00	358,819	
	B2B Com Holdings Ltd.	-	Financial asset carried at cost - noncurrent	800,000	5,042	9.88	-	
	United Raw Material Solutions Inc./URMS	-	Financial asset carried at cost - noncurrent	295,325	2,953	2.76	-	
	Mutual fund BT 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,470,948	19,168	-	19,168	
	Hua Nan Phoenix Money Market	-	Financial assets at fair value through profit or loss - current	595,151	9,356	-	9,356	
	The RSIT Enhanced Money Market	-	Financial assets at fair value through profit or loss - current	351,206	4,053	-	4,053	
	The RSIT Forever Money Market	-	Financial assets at fair value through profit or loss - current	138	2	-	2	
	Hua Nan Kirm Money Market	-	Financial assets at fair value through profit or loss - current	434,511	5,031	-	5,031	
	Schroder New Era Money Market	-	Financial assets at fair value through profit or loss - current	445,097	5,038	-	5,038	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2011			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
YES Yangming Logistics (Singapore) Pte. Ltd.	Allianz GBI Inv All Seasons Ret of Bd	-	Financial assets at fair value through profit or loss - current	3,939,024	\$ 49,321	-	\$ 49,321	
	Sinopac Dragon Fixed Income (USD)	-	Financial assets at fair value through profit or loss - current	151,840	47,260	-	47,260	
YES Yangming Logistics (Singapore) Pte. Ltd.	Common stock Yes Logistics Benelux B.V.	Subsidiary	Investments accounted for by the equity method	12,600	4,319	70.00	4,319	
	Yes Logistics (Netherlands) B. V.	Subsidiary	Investments accounted for by the equity method	(Note K)	3,042	100.00	3,042	
	Yes Logistics Company Ltd.	Subsidiary	Investments accounted for by the equity method	29,000,000	29,544	100.00	29,544	
	Common stock Yes Logistics Europe GmbH	Subsidiary	Investments accounted for by the equity method	(Note L)	7,256	100.00	7,256	
YES Logistics Corp.	Golden Logistics USA Corporation	Subsidiary	Investments accounted for by the equity method	100	154	100.00	154	
	Yes Logistics (Shanghai) Corp.	Subsidiary	Investments accounted for by the equity method	(Note M)	75,812	100.00	75,812	
	Common stock Star Logistics (Qingdao) Corp.	Subsidiary	Investments accounted for by the equity method	(Note N)	17,860	100.00	17,860	
Yang Ming Line Holding Co.	Common stock Yang Ming (America) Corp.	Subsidiary	Investments accounted for by the equity method	5,000	69,241	100.00	69,241	
	Olympic Container Terminal LLC	Subsidiary	Investments accounted for by the equity method	(Note O)	(283,196)	100.00	(283,196)	Note B
	Triumph Logistics, Inc.	Subsidiary	Investments accounted for by the equity method	200	(11,980)	100.00	(11,980)	Note B
	Topline Transportation, Inc.	Subsidiary	Investments accounted for by the equity method	100	(3,769)	100.00	(3,769)	Note B
	Coastal Jarheel Express, Inc.	Subsidiary	Investments accounted for by the equity method	100	6,312	100.00	6,312	
	Transcont Intermodal Logistics, Inc.	Subsidiary	Investments accounted for by the equity method	200	11,549	100.00	11,549	
	West Basin Container Terminal LLC	Equity-method investee	Investments accounted for by the equity method	(Note P)	759,079	40.00	759,079	
	United Terminal Leasing LLC	Equity-method investee	Investments accounted for by the equity method	(Note Q)	153,024	40.00	153,024	
	Yang Ming Shipping (Canada) Ltd.	Subsidiary	Investments accounted for by the equity method	1,000	25,453	100.00	25,453	

Notes:

- A. Market values were based on closing prices at December 31, 2011 or the net asset value of the fund on December 31, 2011, or, if market prices were unavailable, on the investees' net assets.
- B. 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.
- C. This is equivalent to EUR18,000, and no shares were issued.
- D. This is equivalent to EUR818,000, and no shares were issued.
- E. This is equivalent to EUR6,000, and no shares were issued.
- F. This is equivalent to GBP500, and no shares were issued.

(Continued)

- G. This is equivalent to US\$94,000, and no shares were issued.
- H. This is equivalent to US\$7,800,000, and no shares were issued.
- I. This is equivalent to AED245,000, and no shares were issued.
- J. This is equivalent to US\$9,301,000, and no shares were issued.
- K. This is equivalent to EUR30,000, and no shares were issued.
- L. This is equivalent to EUR25,000, and no shares were issued.
- M. This is equivalent to US\$5,000,000, and no shares were issued.
- N. This is equivalent to RMB4,618,000, and no shares were issued.
- O. This is equivalent to US\$1,000,000, and no shares were issued.
- P. This is equivalent to US\$3,800,000, and no shares were issued.
- Q. This is equivalent to US\$1,000,000, and no shares were issued.
- R. 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.
- S. More than half of the directors are identical.

(Concluded)

SCHEDULE II

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEE'S

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars, Except Shares) (In %)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Gain (Loss) on Disposal	Change of Balance Accounted for Using the Equity Method		Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount	Shares	Amount
Yang Ming Marine Transport Corp.	Commodity stock Kuang Ming Shipping Corp.	Investments accounted for using equity method	-	Subsidiary	191,620,000	\$ 4,547,832	-	-	13,700,000	\$ 434,834	\$ 336,476 (Note B)	\$ 83,350 (Note A)	177,920,000	\$ 4,070,974	
	Mutual fund	Financial assets at fair value through profit or loss - current			55,696	2,842,416	69,161,664	2,743,161	66,623,680	2,743,161	2,743,161	-	2,293,680	101,424	
	BlackRock US Euro Liquidity Funds	Financial assets at fair value through profit or loss - current			146,479	6,614	23,656,917	1,044,667	22,684,698	1,044,667	1,044,667	-	1,718,698	80,230	
	Capital Money Market	Available-for-sale financial assets - current			18,107,858	280,000	38,642,216	880,229	56,750,074	880,229	880,000	229	-	-	
	Taiwan 1699 Money Market	Available-for-sale financial assets - current			34,227,726	600,000	267,298,174	3,461,972	267,298,174	3,461,972	3,460,000	1,978	-	-	
	Taiwan 1699 Money Market	Available-for-sale financial assets - current			32,821,806	350,021	54,472,000	1,461,972	54,472,000	1,461,972	1,461,972	1,461,972	-	-	
	Fub Hong Money Market	Available-for-sale financial assets - current			20,197,211	280,000	46,580,957	850,021	79,402,763	850,021	850,021	676	-	-	
	Fub Hong Global Short-term Income	Available-for-sale financial assets - current			238,711,576	2,800,000	192,200,970	2,669,569	212,397,881	2,950,572	2,945,569	1,003	-	-	
	Fub Hong Yu Li Money Market	Available-for-sale financial assets - current			11,626,093	2,500,000	9,314,977	100,000	248,026,553	2,645,473	2,600,000	45,473	-	-	
	Lin Money Market	Available-for-sale financial assets - current			66,106,497	853,851	430,442,244	5,180,000	11,626,093	1,035,57	1,500,000	498	-	-	
	Jih Sun Money Market	Available-for-sale financial assets - current			17,658,214	250,000	39,258,178	500,000	105,864,675	1,337,711	1,335,853	1,860	-	-	
	PCA Well Pool Money Market	Available-for-sale financial assets - current			66,953,391	770,000	152,004,465	2,160,000	152,004,465	2,160,988	2,160,000	988	-	-	
	Almiz Investm't Taiwan Money Mkt	Available-for-sale financial assets - current			17,658,214	250,000	6,905,176	90,000	66,853,391	771,424	770,000	1,424	-	-	
	ING Taiwan Money Market	Available-for-sale financial assets - current			2,240,300	35,028	57,280,615	900,000	59,520,915	935,182	935,028	154	-	-	
	ESFC Taiwan Money Market	Available-for-sale financial assets - current			32,093,182	470,001	2,052,461	470,001	32,093,182	470,337	470,000	336	-	-	
	ESFC Money Market	Available-for-sale financial assets - current			33,219,281	500,000	2,232,444	500,000	2,232,444	500,280	500,000	280	-	-	
	Fubon Chi-Huang Money Market	Available-for-sale financial assets - current			16,294,834	212,053	16,653,961	200,382	16,653,961	200,414	200,382	32	-	-	
Kao Ming Container Terminal Co., Ltd.	Mutual fund	Available-for-sale financial assets - current			10,236,625	160,021	-	-	10,236,625	160,603	160,021	582	-	-	
	EaSpring Inv Well Pool Money Market	Available-for-sale financial assets - current			22,734,003	303,807	-	-	22,734,003	303,807	303,807	1,289	-	-	
	NC bond funds	Available-for-sale financial assets - current			15,384,995	200,905	-	-	15,384,995	200,905	200,001	904	-	12,052 (Note C)	
	Sinopac TWD Money Market	Available-for-sale financial assets - current			48,942	48,942	-	-	48,942	48,942	48,942	-	-	452 (Note C)	
Chung Ming Investment Corp.	Common stock HTC Corporation	Financial assets at fair value through profit or loss - current			147,288	-	4,164 (Note D)	-	151,000	113,211	48,799	66,412	-	-	
	Mutual fund	Financial assets at fair value through profit or loss - current			1,540,340	20,061	15,462,569	202,208	11,986,160	156,676	156,566	110	-	65,703 (Note C)	
	PCA Well Pool Money Market	Financial assets at fair value through profit or loss - current			646,818	10,000	6,976,339	108,128	7,300,657	113,191	113,128	63	-	5,000 (Note C)	
	Capital Money Market	Financial assets at fair value through profit or loss - current			1,545,464	20,000	9,798,515	127,345	5,886,190	76,389	76,321	68	-	71,024 (Note C)	
	Taiwan 1699 Money Market	Financial assets at fair value through profit or loss - current			-	-	7,942,021	113,000	6,532,703	93,050	92,927	123	-	20,073 (Note C)	

Notes:

- A. Represent the investment income recognized under equity method \$242,189 thousand, cumulative translation adjustment increased \$70,792 thousand, unrealized gain on financial instruments increased \$583 thousand and cash dividends \$455,696 thousand.
- B. Cost of disposed equity does not include changes in stockholder's equity accounted for using equity method \$16,857 thousand.
- C. Carrying value is the original acquisition amount.
- D. Dividend 4,164 shares.

SCHEDULE 1

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, 2011
(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	\$ 20,355,666 (Note D)	-	-	\$	-	\$
	Yang Ming (Liberia) Corp.	A	3,348,402 (Note E)	-	-	-	-	-
	Yangming (UK) Ltd.	A	699,626 (Note F)	-	-	-	40,199	-
	Young-Carrier Company Limited	A	314,219	-	-	-	304,482	-
All Oceans Transportation, Inc.	Yang Ming (Liberia) Corp.	B	6,438,485 (Note G)	-	-	-	-	-
Young-Carrier Company Limited	Yang Ming Marine Transport Corporation	C	522,600	-	-	-	452,779	-
Yang Ming Line (Hong Kong) Ltd.	Yang Ming Marine Transport Corporation	C	310,568	-	-	-	372,918	-
Kuang Ming Shipping Corp.	Yang Ming Marine Transport Corporation	C	305,585	-	-	-	-	-
Yang Ming Shipping Europe GmbH	Yang Ming Marine Transport Corporation	C	122,384	-	-	-	50,314	-
Yang Ming (America) Corp.	Olympic Container Terminal LLC	B	384,363 (Note H)	-	-	-	12,116	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yangming (UK) Ltd.	A	2,484,301 (Note I)	-	-	-	-	-

Notes:

- A. Subsidiary of the Corporation.
- B. The same parent company.
- C. Parent company.
- D. Interest receivable, dividends receivable financing provided and proceeds from sale of ships.
- E. Proceeds from sale of ships and financing provided, net of the credit balance of the Corporation's long-term payments in Yang Ming (Liberia) Corp.
- F. Freight receivable and shipping line expense receivable.
- G. Interest receivable and proceeds from sale of ships.
- H. Accounts receivable and financing provided.
- I. Rent receivable.
- J. Collections between related parties made according to "Agency Accounting Procedure" by the Corporation and local business conventions.

SCHEDULE J

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A) December 31, 2011	Investment Amount (Note A) December 31, 2010	Balance as of December 31, 2011 Shares	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
Yang Ming Marine Transport Corporation	Yang Ming Line (B.V.I.) Holding Co., Ltd.	British Virgin Islands	Investment, shipping agency, forwarding agency and shipping managers	\$ 3,272,005	\$ 3,272,005	10,351	100.00	\$ 3,517,151	\$ (1,137,995)	\$ (1,137,995)	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	1,887,746	163,030	163,030	Subsidiary
	Ching Ming Investment Corp.	Taipei, Taiwan	Investment	1,500,013	1,500,013	160,650,000	100.00	1,464,818	(157,671)	(157,671)	Subsidiary
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	3,420,972	(943,053)	(943,053)	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	583,656	53,047	26,523	Subsidiary
	Kuang Ming Shipping Corp.	Taipei, Taiwan	Shipping service, shipping agency and forwarding agency	3,587,496	3,863,737	177,920,000	86.57	4,070,974	264,919	242,189	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	79,273	79,273	7,916,908	79.17	115,640	11,083	8,775	Subsidiary
	Jing Ming Transportation Co., Ltd.	Kaohsiung, Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	115,916	10,706	5,458	Subsidiary
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	143,860	143,860	13,500	100.00	549,015	245,229	245,229	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	78,265	34,265	16,790	Equity-method investee
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,378	3,378	1	100.00	(1,252,252) (Note M)	483,894	483,894	Subsidiary
	Yuan Wang Investment Co., Ltd.	Taipei, Taiwan	Investment	179,810	179,810	5,211,474	49.75	172,322	21,550	10,721	Equity-method investee
	Kao Ming Container Terminal Corp.	Kaohsiung, Taiwan	Terminal operation and stevedoring	4,100,000	4,100,000	410,000,000	100.00	4,218,853	195,817	195,817	Subsidiary
Ching Ming Investment Corp.	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	24,988	24,988	2,083,092	20.83	30,102	11,083	8,775	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	548,286	548,286	55,630,977	46.36	541,003	53,047	-	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	69,241	98,631	-	Subsidiary
	Olympic Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	31,530	31,530	(Note O)	100.00	(283,196) (Note E)	118,169	-	Subsidiary
	Triumph Logistics, Inc.	U.S.A.	Container transportation	1,699	1,699	200	100.00	(11,980) (Note E)	(1,229)	-	Subsidiary
	Topline Transportation Inc.	U.S.A.	Container transportation	4,860	4,860	100	100.00	(3,769) (Note E)	(2,796)	-	Subsidiary
	Coastal Tarheel Express Inc.	U.S.A.	Container transportation	2,430	2,430	100	100.00	6,312	275	-	Subsidiary
	Transcont Intermodal Logistics, Inc.	U.S.A.	Inland forwarding agency	2,444	2,444	200	100.00	11,549	36	-	Subsidiary
	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	759,079	217,287	-	Equity-method investee
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation and machine lease	34,750	34,750	(Note G)	40.00	153,024	85,318	-	Equity-method investee
	Yang Ming Shipping (Canada) Ltd.	Canada	Shipping agency, forwarding agency and shipping managers	2,981	2,981	1,000	100.00	25,453	10,132	-	Subsidiary
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yang Ming Line N.V.	Netherlands Antilles	Investment, shipping agency, forwarding agency and shipping managers	41,235	41,235	1,500,000	100.00	(2,383,887) (Note E)	(1,421,759)	-	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	(2,389,353) (Note E)	(1,421,612)	-	Subsidiary
Yang Ming Line B.V.	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	8,614	1,651	553	89.92	23,255	7,235	-	Subsidiary
	Yang Ming (Netherlands) B.V.	Amsterdam, The Netherlands	Shipping agency	820	820	(Note I)	100.00	15,463	15,392	-	Subsidiary
	Yang Ming (Italy) S.p.A.	Genova, Italy	Shipping agency	4,319	4,319	125,000	50.00	22,940	2,075	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A) December 31, 2011	December 31, 2010	Shares	Balance as of December 31, 2011 Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
Yang Ming (Netherlands) B.V.	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	\$ 29,697	\$ 29,697	(Note B)	100.00	\$ 116,669	\$ 10,443	\$ -	Subsidiary
	Yang Ming (UK) Ltd.	London, U.K.	Shipping agency, forwarding agency and shipping managers	42,408	42,408	900,000	100.00	(2,645,277) (Note E)	(1,481,551)	-	Subsidiary
	Yang Ming Shipping (Egypt) S.A.E.	Egypt	Shipping agency, forwarding agency and shipping managers	14,149	14,149	24,500	49.00	38,472	47,617	-	Equity-method investee
Yang Ming (UK) Ltd.	Yang Ming (Belgium) N.V.	Belgium	Forwarding agency	1,900	-	62	10.08	2,607	7,235	-	Subsidiary
	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	7,028 (3,646) (Note E)	4,289 -	-	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	1,790	(306)	-	Subsidiary
	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	215,131 (57,556) (Note P)	8,220 41,003	-	Subsidiary Subsidiary
Yang Ming Line (Singapore) Pte Ltd.	Yang Ming Line (India) Pvt. Ltd.	India	Shipping agency, forwarding agency and shipping managers	2,228	2,228	300,000	60.00	16,140	32,726	-	Subsidiary
	Yang Ming (Korea) Co., Ltd.	Korea	Shipping agency, forwarding agency and shipping managers	10,107	10,107	60,000	60.00	28,143	9,264	-	Subsidiary
Yangming (Japan) Co., Ltd.	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	291,096	3,461	-	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	28,082	(29,629)	-	Subsidiary
Yangming Shipping (Singapore) Pte Ltd.	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	52,459	15,639	-	Subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	10,727	1,000,000	100.00	33,746	6,788	-	Subsidiary
Sunbright Insurance Pte. Ltd. Yang Ming (Vietnam) Company Limited Fomosa International Development Corporation	Sunbright Insurance Pte. Ltd.	Singapore	Insurance	32,440	32,440	2,000,000	100.00	122,058	35,133	-	Subsidiary
	Yang Ming (Vietnam) Company Limited Fomosa International Development Corporation	Vietnam Vietnam	Forwarding agency and shipping managers Invest industry district and real estate	3,197 254,358	3,197 254,358	(Note J) (Note O)	49.00 30.00	5,331 241,039	4,594 80,099	-	Equity-method investee Equity-method investee
Yang Ming Anatolia Shipping Agency	Yang Ming Anatolia Shipping Agency	Turkey	Shipping agency, forwarding agency and shipping managers	1,077	1,077	50,000	50.00	36,837	64,984	-	Subsidiary
	Yang Ming (U.A.E.) LLC.	U.A.E.	Shipping agency, forwarding agency and shipping managers	2,140	2,140	(Note S)	49.00	36,988	42,111	-	Equity-method investee
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	3,547	85	-	Subsidiary
	Karlman Properties Limited	Hong Kong	Property agency	4	4	24,000,000	100.00	84,938	463	-	Subsidiary
Yang Ming Shipping (B.V.I) Inc.	Kuang Ming (Liberia) Corp.	Monrovia, Republic of Liberia	Forwarding agency	1,060,904	1,060,904	2	100.00	3,023,020	365,009	-	Subsidiary
	Yes Logistics Corp.	Singapore	Investment and subsidiaries management	128,571	128,571	5,025,188	100.00	36,962	(6,593)	-	Subsidiary
Yes Logistics Corp. (USA)	Yes Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	179,750	179,750	5,460,000	100.00	120,234	7,808	-	Subsidiary
	Chang Ming Logistics Company Limited	Chongqing, China	Terminal operation and stevedoring	304,326	304,326	(Note D)	49.00	358,819	16,694	-	Equity-method investee
Yes Yangming Logistics (Singapore) Pte. Ltd.	Yes Logistics Benelux B.V.	Netherlands	Forwarding agency	10,179	7,387	12,600	70.00	4,319	(2,594)	-	Subsidiary
	Yes Logistics (Netherlands) B.V. Yes Logistics Company Ltd.	Netherlands Hong Kong	Forwarding agency Forwarding agency	1,224 114,417	1,224 114,417	(Note N) 29,000,000	100.00 100.00	3,042 29,544	2 (5,175)	-	Subsidiary Subsidiary
Yes Logistics Corp. (USA)	Golden Logistics Corp.	Shanghai, China	Forwarding agency	164,329	164,329	(Note L)	100.00	75,812	(2,347)	-	Subsidiary
	Golden Logistics USA Corporation YES Logistics Europe GmbH	USA Hamburg, Germany	Container transportation Forwarding agency	328 1,158	328 1,158	100 (Note H)	100.00 100.00	154 7,256	2,099 (586)	-	Subsidiary Subsidiary
Golden Logistics Corp.	Star Logistics (Qingdao) Corp.	Qingdao, China	Forwarding agency	21,387	10,850	(Note O)	100.00	17,860	(153)	-	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 EUR8 18,000, 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. Paid-in capital was 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 deduction from long-term receivables - related parties.
- N. This is equivalent to EUR30,000, 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 US\$1,000,000, and no shares were issued.
- R. This is equivalent to RMB4,618, and no shares were issued.
- S. This is equivalent to AED245,000, and no shares were issued.

(Concluded)

SCHEDULE K

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2011
(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 January 1, 2011	Investment Flows		% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Value as of December 31, 2011 (Note F)	Accumulated Inward Remittance of Earnings as of December 31, 2011
						Outflow	Inflow				
Yang Ming Marine Transportation Corporation	Yangtze River Express Airlines Company Limited (Note A)	Shipping agency	RMB 500,000	Indirect investment through Singapore-based subsidiary's direct investment in Mainland China.	\$ 564,060 (US\$ 18,622)	\$ -	\$ -	12.00%	\$ -	(Note F)	\$ -
Yes Logistics Corp.	Golden Logistics Corp. (Note B)	Shipping agency	US\$ 5,000	Indirect investment through U.S.-based subsidiary's direct investment in Mainland China.	151,450 (US\$ 5,000)	-	-	96.36%	(2,261)	\$ 73,108	-
	Chang Ming Logistics Company Limited (Note C)	Terminal operation and stevedoring	RMB 144,800	Investee's direct investment in Mainland China.	281,727 (US\$ 9,301)	-	-	47.22%	7,883	345,784	-

Company Name	Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment
	Accumulated Investment in Mainland China as of December 31, 2011	Investment Commission, MOEA	
Yang Ming Marine Transportation Corporation	\$ 564,060 (US\$ 18,622)	\$ 564,060 (US\$ 18,622)	\$ 17,608,478
Yes Logistics Corp.	433,177 (US\$ 14,301)	433,177 (US\$ 14,301)	701,193 (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% (\$1,168,655 thousand) of the net assets of Yes Logistics Corp. as of December 31, 2011.
- Impairment loss was recognized in 2007.
- United States dollars translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.29.

5.9 Independent Auditors' Report and Consolidated Financial Reports As of Dec.31,2011

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, 2011 and 2010, 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: For 2011 and 2010, YES Logistics Europe GmbH, YES Logistics (Shanghai) Corp., YES Logistics Company Ltd., YES Logistics (Netherlands) B.V., Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. The combined total assets of these subsidiaries were 3.1% (NT\$4,021,347 thousand) and 3.3% (NT\$4,364,769 thousand) of the total consolidated assets as of December 31, 2011 and 2010, respectively. The combined total operating revenues of these subsidiaries were 1.8% (NT\$2,117,195 thousand) and 1.7% (NT\$2,240,038 thousand) of the consolidated revenue in 2011 and 2010, respectively. Also, we did not audit the financial statements of the following equity-method investees which had been audited by other auditors: In 2011 and 2010, Yang Ming (U.A.E.) Ltd., Yang Ming Shipping (Egypt) S.A.E, West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd. and Chang Ming Logistics Company Limited. The carrying values of these investments were 1.0% (NT\$1,358,741 thousand) and 0.9% (NT\$1,153,319 thousand) of the total consolidated assets as of December 31, 2011 and 2010, respectively. The equity in these investees' net income was (1.8%) (NT\$172,567 thousand) of the consolidated loss before income tax in 2011 and 1.5% (NT\$202,287 thousand) of the consolidated income before income tax in 2010. 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, 2011 and 2010, 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 26, 2012

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, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

	2011		2010		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
CURRENT ASSETS								
Cash (Note 4)	\$ 11,250,595	9	\$ 13,896,439	10	\$ 3,010,704	2	\$ 1,048,063	1
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	897,500	1	1,403,493	1	3,246,359	2	-	-
Available-for-sale financial assets - current (Notes 2 and 6)	665,690	1	9,692,954	7	47,136	-	21,686	-
Derivative financial assets for hedging - current (Notes 2 and 127)	49,161	-	-	-	229	-	58,309	-
Notes receivable, net (Notes 2 and 28)	291,674	-	357,200	-	62,469	-	4,689,182	4
Accounts receivable, net (Notes 2 and 28) (for doubtful accounts of \$64,055 thousand and \$73,910 thousand at December 31, 2011 and 2010 (Notes 2 and 3))	1,782,101	1	2,578,088	2	5,068,609	4	1,933,856	1
Accounts receivable from related parties (Notes 2, 3 and 28)	70,119	-	59,581	-	132,114	-	117,157	-
Other receivables (Notes 5 and 6)	30,614	-	626,766	1	2,574,204	2	3,614,304	3
Shipping fuel, net (Notes 2 and 7)	6,481,143	5	4,949,882	4	1,417,263	1	1,184,188	-
Prepaid expenses (Note 14)	963,303	1	1,217,016	1	2,689,878	2	3,008,507	2
Advances to shipping agents (Note 20)	34,575	-	34,575	-	1,861,529	13	1,861,529	13
Prepaid insurance (Notes 2 and 24)	74,573	-	57,295	-	2,646,538	2	1,477,649	1
Other current assets (Notes 28 and 29)	558,606	-	431,830	-	83,224	-	147,609	-
Total current assets	23,646,331	18	35,863,053	27	714,868	1	371,099	-
LONG-TERM INVESTMENTS (Notes 2, 6, 8, 9 and 28)								
Available-for-sale financial assets - noncurrent	2,354,690	2	2,650,993	2	29,996,366	23	33,582,429	24
Financial investments accounted for using equity method	423,200	-	472,515	-	14,436,690	11	8,945,710	7
Investments accounted for using equity method	1,850,367	2	1,672,507	1	40,822,261	32	34,098,287	26
Cash surrender value of life insurance	20,336	-	28,294	-	10,919,294	8	11,065,490	8
Total long-term investments	4,550,743	4	4,852,309	4	66,178,645	51	54,108,887	41
PROPERTIES (Notes 2, 10, 14 and 29)								
Cost	773,972	-	773,682	1	479,639	-	479,639	-
Land	1,320,902	1	1,237,643	1	1,302,536	1	1,302,302	1
Buildings	25,409,096	20	23,005,358	17	439,879	-	955,302	-
Containers and chassis	66,574,080	51	56,828,669	42	493,712	1	551,192	-
Ships	13,963,478	11	13,877,721	10	74,846	-	84,229	-
Leased assets	3,463,162	3	3,928,036	3	2,348,573	2	2,893,525	2
Miscellaneous equipment	111,749,310	86	99,891,325	74	99,003,123	76	91,064,880	68
Total cost	37,503,650	29	33,386,734	25	-	-	-	-
Less: Accumulated depreciation	74,245,680	57	66,478,851	49	-	-	-	-
Less: Accumulated impairment	6,302,183	5	6,308,620	5	-	-	-	-
Construction in progress	80,547,863	62	72,787,521	54	28,187,131	22	25,624,665	19
Net properties	32,107	-	32,323	-	4,710,566	4	4,710,566	3
INTANGIBLE ASSETS								
Computer software (Note 2)	2,182	-	2,427	-	8,927	-	8,927	-
Deferred pension cost (Notes 2 and 22)	9,675,832	8	9,572,094	7	4,719,493	3	4,719,493	3
Franchise (Notes 2, 11 and 29)	9,713,121	8	9,686,844	7	1,178,785	1	1,178,785	1
Total intangible assets	32,107	-	32,323	-	14,817,205	11	14,817,205	11
OTHER ASSETS								
Assets leased to others, net (Notes 2, 12 and 29)	3,665,627	3	3,695,521	3	(4,637,829)	(4)	11,787,853	9
Nonoperating assets, net (Notes 2 and 13)	234,359	-	234,359	-	(158,441)	-	(469,651)	-
Advances to shipping agents (Note 20)	5,044,422	4	5,044,422	4	42,923	-	42,923	-
Accumulated depreciation - noncurrent (Note 14)	604,422	1	819,309	1	(182,887)	-	(62,830)	-
Deferred income tax assets - noncurrent (Notes 2 and 24)	561,006	-	55,157	-	29,347,463	23	42,049,481	31
Miscellaneous (Notes 2, 22 and 29)	80,584	-	94,346	-	1,057,453	1	753,385	1
Total other assets	10,949,981	8	10,785,719	8	30,404,916	24	42,802,866	32
TOTAL	\$ 129,408,039	100	\$ 133,867,446	100	\$ 129,408,039	100	\$ 133,867,446	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 26, 2012)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 28)	\$ 118,554,959	100	\$ 130,549,767	100
OPERATING COSTS (Notes 2, 7, 25 and 28)	<u>123,487,238</u>	<u>104</u>	<u>108,885,960</u>	<u>83</u>
GROSS INCOME (LOSS)	<u>(4,932,279)</u>	<u>(4)</u>	<u>21,663,807</u>	<u>17</u>
OPERATING EXPENSES (Notes 25 and 28)				
Selling expenses	4,733,174	4	5,316,282	4
General and administrative expenses	<u>898,891</u>	<u>1</u>	<u>1,112,154</u>	<u>1</u>
Total operating expenses	<u>5,632,065</u>	<u>5</u>	<u>6,428,436</u>	<u>5</u>
OPERATING INCOME (LOSS)	<u>(10,564,344)</u>	<u>(9)</u>	<u>15,235,371</u>	<u>12</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties (Note 2)	1,172,994	1	632,533	1
Gain on sale of investments, net (Note 8)	417,003	1	317,689	-
Investment income recognized under equity method (Notes 2 and 9)	212,710	-	283,686	-
Dividend income	171,677	-	175,528	-
Exchange gain, net (Note 2)	150,816	-	-	-
Interest income (Note 28)	139,596	-	90,105	-
Rent income (Note 28)	109,637	-	79,905	-
Valuation gain on financial assets, net (Notes 2, 6 and 8)	-	-	142,310	-
Others (Note 28)	<u>340,804</u>	<u>-</u>	<u>177,419</u>	<u>-</u>
Total nonoperating income and gains	<u>2,715,237</u>	<u>2</u>	<u>1,899,175</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2 and 10)	1,643,014	1	1,378,978	1
Valuation loss on financial assets, net (Notes 2, 6 and 8)	223,499	-	-	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	47,136	-	86,174	-
Exchange loss, net (Note 2)	-	-	1,781,667	2
Compensation loss (Note 30)	-	-	397,152	-
Impairment loss (Note 2)	-	-	36,686	-
Others	<u>91,679</u>	<u>-</u>	<u>223,044</u>	<u>-</u>
Total nonoperating expenses and losses	<u>2,005,328</u>	<u>1</u>	<u>3,903,701</u>	<u>3</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2011		2010	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(9,854,435)	(8)	13,230,845	10
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 24)	<u>(559,149)</u>	<u>-</u>	<u>1,369,152</u>	<u>1</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ (9,295,286)</u>	<u>(8)</u>	<u>\$ 11,861,693</u>	<u>9</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ (9,398,878)	(8)	\$ 11,787,853	9
Minority interest	<u>103,592</u>	<u>-</u>	<u>73,840</u>	<u>-</u>
	<u>\$ (9,295,286)</u>	<u>(8)</u>	<u>\$ 11,861,693</u>	<u>9</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	<u>\$ (3.62)</u>	<u>\$ (3.33)</u>	<u>\$ 4.55</u>	<u>\$ 4.18</u>
Diluted	<u>\$ (3.62)</u>	<u>\$ (3.33)</u>	<u>\$ 4.54</u>	<u>\$ 4.17</u>

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

(With Deloitte & Touche audit report dated March 26, 2012)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Additional Paid-in Capital		Capital Surplus (Notes 2 and 23)		Retained Earnings (Notes 2 and 23)			Other Equity (Notes 2 and 23)			Total Stockholders' Equity
	Shares (Thousands)	Amount	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, 2010	2,562,466	\$ 25,624,665	\$ 7,499,701	\$ 8,927	\$ 3,869,543	\$ 2,067,513	\$ (10,206,200)	\$ 240,626	\$ (25,379)	\$ 1,200,905	\$ 446,584	\$ 32,206,894	
Compensation of 2009 deficit	-	-	-	-	-	-	2,789,155	-	-	-	-	-	
Capital surplus - additional paid-in capital	-	-	(1,480,009)	-	-	-	1,480,009	-	-	-	-	-	
Capital surplus - treasury stock transactions	-	-	-	-	(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	-	-	-	73,840	11,861,693	
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	(711,013)	-	-	(44,245)	(755,258)	
Changes in stockholders' equity of investees 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 brought by sale of long-term equity-method investments	-	-	-	-	-	-	-	1,336	-	(2)	-	1,334	
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	318,697	318,697	
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	(41,491)	(41,491)	
BALANCE, DECEMBER 31, 2010	2,562,466	25,624,665	4,710,566	8,927	1,178,785	82,530	11,787,853	(469,051)	(26,499)	413,020	753,385	42,802,866	
Appropriations of 2010 earnings	-	-	-	-	1,178,785	82,530	(1,178,785)	-	-	-	-	-	
Legal reserve	-	-	-	-	-	-	(82,530)	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	(3,203,083)	-	-	-	-	(3,203,083)	
Cash dividends - \$1.25 per share	-	-	-	-	-	-	(2,562,466)	-	-	-	-	-	
Stock dividends - \$1.00 per share	256,247	2,562,466	-	-	-	-	(9,398,878)	-	-	-	103,592	(9,295,286)	
Consolidated net loss for the year ended December 31, 2011	-	-	-	-	-	-	-	293,739	-	-	5,443	299,182	
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	418	(35,976)	-	(35,558)	
Changes in stockholders' equity of investees accounted for using equity method	-	-	-	-	-	-	-	-	-	(401,038)	-	(401,038)	
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	66,931	-	66,931	
Changes in unrealized gain on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	(40,988)	-	(40,988)	
Change in net loss not recognized pension cost	-	-	-	-	-	-	-	16,871	-	(14)	-	16,857	
Effect of changes brought by sale of long-term equity-method investments	-	-	-	-	-	-	-	-	-	-	315,776	315,776	
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	(120,743)	(120,743)	
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	1,057,453	1,057,453	
BALANCE, DECEMBER 31, 2011	2,818,713	\$ 28,187,131	4,710,566	8,927	1,178,785	82,530	(4,637,889)	(1,584,441)	(67,069)	42,923	1,057,453	\$ 30,404,916	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 26, 2012)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	\$ (9,295,286)	\$ 11,861,693
Depreciation	6,723,686	7,125,446
Amortization	319,587	64,177
Provision (reversal) for doubtful accounts	(11,412)	37,104
Provision (repayment of) for pension cost	(908)	36,420
Provision for (reversal of) allowance for loss on shipping fuel	(48,219)	36,114
Gain on disposal of financial instruments, net	(417,003)	(317,689)
Gain on disposal of properties, net	(1,172,994)	(632,533)
Valuation loss (gain) on financial instruments	223,499	(142,310)
Valuation loss on financial liabilities	47,136	86,174
Impairment loss on properties and other assets	-	36,686
Investment income recognized under equity method	(212,710)	(283,686)
Cash dividends received from equity-method investee	79,639	174,679
Deferred income tax	(960,618)	720,525
Realized gain on sale and lease back	(57,480)	(57,480)
Changes in operating assets and liabilities		
Financial instruments held for trading	766,102	(285,298)
Notes receivable	65,526	(202,250)
Accounts receivable	805,565	(210,473)
Accounts receivable from related parties	(10,538)	71,516
Shipping fuel	(1,483,042)	(863,637)
Prepaid expenses	197,949	111,441
Advances to shipping agents	20,187	(179,680)
Other current assets	(126,835)	112,792
Notes payable	4,079	(14,142)
Accounts payable	353,938	1,340,072
Payables to related parties	(61,722)	128,350
Income tax payable	15,579	(548,147)
Accrued expenses	(1,039,555)	569,819
Advances from customers	(319,229)	478,998
Payables to shipping agents	740,269	143,627
Payables to shipping agents - related parties	(63,975)	54,714
Other current liabilities	343,673	10,187
Advances on long-term rent agreements	2,969	41,106
	<u>(4,572,143)</u>	<u>19,504,315</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(17,881,419)	(24,388,219)
Proceeds from disposal of available-for-sale financial assets	27,337,854	15,752,986
Proceeds from disposal of financial assets carried at cost	-	477,081
Acquisition of investments accounted for using equity method	-	(14,485)
Proceeds from capital reduction of equity-method investees	11,589	21,685
Acquisition of properties	(12,986,183)	(4,965,764)
	<u>(2,018,178)</u>	<u>(2,006,716)</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars)

	2011	2010
Acquisition of franchise	(391,660)	(4,180,445)
Acquisition of assets leased to others	(7,802)	-
Proceeds from disposal of properties	1,332,622	881,737
Decrease (increase) in cash surrender value of life insurance	7,898	(8,933)
Decrease (increase) in computer software	(12,540)	12,308
Decrease in refundable deposits	392,710	18,001
Decrease in other assets	<u>2,857</u>	<u>214,798</u>
Net cash used in investing activities	<u>(2,194,074)</u>	<u>(16,179,250)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debt	1,962,641	192,886
Proceeds from commercial paper	3,546,359	-
Payment for commercial paper	(2,140,000)	-
Proceeds from issuance of bonds	6,451,280	4,985,210
Repayment of principal of bonds	(11,080,000)	(2,082,000)
Proceeds from long-term debts	17,955,945	6,492,690
Repayments of long-term debts	(9,106,540)	(8,861,993)
Payment for obligations under capital leases	(347,795)	(153,080)
Increase in minority interest	416,134	341,074
Decrease in other liabilities	(9,887)	(80,525)
Cash dividends paid by Yang Ming	(3,203,083)	-
Cash dividends received by minority interest	<u>(120,743)</u>	<u>(41,491)</u>
Net cash provided by financing activities	<u>4,324,311</u>	<u>792,771</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(203,938)</u>	<u>1,728,600</u>
NET INCREASE (DECREASE) IN CASH	(2,645,844)	5,846,436
CASH, BEGINNING OF YEAR	<u>13,896,439</u>	<u>8,050,003</u>
CASH, END OF YEAR	<u>\$ 11,250,595</u>	<u>\$ 13,896,439</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 2,191,091	\$ 1,305,713
Less: Capitalized interest	<u>16,797</u>	<u>115,109</u>
Interest paid (excluding capitalized interest)	<u>\$ 2,174,294</u>	<u>\$ 1,190,604</u>
Income tax paid	<u>\$ 462,460</u>	<u>\$ 492,189</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of assets leased to others and nonoperating assets into properties	<u>\$ -</u>	<u>\$ 14,265</u>
Reclassification of properties into assets leased to others	<u>\$ 11,454</u>	<u>\$ -</u>

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
Reclassification of advances on long-term rent agreements into properties	<u>\$ 131,452</u>	<u>\$ -</u>
Current portion of long-term interest-bearing debts	<u>\$ 8,834,538</u>	<u>\$ 17,861,239</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties	\$ 13,219,258	\$ 12,712,110
Increase in payables on equipment	(233,075)	(835,373)
Increase in obligations under capital lease	<u>-</u>	<u>(6,911,973)</u>
Cash paid	<u>\$ 12,986,183</u>	<u>\$ 4,964,764</u>
Proceeds from disposal of available-for-sale financial assets	\$ 26,783,141	\$ 16,307,196
Receivables from disposal of securities	<u>554,713</u>	<u>(554,210)</u>
Cash received	<u>\$ 27,337,854</u>	<u>\$ 15,752,986</u>

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

(With Deloitte & Touche audit report dated March 26, 2012)

(Concluded)

陽明海運 自1972年成立以來，經歷了世界經濟成長的軌跡
完成了一次次客戶的殷殷託付，日以繼夜，以最環保的方式轉動航向四海的舵輪
傳遞世界各處的幸福，承載您每一天的美好。

-陽明海運與您一起守護家園 珍愛地球-

*Yang Ming always stands on your side in the protection of the Earth
where we live and which we value.*





YANG MING

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