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 **YANG MING**

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



2012

Annual Report





2012

ANNUAL REPORT

Yang Ming Spokesman

Name: Shuh-shun Ho

Position: President & COO

Tel: (02) 2455-9988

E-mail Address: robertho@yangming.com

Yang Ming Head Office & Branch Offices in Taiwan

Head office: 271 Ming De 1st Road, Cidu District, Keelung 20646, Taiwan (ROC)

Tel: (02)2455-9988

Keelung Branch: 8F, No.150, Sin 1st Road, Sinyi District, Keelung 20145, Taiwan (ROC)

Tel: (02)2423-0149

Taichung Branch: 20th Fl.-1, No. 241, Sec. 3 Wunsin Road, Situn District, Taichung 40753, Taiwan (ROC)

Tel: (04)2295-9188

Kaohsiung Branch: No.999, Sinsheng Rd., Siaogang District, Kaohsiung 81243, Taiwan (ROC)

Tel: (07)812-9200

Securities Handling Agent

Name: Yuanta Securities Co., Ltd.

Address: B1, No. 210, Sec. 3, Chengde Road, Datong District, Taipei 103, Taiwan (ROC)

Tel: (02)2586-5859

<http://www.yuanta.com.tw>

Certified Public Accountant

CPA: Hung Yu Mei, Lin An Hwei

Name: Deloitte & Touche

Address: 12th Floor, Hung-Tai Plaza, 156 Min Sheng East Road, Sec. 3, Taipei 105,

Taiwan (ROC)

Tel: (02)2545-9988

<http://www.deloitte.com.tw>

Company Website

<http://www.yangming.com>



2012 ANNUAL REPORT

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YANG MING MARINE TRANSPORT CORP.

Annual Report 2012

I · Letter to Shareholders

1. Business Report, 2012

The unsolved Euro area sovereign-debt crisis and the slow recovery of US economy led to the global economic uncertainty as well as the slow growth of the global trade and the sluggish market demand during the year. The World Bank and Global Insight report showed the global GDP grew at a rate between 2.3% and 2.5% in 2012.

In view of the weak market demand, economic uncertainty, high unemployment rate and conservative mentality, the World Bank estimated the global trade growth rate dropped to 3.5% in 2012, compared to 6.2% in 2011. Similarly, the growth rate of box trade demand in 2012 dropped to 4.3%, which was lower than the 2011 rate of 7.5% according to the Drewry Container Forecaster 2012 Q4 report. However, the capacity supply in 2012 grew by 4.9%, which decreased from 8.7% growth of 2011. As we can see, both supply and demand growth rate dropped; however, the fleet capacity supply growth rate still surpassed the box trade demand.

As for the supply and demand balance of main East-West headhaul trades, the Drewry Container Forecaster 2012 Q4 report estimated the demand declined by 0.7% while the supply decreased by 3.1% in the year. Both the demand and supply diminished owing to the fragile economic recovery in major consuming areas such as Euro area and the U.S. In addition, the deployment of mega-ships has become the market trend. About 51% of the delivered newbuilds in 2012 were in the 10,000 TEU or higher class (Alphaliner). Most of these new vessels entered the Asia-Europe trade, increasing the capacity substantially. In order to strengthen our competitiveness, we have concluded the lease of 5+5 14,000 TEU vessels which are scheduled to be delivered in 2015.

Facing the economic adversity, the imbalance between supply and demand and volatile fuel prices, we have continued to push rate restorations, adjust operating strategies, and cut down relevant operation costs so that we have finally achieved the goal of “Return to Profits” this year. Our consolidated revenue amounted to NT\$131.72 billion, and the net profit and profit per share for the year came to NT\$65.24 million and NT\$0.02. Our container business volume amounted to 3.70 million TEUs, reflecting an increase of 6.43% in 2012.

2. Business Outlook and Strategies for 2013

In 2013, the world economic recovery is expected to grow at a slow pace on account of the ongoing fiscal consolidation in advanced economies and a slowdown in some developing economies. The World Bank and Global Insight projected the world economy will grow by between 2.4% and 2.6% which is a little greater than last year and the growth of world trade volume will increase to 6.0%. There are still risks arising from the unsolved budget deficit and sovereign debt in developed countries, the automatic budget cuts and fiscal cliff issues in the US, the pressure of inflation, buoyant commodity prices, high unemployment and the austerity policy restraining market spending confidence, and a China hard-landing scenario. Yang Ming will cautiously observe and respond to the changes.

For the liner shipping industry, the Drewry Container Forecaster 2012 Q4 report projected the global box trade will grow by 5.0% and capacity supply will grow by 6.3%, suggesting the oversupply and imbalance problem still persist. Overall, the development of supply and demand and the balance between carriers' seeking profits and market share will be the key factor to determine where the market heads for. The liner shipping market still faces lots of challenges.



In view of this treacherous market, Yang Ming sets up “Strengthen our competitiveness to meet new challenges” as the annual policy. We will continue our efforts to increase our income and cut down expenses by grasping every possibility to restore rates and strictly control operational costs to ensure the sustainability. 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 also evaluate and grasp the opportunity to develop emerging markets to provide customers with full-scale port coverage in services. Furthermore, we have concluded the lease of 5+5 14,000 TEU vessels and by 2015, the scheduled delivery time of the ultra large container ships (ULCS), we will make well preparations in business, operations, human resources, IT systems and related agents to get ourselves ready to take the ULCS.
2. Strictly control bunker and relevant transportation costs: We will 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.
3. Effectively manage and integrate space utilization among different trade lanes and services. We will try to promote the Inter Port Cargo (IPC) and fully utilize current space capacity so we can increase the revenue without incurring extra cost. We will also upgrade our information systems to strengthen our internal management tools and to meet customers’ requirements.
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. We believe new strategic partners will bring in more business development opportunities.
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. We will fulfill our responsibility as a “social enterprise and global citizen” by fully complying with international conventions and environmental protection standards, taking measures to reduce greenhouse gas and applying innovative marine technologies to reduce the pollution caused by international shipping transportation.

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 the 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.

2002-2011

- Constructs the Global Logistics Center in Kaohsiung Harbor.
- Inaugurates Multi-temperature Warehousing Logistics Center in Kaohsiung.
- Inaugurates Kao Ming Container Terminal (KMCT), a subsidiary of the Yang Ming, on January 1.
- Transfers bulk business to subsidiary Kuang Ming Shipping Corp. in 2008 and begins over-the-counter stock transaction (2010).
- Establishes Yang Ming Cultural Foundation, YM Oceanic Culture & Art Museum (OCAM) in Keelung and YM Museum of Marine Exploration in Kaohsiung (MOME) to promote oceanic culture.
- 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.
- Signs an agreement on cross-strait direct shipping link for the company's development on China 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.
- Completes and puts in service four 1,500 TEU full-container vessels, thirteen 1,805 TEU full-container vessels, five 4,250 TEU full-container vessels, two 6,500 TEU full-container vessels, three 6,600 TEU full-container vessels and nine 8,200 TEU full-container vessels.
- Signs a Memorandum of Cooperation with Sinotrans Limited on logistics service.
- Transports the Taiwan Pavilion at Shanghai Expo to Taiwan.
- Rated as having comparatively transparent information by the Securities and Futures Institute.
- Certified by U.S. Customs as a member of the Customs-Trade Partnership Against Terrorism (C-TPAT).
- 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.
- Obtains ISO27001 Certificate for Information Security Management System.
- Wins by YM Uberty the 2008 Ship Award granted by Taiwan Society of Naval Architects and Marine Engineers.





- Wins “Happy & Healthy Company Emblem” offered by DOH National Health Bureau.
- Wins 2009 Outstanding Organization for Promoting Labor Safety & Health offered by Executive Yuan Council of Labor Affairs (CLA).
- Wins National-class Friendly Workplace offered by the Council of Labor Affairs.
- Wins “CO₂ Reduction Label” from the Environmental Protection Administration (EPA) in 2010 and 2011.
- Wins the 7th –10th Wen Xin Award granted by the Council for Cultural Affairs.
- Wins Williams-Sonoma's/Lowe's Corporation's Carrier of the 2007 Year Award, Target Corporation's Carrier of the 2007 and 2010 Year Award, and LOG-NET Outstanding E-commerce Award from 2008 to 2011.
- Wins governance model in the emerging market, cited by the *EURO Money* magazine, obtains the 2007 Quest for Quality Award offered by *Logistics Management* magazine; rated 2nd place in *World Trade* magazine's Liner Service evaluation and as one of the 50 Outstanding Businesses by *Global View* magazine (2008).
- 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 (2006), also wins 15th place in the Corporate Social Responsibility Evaluation conducted in 2007 and 15th place in the Corporate Citizen in 2009, the only domestic shipping company winning this honor by the *Common Wealth* magazine.

2012

- Kao Ming Container Terminal (KMCT), a subsidiary of the Yang Ming, receives the first 13,000 TEU full-container vessel in Taiwan and demonstrated its high operational efficiency.
- Kao Ming Container Terminal (KMCT) acquires the investment from Ports America. Kao Ming Container Terminal (KMCT) acquires the investment from the Cheer Dragon Investment Limited, becoming a joint venture of COSCO Pacific, CS Terminal, and CMHI.
- Celebrates Yang Ming 40th Anniversary and the lifting volume of Kao Ming Container Terminal (KMCT) exceeds 2 million TEUs.
- 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. Kao Ming Container Terminal (KMCT) passes Authorized Economic Operators (AEO) Examination in March and becomes the first container terminal to win the honor in the wharf container terminal industry.
- Acquires the AEO certificate given by Directorate General of Customs, Ministry of Finance, making Yang Ming the first shipping company to receive this honor.
- Completes and puts in service one 6,600 TEU full-container vessels, YM Masculinity.
- Completes and puts in service four 8,626 TEU full-container vessels, YM Uniformity, YM Ubiquity,



YM Unanimity and YM Upsurgence.

- Reaches the profit of 2.7 billion NTD in the third quarter and plans to rent five plus five 14,000 TEU full-container vessels in 2015.
- YM Unanimity, 8,626 TEU full-container vessel, wins the Green Passport (GP) issued by ABS.
- Launches the Mobile E-service on its iOS and Android operating systems.
- Delivers Tzu Chi Relief Goods for Syrian Refugees in Jordan with free ocean freight service.
- Transports the Chinese Junk “Free China” from Oakland to Taiwan with free ocean freight service.
- Yang Ming Cultural Foundation wins Social Education Award.
- Wins “CO₂ Reduction Label” from the Environmental Protection Administration (EPA).
- Given the top spot in the most indicative category “Overall Performance” in North American Shipper Sentiment Survey by *Containerisation International* magazine (CI).
- Wins the Best Shipping Line Intra-Asia Award of Asian Freight and Supply Chain Awards (AFSCAs).
- Wins the LOG-NET Outstanding E-commerce Award.
- Wins the Williams-Sonoma’s Carrier of the Year.

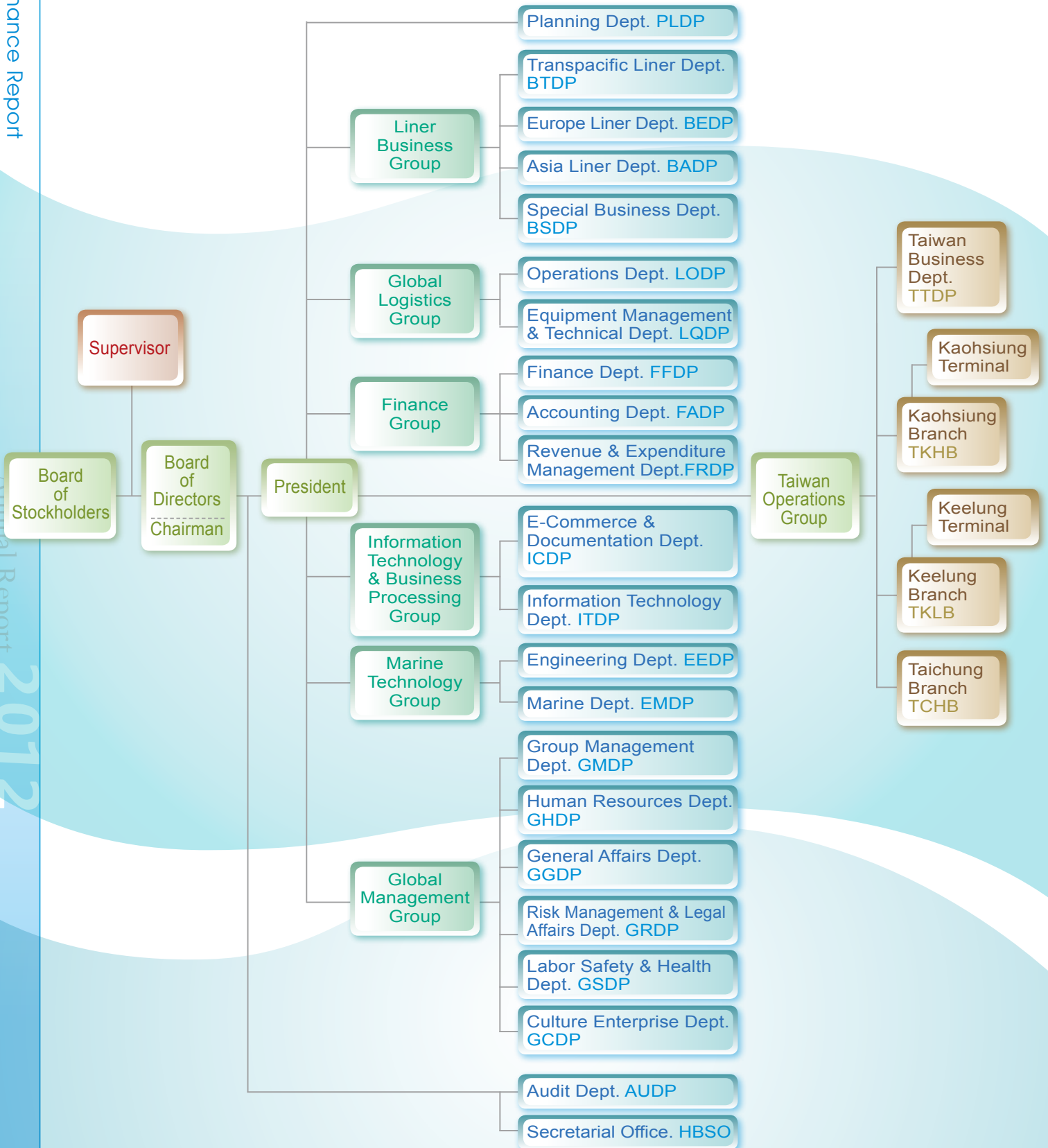
2013

- Completes the test of Alternative Maritime Power System (AMP) by Kao Ming Container Terminal (KMCT).
- Establishes Yang Ming (Australia) Pty Ltd.
- Rated as the leading pack in North American Shipper Sentiment Survey by *Containerisation International* magazine (CI).



III Corporate Governance Report

3.1 Organization Chart



3.2 Directors, Supervisors and Management Team

Mar. 31, 2013

Position	Chairman/ Board of Directors	Director	Director	Director	Director	Director	Director	Director	Supervisor	Supervisor
Name	Feng-Hai Lu	Chih-Tsong Hwang	Chwen-Jinq Chen	Younger Wu	Huang Shen, Chi	Shuh-Shun Ho	Wen-Che Huang	Mon-Chang Hsieh	Wing-Kong Leung	
Date appointed	June. 18, 2010	June. 18, 2010	Feb.22, 2013	June. 18, 2010	Jul. 20, 2012	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									
Spouse, under- aged children's holding 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
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

Mar. 31, 2013

Position	Name	Date appointed	Entitled for other companies presently
President	Shuh-Shun Ho	Oct.1, 2007	Director of Kao Ming Container Terminal Corp., Kuang Ming Shipping Corp., Yang Ming (Liberia) Corp., Yang Ming Line (Singapore) Pte. Ltd., Yangming (Japan) Co., Ltd., Young-Carrier Company Ltd., Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line N.V., Yang Ming Line B.V., Yang Ming Line Holding Co., and YES Logistics Corp.. Director and Chairman of West Basin Container Terminal LLC, and United Terminal Leasing LLC
Senior Executive Vice President	J.S. Wang	Aug. 1, 2008	Director of Yang Ming Line (Hong Kong) Ltd., Young-Carrier Company Ltd., Yang Ming (Singapore) Pte. Ltd., and Sunbright Insurance Pte. Ltd.
Executive Vice President	Herbert Lin	Sep. 1, 2008	Director of Jing Ming Transportation Co., Ltd., Kao Ming Container Terminal Corp., Formosa International Development Corporation, Taipei Port Container Terminal Corp., and Untied Stevedoring Corporation.
Executive Vice President	Hwa-Ming Yu	Sep.1,2010	Director of Transyang Shipping Pte. Ltd., Yang Ming Line (India) Pvt. Ltd., Yang Ming (Australia) Pty. 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., Yang Ming Line (B.V.I.) Holding Co., Ltd., Yang Ming Line N.V., Yang Ming Line B.V., Yang Ming Line Holding Co., and Taiwan Navigation Co., Ltd. Supervisor of and Kao Ming Container Terminal Corp., and Yangming (Japan) 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., Formosa International Development Corporation, Yang Ming (U.A.E.) LLC, Yang Ming Shipping Europe GmbH, and Chang Ming Logistics Company Limited. Supervisor of Taipei Port Container Terminal Corp., and Untied Stevedoring Corporation.
Executive Vice President	Chih-Chien Tsao	Jul. 16, 2012	Director of Yangming (Japan) Co., Ltd., Yang Ming (Korea) Co. Ltd., Yang Ming Shipping Europe GmbH, Yang Ming (America) Corp., and YES Logistics Corp.



3.3 Status of Corporate Governance

Mar. 31, 2013

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 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 always complies 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 elect Independent Directors in next re-election on June, 2013.
	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 handle relationship with investors, to protect the rights and interests of banks, creditors and investors and maintain channels for them to air their grievances and complaints.
4.Openness of Information	The Company has established a website to publish financial, operational and other 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 a 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.		The Company has established a remuneration committee. An audit committee will be set up and formed by Independent Directors in June, 2013.



6. The company has established corporate governance principles based on “Best-Practice Principles for Corporate Governance by 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 “Best-Practice Principles for Corporate Governance by TWSE/GTSM Listed Companies.” We have also established “the Code of Conduct” and “Code of Ethical Management of Yang Ming Marine Transport Corporation” for compliance by the Group’s staff. These documents can serve as a uniform standard for Yang Ming staff’s business activities. Besides, Yang Ming has prescribed the procedure for handling major IT affairs in order to strengthen corporate governance.

7. Other important information about Yang Ming’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: In order to protect shareholders’ rights and interests, the Company discloses its significant operational 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 Yang Ming. “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 made in line with the agreements. The Company gives adequate information to make banks/creditors 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,
- * give 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,
- * continuously 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,
- * continuously develop Yang Ming Group's risk management culture,
- * fully comply with laws and regularly carry out internal and external audit, and
- * regularly review risk management processes and standard of assessment in line with economic fluctuations and changes of the Group's operation principles.

(6.2) Yang Ming's Risk Assessment Standard

We assess individual risk according to its frequency and severity, and then rank the risks 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 (USD)	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 transport group par excellence is our vision and mission.

All of us at Yang Ming are committed to enhancing customer service, expanding our service scope and broadening our service domain through partnership alliances with many of the world's most famous shipping companies like K-Line of Japan, COSCO of Mainland China, and Hanjin of South Korea. We will continue to improve our services and comply with the laws and regulations. We will actively visit our customers at all times to find out their needs in order to provide them with comprehensive services characterized by "correctness, promptness, reliability and economics."

(8) Liability Insurance for Directors and Supervisors

In order to strengthen 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.

(9) Active Participation in Community Activities

To fulfill Corporate Social Responsibility (CSR), Yang Ming shows enthusiasm in public activities. We have offered free transportation for human-aid cargos, such as in the cases of the disastrous tsunami hitting South Asia in 2004, the ravage of Myanmar (formerly Burma) by cyclone Negriz, earthquake devastation to China's Sichuan province in 2008, the catastrophe caused by typhoon Morakot to southern Taiwan in 2009, the flood disaster of Pakistan in 2010, and the 2011 earthquakes in Japan, and Syrian Refugees in Jordan in 2012. Moreover, in order to promote Taiwan's fine art, we have donated marine transportation to the Asian-Canadian Special Events Association for several years by delivering their exhibition stuffs to the Taiwanese Festival in Canada. We also transported the Taiwan Pavilion at Shanghai Expo to Taiwan, and transported the old Chinese Junk, called "Free China", from Oakland back to Keelung, Taiwan in 2012. Moreover, Yang Ming and its global staff make donations to the needy people at the end of every year. Yang Ming has also encouraged employees to actively do anything that is environmentally friendly. Thus, Yang Ming highlights environmental issues in internal journals and has held yard sales for reused articles donated by employees to promote the "Go Green &



Save the Earth” concept.

In order to promote oceanic culture and conservation education, Yang Ming has 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 greater awareness and consciousness of oceanic culture and marine ecosystems.

(10) Safety and Health System

The two pillars of our occupational policy 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 the safety and health status of staff, 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 also have been the nation’s first shipping company to receive AEO certificate in June of 2012.



3.4 Internal Control Statement

Yang Ming Marine Transport Co., Ltd.
Internal Control System Statement

Date: 26, March, 2013

The Company states the following with regard to its internal control system during fiscal year 2012, 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 (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 as of 31, December, 2012 its internal control system (including its supervision and management 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, is effectively designed and operating, and reasonably assures 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 Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on 26, March, 2013, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Yang Ming Marine Transport Co., Ltd.

Chairman: Lu Feng-hai  (signature)

President: Ho Shuh-shun  (signature)



IV · Capital Overview

4.1 Capital and Shares Issuance

4.1.1 Type of Stock

Mar. 31, 2013

Shares category	Authorized capital					Remark
	Shares issued			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	

4.1.2 Shares Issued

Date	Par value (NT\$)	Authorized capital		Actual capital received		Notes	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of capital	Remarks
Jan. 2005	10	2,400,000,000	24,000,000,000	2,268,754,549	22,687,545,490	Convertible bonds transformation 22,016,416 Shares	
May 2005	10	2,400,000,000	24,000,000,000	2,276,103,048	22,761,030,480	Convertible bonds transformation 7,348,499 Shares	
Aug. 2005	10	2,400,000,000	24,000,000,000	2,289,127,926	22,891,279,260	Convertible bonds transformation 13,024,878 shares	
Nov. 2005	10	2,400,000,000	24,000,000,000	2,289,816,718	22,898,167,180	Convertible bonds transformation 688,792 Shares	
May 2006	10	2,400,000,000	24,000,000,000	2,289,834,417	22,898,344,170	Convertible bonds transformation 17,699 Shares	
May 2007	10	2,400,000,000	24,000,000,000	2,294,211,277	22,942,112,770	2007Q1 Convertible bonds transformation 4,376,860 Shares	
July 2007	10	2,400,000,000	24,000,000,000	2,299,005,213	22,990,052,130	2007 Q2 Convertible bonds transformation 4,793,936 Shares	
Oct. 2007	10	2,400,000,000	24,000,000,000	2,317,397,254	23,173,972,540	2006 Recapitalization new issuance of 18,392,041 shares	



Nov. 2007	10	2,400,000,000	24,000,000,000	2,320,743,953	23,207,439,530	2007 Q3 Convertible bonds transformation 3,346,699 Shares
Jan. 2008	10	2,400,000,000	24,000,000,000	2,328,698,193	23,286,981,930	2007 Q4 Convertible bonds transformation 7,954,240 Shares
May 2008	10	2,400,000,000	24,000,000,000	2,328,962,146	23,289,621,460	2008 Q1 Convertible bonds transformation 263,953 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

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

Unit : NT\$

Items		Year	2011	2012	Jan. 1, 2013~ Mar. 31, 2013
Market-price per share	Highest price		30.95	18.20	15.60
	Lowest price		10.10	10.90	13.65
	Average price		19.57	13.24	14.44
Net worth per share	Before earnings appropriation		10.41	11.68	-
	After earnings appropriation		10.41	-	-
Earnings per share	Weighted average number of outstanding shares		2,605,174 (Note) thousand shares	2,818,713 (Note) thousand shares	N.A.
	Earnings per share		-3.33	0.02	N.A.
Dividends per share	Cash dividend		0	0	-
	Stock dividend		0	0	-
Return on Investment	Price / Earnings ratio		N.A.	N.A.	-
	Price / Cash dividends ratio		N.A.	N.A.	-
	Cash dividends/ Price ratio		N.A.	N.A.	-

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



4.2 Issuance of Corporate Bond

Bond Category	Thirteenth Debenture Bonds	Fourteenth Debenture Bonds	Fifteenth Debenture Bonds	First Private Placement Debenture Bonds	Second Private Placement Debenture Bonds	First Private Placed Secured Mandatory Convertible Bonds
Date of Issuance	Oct 23, 2006	May 20, 2010	Dec 27, 2011	Mar 6, 2012	Mar 30, 2012	June 27, 2012
Par Value	NTD 1 million	NTD 1 million	NTD 10 million	NTD 1 million	NTD 1 million	NTD 100 thousand
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 6,000 million	NTD 5,000 million	NTD 6,500 million	NTD 5,544 million	NTD 4,350 million	NTD 5,800 million
Interest Rate	5 years (3,000 million) -2.09% 7 years (3,000 million) -2.32%	1.42%	1.3%	4 years (1,759 million) , 2.08% 5 years (3,785 million) , 2.18%	4 years (1,550 million) , 2.08% 5 years (2,800 million) , 2.18%	3%
Terms of Reimbursement	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	7 years
Guarantor	Nil	A:Bank of Taiwan B:Cathay United Bank C:Taiwan Corporative Bank D:Chianturst Commercial Bank E:First Commercial Bank F:Yuanta Commercial Bank G:Hua Han Bank H:Shanghai Commercial & Saving Bank	A:Bank of Taiwan B:Mega International Commercial Bank C:Taipei Fubon Bank D:Taiwan Corporative Bank E:First Commercial Bank F:Chang Hwa Bank G:Hua Han Bank H: Shin Kong Bank	Nil	Nil	Bank of Taiwan Taiwan Corporative Bank Land Bank of Taiwan First Commercial Bank Hua Han Bank Shanghai Commercial & Saving Bank
Trustee	Chinatrust Commercial Bank	Taipei Fubon Bank	E.SUN Bank	Taipei Fubon Bank	Taipei Fubon Bank	Mega International Commercial Bank
Underwriter	Nil	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	NA	NA	NA



Bond Category	Thirteenth Debenture Bonds	Fourteenth Debenture Bonds	Fifteenth Debenture Bonds	First Private Placement Debenture Bonds	Second Private Placement Debenture Bonds	First Private Placed Secured Mandatory Convertible Bonds
Way of Reimbursement	Maturity: 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	The Bonds will be compulsorily redeemed in the Company common stocks with the converted price at Maturity.
Unreimbursed Amount	NTD 3,000 million	NTD 5,000 million	NTD 6,500 million	NTD 5,544 million	NTD 4,350 million	NA
Conditions of Recall or Recall in Advance	Nil	Nil	Nil	Nil	Nil	From 2018.06.27 to 2019.06.27, the Company shall issue the Recall Notice matured in 30 days to bond holder by registered letter within 30 business days after the BOD resolution date. The Company may redeem the Bonds at principal amount plus the accumulated interest calculated from the issued date of Recall Notice to the redeemed based date.
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corporation, June 2012 tw BBB	Taiwan Ratings Corporation A: Oct , 2012 twAAA B: Sep 2012 twAA+ C: Jan2013 twAA, D: Dec 2011 twAA+ E: Sep 2012 twAA, F: Feb 2012 twAA- G: Jun 2012 twAA , H: Dec 2012 twAA	Taiwan Ratings Corporation A: Oct 2012 twAAA, B: Oct 2012 twAA+ C:Dec2012 twAA+ D: Jan 2013 twAA E: Sep 2012 twAA F: Nov 2012 twAA G: Jun 2012 twAA, H: Aug 2012 twAA-	Taiwan Ratings Corporation, June 2012 tw BBB	Taiwan Ratings Corporation, June 2012 tw BBB	Bank of Taiwan: Oct 2012 twAAA Taiwan Corporative Bank : Jun 2012twAA Land Bank of Taiwan:Jun 2012 twAA First Commercial Bank:Sep 2012 twAA Hua Han Bank:Jun 2012 twAA Shanghai Commercial & Saving Bank :Dec 2012 twAA
Amount of Converted Common Stock , GDR or other valuable securities	Nil	Nil	Nil	Nil	Nil	Nil



4.3. Issuance of GDR

Conditions of the issuance of GDR

Mar. 31, 2013

Date of Issuance Items		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 (Mar 31,2013)		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	2012	the highest	USD 6.08
		the lowest	USD 3.79
		the average	USD 4.46
	From Jan. 1, 2013 to Mar.31, 2013	the highest	USD 5.33
		the lowest	USD 4.56
		the average	USD 4.84





V Operational Highlights
VI Financial Information

YANG MING MARINE TRANSPORT CORP.

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V 、 Operational Highlights

5.1 Business Profile, Operating Status

5.1.1 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) ZZ99999 Besides licensed business, all other business items that are not banned or restricted

5.1.2 Operating status

As of Dec. 31, 2012, YM operated 86 full container vessels. The scope of our container liner service of year 2012 is as follows:

- 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.

5.1.3 Liner Services for full container vessels from 2010 to 2012

Unit : TEU

Items	2010	Pct.	2011	Pct.	2012	Pct.
Cargo for Trans-ocean	2,132,395	67	2,230,397	64	2,250,622	61
Cargo for Intra-Asia	1,073,351	33	1,242,195	36	1,445,417	39
Total	3,205,746	100	3,472,592	100	3,696,039	100

5.2 Market Analysis

5.2.1. Transpacific Trade

According to Drewry Report, the total volume of transpacific trade on the eastbound leg increased 2.2% in 2012; it is forecasted that the total cargo volume for the eastbound trade will keep growing, at a rate of 4.1% in 2013. According to Alphaliner, YM's 2012 market share in the transpacific trade was 5.3%.





5.2.2. Asia-Europe/Mediterranean Trade

According to Drewry Report, the overall westbound volume of Asia-Europe trade decreased by 1.6% in 2012 while the total westbound volume of Asia-Mediterranean trade decreased by 10.1%. It is forecasted that the total westbound volume of Asia-Europe trade and Asia-Mediterranean trade will grow by 0.7% and -4.2% respectively in 2013. According to Alphaliner, YM's 2012 market share in the Asia-Europe and Asia-Mediterranean trade was approximately 3%.

5.2.3. Transatlantic Trade

YM is mainly focusing on the container market between Northern Europe/Mediterranean and East Coast of North America in the Transatlantic trade. According to Drewry Report, in 2012 the overall westbound volume of Transatlantic trade increased by 3.6% while the total eastbound volume decreased by 5.5%; it is anticipated that the annual westbound volume will grow by 4.2% and eastbound volume will slightly grow by 1.5% in 2013.

5.2.4. Intra-Asia Trade

According to Global Insight report, the overall Intra Asia volume in 2012 is increased by 6.43%, the forecast of volume growth is 5.51% for 2013 and 6.48% for 2014. YM's market share in Intra Asia trade is 3.1%..

5.3. Employees Status

Year		2011	2012	Mar. 31, 2013
Number of employees	Office service	1,254	1,265	1,274
	Sea service	299	266	267
	Total	1,553	1,531	1,541
Average age		39.57	39.31	39.5
Average service years		12.30	13.14	13.31
Education level	Ph.D	4	4	6
	Master's degree	288	295	295
	College degree	1021	1013	1097
	High school degree	192	180	120
	Middle school and below	48	39	23

5.4 Relationship with Employees

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

5.5 Environmental Protection

5.5.1 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 Chinese ports.
- (7) Modify the piping system and tank for gray water & sewage collecting tank for all vessels sailing to Turkish, 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.
- (9) Modify the piping system and tank for low-sulphur fuel oil settling & service tank for all vessels sailing to SOx Emission Control Areas (SECAs).

5.5.2 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.

5.5.3 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.

5.6 Important Contracts

Mar. 31, 2013

Name of contract	Party	Contract Period	Primary content
Slot Charter Agreement	NYK	2009.07.01 ~ the indefinite duration	US East coast / South America East coast
Slot Charter Agreement	UASC	2012.03.17 ~ the indefinite duration	Mediterranean / U.S East Coast
Vessel Sharing and Slot Allocation Agreement	COSCON / HJS / "K" Line / EMC	2012.03.05 ~ the indefinite duration	U.S East Coast / North Europe



Name of contract	Party	Contract Period	Primary content
Vessel Sharing and Slot Allocation Agreement	CSCL / "K" Line / WHL / PIL	2009.01 ~ the indefinite duration	Asia / Black Sea Service
Vessel Sharing and Slot Allocation Agreement	CSCL / HJS / CMA CGM	2012.07.22 ~ 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 ~ the indefinite duration	Asia/Europe; Asia/Mediterranean
Slot Exchange Agreement	EMC	2012.04 ~ the indefinite duration	UAM Asia/Adriatic Sea
Joint Service Agreement	OOCL	2011.03.17 ~ the indefinite duration	CPX China-Pakistan service
Joint Service Agreement	EMC/OOCL	2006.04.04 ~ the indefinite duration	THX Taiwan-Ho chi minh service
Joint Service Agreement	STX/CNC	2008.09.18 ~ the indefinite duration	CTS China-Thailand service
Joint Service Agreement	TNC	2010.03.21~ the indefinite duration	TCX Taiwan-China service
Joint Service Agreement	TNC	2010.07.15 ~ the indefinite duration	TC2 Taiwan-China service
Joint Service Agreement	OEL	2010.10.11 ~ the indefinite duration	SCS Intra-Asia service
Slot exchange Agreement	PIL	2012.04.05 ~ the indefinite duration	AA1 Singapore-Australia service
Slot exchange Agreement	SNL	2012.03.27 ~ the indefinite duration	CJP/SJ1 China-Japan service
Slot exchange Agreement	OOCL	2012.05.10 ~ the indefinite duration	CCI China- west India service
Slot exchange Agreement	IAL	2012.05.14 ~ the indefinite duration	TMT China- east India service
Slot exchange Agreement	IAL	2012.12.03 ~ the indefinite duration	IF1 Japan- South East Asia service
Slot exchange Agreement	KWY	2013.01.07 ~ the indefinite duration	PR5, TBS Intra-Asia service



Name of contract	Party	Contract Period	Primary content
Slot exchange Agreement	CNC/CST	2009.01.13 ~ the indefinite duration	JTX,MCT,CN1,Intra-Asia service
Slot exchange Agreement	KMTC	2010.11.16 ~ the indefinite duration	CKI Intra-Asia service
Slot exchange Agreement	EMC	2009.09.06 ~ the indefinite duration	NSD,JTH,TPI,JTP Intra-Asia service
Slot charter Agreement	BTL	2009.06.12~ the indefinite duration	TP2 Intra-Asia service
Slot charter Agreement	SNL	2012.01.04 ~ the indefinite duration	TC3 Intra-Asia service
Slot charter Agreement	EMC	2012.03.26 ~ the 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	Bank of Taiwan	2012.06.18 ~ 2020.06.18	The principal shall be repaid in 16 successive semiannual installments commencing the date of expiry, 6 months from the date on which the initial Advance is made.
Bank Mortgage Loan	Bank of Taiwan	2012.12.27 ~ 2022.12.27	The principal shall be repaid in 18 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.



Name of contract	Party	Contract Period	Primary content
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.
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, 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 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 Mortgage Loan	E.Sun Bank Yuanta Bank	2012.08.10~ 2022.08.10	The principal shall be repaid in 20 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	TaipeiFubon Bank, Far Eastern Bank, Agricultural Bank of Taiwan	2013.03.20 ~ 2023~03.20	The principal shall be repaid in 20 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	2009.11.27 ~ 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.



VI Financial Information

6.1 Condensed Balance Sheets and Income Statements

6.1.1 Balance Sheet

UNIT : NT\$1,000

Items	Year	Accounting data for the past 5 years				
		Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012
Current Assets		11,446,296	13,214,144	27,378,443	16,367,689	15,850,841
Investments in Shares of Stock		26,461,125	24,705,343	25,117,278	22,807,044	22,049,835
Net Properties		15,507,976	16,860,915	14,994,958	19,445,134	29,482,929
Other Assets		33,713,920	26,479,411	26,877,469	29,375,825	31,740,504
Total Assets		87,129,317	81,259,813	94,368,148	88,010,416	99,124,109
Current Liabilities	Unappropriated	12,036,425	13,523,572	25,579,249	22,860,582	17,320,072
	Appropriated	12,420,795	13,523,572	25,579,249	22,860,582	-
Total Long-Term Debts		24,372,942	34,312,217	24,511,549	34,095,655	47,075,636
Other Liabilities		3,713,253	1,663,714	2,227,869	1,706,716	1,814,763
Total Liabilities	Unappropriated	40,122,620	49,499,503	52,318,667	58,662,953	66,210,471
	Appropriated	40,506,990	49,499,503	52,318,667	58,662,953	-
Capital stock	Unappropriated	25,624,665	25,624,665	25,624,665	28,187,131	28,187,131
	Appropriated	25,624,665	25,624,665	28,187,131	28,187,131	-
Capital surplus		8,988,582	8,988,637	4,719,493	4,719,493	5,756,621
Retained Earnings	Unappropriated	11,956,355	(4,269,144)	11,787,853	(3,376,574)	51,435
	Appropriated	11,571,985	(4,269,144)	6,022,304	(3,376,574)	-
Unrealized loss on financial instruments		25,832	1,200,905	413,020	42,923	(487,048)
Unrealized loss on investments in shares of stock		-	-	-	-	-
Cumulative translation adjustments		447,853	240,626	(469,051)	(158,441)	(467,361)
Net loss not recognized as pension costs		(36,590)	(25,379)	(26,499)	(67,069)	(127,140)
Total Stockholders' Equities	Unappropriated	47,006,697	31,760,310	42,049,481	29,347,463	32,913,638
	Appropriated	46,622,327	31,760,310	38,846,398	29,347,463	-

6.1.2 Income Statement

UNIT : NT\$1,000

Items	Year	Accounting data for the past 5 years				
		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		117,133,641	74,503,197	111,918,885	98,029,207	109,897,605
Gross profit (loss)		311,113	(15,845,670)	15,248,317	(9,498,202)	(3,470,580)
Operating income (loss)		(1,502,641)	(17,407,290)	12,833,151	(10,977,174)	(5,050,414)
Non-operating income		4,501,158	1,976,476	1,656,086	2,589,375	5,897,193
Non-operating expenses		2,207,142	2,431,168	1,676,693	1,818,326	1,093,321
Income (loss) before income tax		791,375	(17,861,982)	12,812,544	(10,206,125)	(246,542)
Cumulative effect of change in accounting principles		-	-	-	-	-
Net income (loss)		547,293	(15,841,129)	11,787,853	(9,898,878)	51,435
Earnings per share	Basic	0.21	(6.18)	4.60	(3.33)	0.02
	Diluted	0.21	(6.18)	4.18	(3.33)	-

6.1.3 Consolidated Balance Sheet

UNIT : NT\$1,000

Items	Year	Accounting data for the past 5 years				
		Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012
Current Assets		17,031,381	19,695,381	35,863,053	23,833,451	24,747,748
Investments in Shares of Stock		6,677,967	5,992,706	4,824,309	4,550,743	4,082,316
Net Properties		77,216,501	75,832,388	72,787,521	80,549,866	88,374,817
Other Assets		11,773,119	12,301,088	20,392,563	20,661,464	22,007,934
Total Assets		112,698,968	113,821,563	133,867,446	129,595,524	139,212,815
Current Liabilities	Unappropriated	19,561,022	20,789,084	33,582,429	30,184,051	24,010,238
	Appropriated	19,945,392	20,789,084	33,582,429	30,184,051	-
Total Long-Term Debts		41,020,125	58,156,099	54,108,987	66,178,045	75,703,388
Other Liabilities		4,653,674	2,669,486	3,373,164	2,828,512	2,801,933
Total Liabilities	Unappropriated	65,234,821	81,614,669	91,064,580	99,190,608	102,515,559
	Appropriated	65,619,191	81,614,669	91,064,580	99,190,608	-
Capital stock	Unappropriated	25,624,665	25,624,665	25,624,665	28,187,131	28,187,131
	Appropriated	25,624,665	25,624,665	25,624,665	28,187,131	-
Capital surplus		8,988,582	8,988,637	4,719,493	4,719,493	5,756,621
Retained Earnings	Unappropriated	11,956,355	(4,269,144)	11,787,853	(3,376,574)	51,435
	Appropriated	11,571,985	(4,269,144)	8,584,770	(3,376,574)	-



Unrealized loss on financial instruments		25,832	1,200,905	413,020	42,923	(487,048)
Unrealized loss on investments in shares of stock						
Cumulative translation adjustments		447,853	240,626	(469,051)	(158,441)	(467,361)
Net loss not recognized as pension costs		(36,590)	(25,379)	(26,499)	(67,069)	(127,140)
Minority Interest		457,450	446,584	753,385	1,057,453	3,783,618
Total Stockholders' Equities	Unappropriated	47,464,147	32,206,894	42,802,866	30,404,916	36,697,256
	Appropriated	47,079,777	32,206,894	39,599,783	30,404,916	-

6.1.4 Consolidated Income Statement

UNIT : NT\$1,000

Items	Year	Accounting data for the past 5 years				
		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		137,817,302	88,892,781	130,549,767	118,554,959	131,724,184
Gross profit (loss)		6,775,329	(11,491,225)	21,663,807	(4,932,279)	1,591,736
Operating income (loss)		732,122	(17,331,011)	15,235,371	(10,564,344)	(3,817,438)
Non-operating income		3,300,155	2,303,217	1,899,175	2,715,237	5,651,288
Non-operating expenses		3,032,897	1,744,911	3,903,701	2,005,328	1,906,672
Income (loss) before income tax		999,380	(16,772,705)	13,230,845	(9,854,435)	(72,822)
Cumulative effect of change in accounting principles		-	-	-	-	-
Consolidated net income(Loss)		575,580	(15,819,911)	11,861,693	(9,295,286)	65,239
Minority interest		28,287	21,218	73,840	103,592	13,804
Controlling interest		547,293	(15,841,129)	11,787,853	(9,398,878)	51,435
Earnings per share		0.21	(6.18)	4.18	(3.33)	0.02

6.2 CPA and Audit results for the past 5 years

Year	CPA name	Audit Opinion
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
Jan. 1, 2012~ Dec. 31, 2012	Hung Yu Mei 、 Lin An Hwei	Modify Unqualified



6.3 Financial Statement Analysis

6.3.1 Financial Statement Analysis

Items		Year	Financial Analysis for the years from 2008 to 2012					
			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		46.05	60.92	55.44	66.65	66.80	
	Long-term funds to net properties		460.28	391.87	443.89	326.27	271.31	
Institutional solvency	Current ratio (%)		95.10	97.71	107.03	71.66	91.52	
	Acid-test ratio (%)		76.44	69.35	88.42	45.36	68.04	
	Time interest earned		2.00	(19.73)	14.73	(11.10)	0.74	
Operating performance	Receivables turnover		35.07	29.88	56.50	63.41	51.33	
	Average collection period(days)		10.41	12.22	6.46	5.76	7.11	
	Payables turnover		-	-	-	-	-	
	Turnover of the fixed assets		7.55	4.42	7.46	5.04	3.73	
	Turnover of the total assets		1.34	0.92	1.19	1.11	1.11	
Profitability	Return on total assets (%)		1.31	(18.05)	14.31	(9.54)	0.90	
	Return on stockholder's equity (%)		1.12	(40.22)	31.94	(26.33)	0.17	
	Ratio of income against paid-in capital (%)	Operating income (Loss)		(5.86)	(67.93)	50.08	(38.94)	(17.92)
		Pre-tax income (Loss)		3.09	(69.71)	50.00	(36.21)	(0.87)
	Profit Margin (%)		0.47	(21.26)	10.53	(9.59)	0.05	
	Earnings per share (note1)		0.21	(6.18)	4.60	(3.33)	0.02	
Cash flow	Cash flow ratio (%)		26.49	-	73.32	-	-	
	Cash flow adequacy ratio (%)		43.86	5.78	37.82	16.22	-	
	Cash reinvestment ratio (%)		0.94	-	20.79	-	-	
Leverage	Operation Leverage		(7.88)	0.58	1.69	0.21	(0.70)	
	Finance Leverage		0.66	0.95	1.08	0.93	0.84	

Note 1: According to the adjusted outstanding shares.



6.3.2 Consolidated Financial Statement Analysis

Items		Year	Financial Analysis for the years from 2008 to 2012					
			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		57.88	71.70	68.03	76.54	73.64	
	Long-term funds to net properties		114.00	118.57	132.11	118.59	122.90	
Institutional solvency	Current ratio (%)		87.07	94.74	106.79	78.96	103.07	
	Acid-test ratio (%)		68.38	68.72	88.43	54.30	82.51	
	Time interest earned		1.70	(13.72)	10.59	(5.00)	0.96	
Operating performance	Receivables turnover		36.07	34.06	47.00	46.14	48.25	
	Average collection period(days)		10.12	10.72	7.77	7.91	7.56	
	Payables turnover		-	-	-	-	-	
	Turnover of the fixed assets		1.78	1.17	1.79	1.47	1.49	
	Turnover of the total assets		1.22	0.78	0.98	0.91	0.95	
Profitability	Return on total assets (%)		1.44	(13.23)	10.44	(6.10)	1.12	
	Return on stockholder's equity (%)		1.12	(40.22)	31.94	(26.33)	0.17	
	"Ratio of income against paid-in capital (%) "	Operating income (Loss)		2.86	(67.63)	59.46	(37.48)	(13.54)
		Pre-tax income (Loss)		3.90	(65.46)	51.63	(34.96)	(0.26)
	Profit Margin (%)		0.40	(17.82)	9.03	(7.93)	0.04	
	Earnings per share		0.21	(6.18)	4.60	(3.33)	0.02	
	(note1)		0.21	(6.18)	4.18	-	-	
Cash flow	Cash flow ratio (%)		21.10	60.76	58.08	16.13	7.64	
	Cash flow adequacy ratio (%)		48.56	20.32	29.57	19.55	9.77	
	Cash reinvestment ratio (%)		1.38	10.81	15.72	6.35	1.25	
Leverage	Operation Leverage		21.01	0.17	2.06	(0.51)	(3.31)	
	Finance Leverage		1.05	0.94	1.10	0.87	0.68	



6.4 Cash Flow Analysis for The Next Year

Cash and cash equivalents on Jan. 1st, 2013 ^①	Estimated cash outlay for operational activities in 2013 ^②	Estimated cash outlay for investing and financing activities in 2013 ^③	Estimated cash shortage of 2013 ①+②-③	Supplementary plan for the cash shortage	
				Investment Plan	Financing Plan
6,948,777	5,370,045	17,068,205	(4,749,383)	8,309,285	5,025,000

1. Analysis of the 2013 cash flow

- (1) Operation Activities: An estimated inflow of NT\$5,370,045 thousand is expected from operation activities.
- (2) Investing Activities: NT\$13,940,456 thousand of outflow is expected for capital expenditure such as purchase of fixed assets and investments.
- (3) Financing Activities: NT\$3,127,749 thousand of outflow is expected for net repayment of debts.

2. Supplementary plan for the cash shortage:

- (1) Investment Plan: NT\$8,309,285 thousand is expected from disposal of financial assets and fixed assets.
- (2) Financing Plan: Additionally, long-term financing of NT\$5,025,000 thousand is planned for maintaining a healthy financial position.

6.5 Major capital expenditure items

To meet the operating requirement, the Company's major capital expenditure item in 2013 is to acquire 1x8,626-TEU container vessels. The estimated capital expenditure for the project is around NT\$2.7 billion. The fleet is planned to be deployed in Asia-Europe service. After the project completion, the Company estimates the revenue would increase 833,100 thousands of NT dollars in year 2013. In order to enhance the self owned box ratio, the Company has plans to purchase 55,000-TEU container boxes at a cost around NT\$3.6 billion. After completion of the project, the Company could save operation cost by 152,847 thousands of NT Dollars each year. The Company plans to arrange the funding from operating and financing activities.

6.6 Investment policy and improvement plans

The Company's investing policy is aimed to carry out the operating and business plans or strategies, mainly for transportation-related activities.

The investment income recognized in equity method was 555,652 thousand NT Dollars at the end of 2012. The major reasons for the increase was the global economic recovery and the global trade expansion. The carriers adopted vessels lay-up and slow steaming to adjust vessel supply.



6.7 Risk management analysis

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

A. Effects on Corporate Finance

Items	Year 2012(NT thousand; %; Modulus)
Net interest revenue/expense	422,239
Net foreign exchange gain/loss	93,320
Net interest as % of revenue	0.38%
Net interest as % of earnings before tax	171.26%
Net foreign exchange gain/loss as % of revenue	0.08%
Net foreign exchange gain/loss as % of earnings before tax	37.85%

(1) interest rate movement

As the interest rate stayed at low level, net interest expense for year 2012 was NT\$422,239 thousand. It was as low as 0.38% of revenue. Due to a NT\$246,542 loss before tax, net interest expense was about 171.25% of earnings before tax.

(2) foreign exchange rate movement

Though the exchange rate of some major currencies fluctuated, with relatively balanced positions the net foreign exchange gain/loss for year 2012 was only NT\$93,320 thousand.

(3) Inflation

As inflation in major counties stayed at low level, fuel oil price in major market was about 3% higher than the previous year. To mitigate fuel oil price risk, the Company adopted fuel surcharge, oil hedging and fuel consumption saving, etc., and, as a result, the total fuel cost was even lower than that of the previous year.

B. Future measurement

For interest rate risks, the Company will continuously manage asset and liability which is sensitive to interest rate. For foreign exchange rate risks, the Company will keep seeking natural hedge by balancing the positions. For the fuel oil price risks, we will continue to reduce the impact of the fluctuation of bunker price on our operating performance through price transfer, bunker saving and fuel oil hedge.

6.7.2 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 derivative positions and future prospects, the Company acquires reasonable benefits with limited risks. The Company complies with the Regulations whenever it enters into derivative transactions

6.7.3 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 2013, including adjusting Asia–Europe and Asia–Mediterranean services, harmonizing Asia - U.S. East Coast services, launching Asia–Australia second service and East Coast of North America–East Coast of South America, and upsizing Asia–U.S. Pacific Southwest 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.

6.7.4 The influence of and response to changes in policies and law

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

So far, the policy and legislative changes at home and abroad have not influenced our corporate finance and business. We strictly comply with related laws and rules and keep watching for the updates and changes of related legislations.

B. The Finance Department has staff in charge of tracking amendment to Company Act and related securities and futures transactions laws made 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.

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

A. For YM itself —

YM has numerous subsidiaries and agents 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. In 2012, Yang Ming wins 2011 LOG-NET E-Commerce Excellence Award

B. For customers —

In order to meet customers' requirements, we design and implement a 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. Moreover, we provide easy shipping package, a new tool for users to easily submit



e-booking without accessing to YM website or EDI. Yang Ming wins the tops CI's North American Shipper Sentiment Survey last year.

C. For environment —

Environmental protection is an important trend YM always follows and we obey international environmental regulations to reduce exhaust fumes by using energy efficiently. We build environment-friendly new ships to reduce bunker consumption through the use of new technologies. YM also has been approved the Authorized Economic Operator (AEO) in 2012.

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.

6.7.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Risk management and risk response are important to corporate image.

Our company has never ceased to strengthen corporate governance in recent years in order to cope with possible business risks. In doing so, we have never failed to reveal the key elements of information according to law and regulations. We are devoted to environmental protection and the fulfillment of social responsibility, for we know this is important to our corporate image. Besides establishing a mechanism for coping with various kinds of risks, we have worked out a report procedure and a communication conduit. When a risk happens, all concerned departments immediately assess its impact and propose the most appropriate response to it so that we can protect our image.

6.7.7 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, in view of the uncertainties in the global economy and forecasted containership overcapacity in the following years, YM has adopted the following plans 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.

6.7.8 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.

6.7.9 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, based on updated development of Corporate Governance and Internal Audit.

B. The organization of Yang Ming's risk management 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.



6.8 Independent Auditors' Report and Financial Reports As of Dec.31,2012

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, 2012 and 2011, 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, 2012 and 2011, and of Chang Ming Logistics Company Limited, Yes Logistics (Shanghai) Corp (the subsidiary of Yes Logistics Corp.) and Yes Logistics Company Ltd, (the subsidiary of Yes Yangming Logistics (Singapore) Pte Ltd.) as of and for the year ended December 31, 2012; the Corporation has long-term investments in these investees accounted for using equity method. The carrying values of these investments were NT\$3,080,675 thousand and NT\$2,436,761 thousand as of December 31, 2012 and 2011, respectively. The equity in these investees' net income was NT\$373,268 thousand and NT\$408,259 thousand for the years ended December 31, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011 and have issued a modified unqualified opinion thereon in our report dated March 26, 2013.

Deloitte & Touche

March 26, 2013

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.

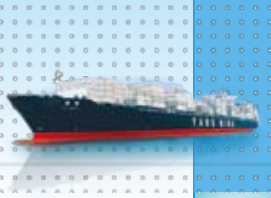
For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference 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, 2012 AND 2011
 (In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY		2012		2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS										
Cash and cash equivalents (Notes 2 and 4)	\$ 6,948,777	7	\$ 6,680,430	8					\$ 2,638,672	3
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,067,895	1	250,169	-					3,246,359	4
Available-for-sale financial assets - current (Notes 2 and 6)	63,955	-	157,904	-			5,112	-	47,136	-
Derivative financial assets for hedging - current (Notes 2 and 25)	-	-	49,161	-			-	-	229	-
Accounts receivable, net of allowance for doubtful accounts of \$9,450 thousand and \$9,454 thousand at December 31, 2012 and 2011 (Notes 2 and 3)	900,250	1	397,964	1			2,918,984	3	4,461,621	5
Accounts receivable from related parties (Notes 2, 3 and 26)	2,168,219	2	815,289	1			1,498,39	-	30,691	-
Other receivable from related parties (Notes 2, 3 and 26)	1,000,000	1	815,289	1			1,002,992	1	1,002,000	1
Shipping fuel, net (Notes 13 and 26)	3,635,892	4	5,815,533	7			1,600,702	1	1,600,702	1
Prepaid expenses (Notes 13 and 26)	439,231	1	193,913	1			7,175,354	7	2,381,093	3
Deferred income tax assets - current (Notes 2 and 22)	44,782	-	9,753	-			1,095,669	1	4,502,091	5
Advances to shipping agents (Note 26)	294,167	-	1,069,367	1			1,923,717	2	1,212,576	1
Other current assets	209,493	-	230,171	-			1,975,976	2	1,271,025	1
Total current assets	15,850,841	16	16,367,689	19			17,320,072	17	22,860,382	26
LONG-TERM INVESTMENTS (Notes 2, 6, 8 and 9)										
Available-for-sale financial assets - noncurrent	1,708,956	2	2,225,347	3			22,223,534	23	14,436,490	16
Financial assets carried at cost - noncurrent	377,188	-	386,369	-			24,127,145	24	19,085,633	22
Investments accounted for using equity method	19,093,691	20	20,195,328	23			463,132	1	573,532	1
Total long-term investments	22,099,835	22	22,807,044	26			20,888	-	-	-
PROPERTIES (Notes 2, 10, 13, 26 and 27)										
Cost										
Land	343,210	-	427,836	-			47,075,636	48	34,095,665	39
Buildings	770,516	1	770,528	1			479,639	1	479,639	1
Containers and chassis	24,408,281	25	25,409,096	29						
Ships	20,499,614	21	6,075,923	7			1,240,552	1	1,168,410	1
Leased assets	2,732,756	3	2,732,756	3			945,272	-	58,667	-
Leasehold improvements	146,272	-	146,272	-						
Miscellaneous equipment	2,258,250	2	2,250,944	3			1,335,124	1	1,227,077	1
Total cost	51,159,399	52	57,813,355	43			66,210,471	67	58,662,953	67
Less: Accumulated depreciation	22,786,417	23	22,091,558	25						
Construction in progress	11,099,947	1	3,723,337	4						
Net properties	29,482,929	30	19,445,134	22			28,187,131	28	28,187,131	32
INTANGIBLE ASSETS										
Computer software (Note 2)	14,644	-	19,949	-			1,333,992	1	4,710,566	5
Deferred pension cost (Notes 2 and 20)	1,311	-	1,747	-			8,927	-	8,927	-
Total intangible assets	15,955	-	21,696	-			4,413,702	5	-	-
OTHER ASSETS										
Assets leased to others, net (Notes 2, 11 and 27)	3,987,605	4	3,929,802	4			5,756,621	6	4,719,493	5
Nonoperating assets, net (Notes 2 and 12)	234,359	-	234,359	-						
Advances on long-term rent agreements (Note 13)	662,850	1	694,422	1					1,178,785	1
Removable deposits (Note 28)	25,629,893	26	23,702,698	27			51,435	-	82,330	-
Long-term receivables from related parties (Notes 9 and 26)	890,133	1	466,780	1					(4,637,888)	(5)
Derivative assets - noncurrent (Notes 2 and 22)	7,540	-	18,727	-					(3,376,574)	(4)
Miscellaneous (Note 2)										
Total other assets	31,724,549	32	29,368,853	33			51,435	-	(3,376,574)	(4)
TOTAL	\$ 99,124,109	100	\$ 88,010,416	100			\$ 99,124,109	100	\$ 88,010,416	100
<p>OTHER EQUITY</p> <p>Cumulative translation adjustments (127,140)</p> <p>Net loss not recognized as pension cost (487,048)</p> <p>Unrealized gain on financial instruments</p> <p>Total other equity (1,081,549)</p> <p>Total stockholders' equity 29,347,463</p> <p>TOTAL \$ 88,010,416</p>										

The accompanying notes are an integral part of the financial statements.
 (With Deloitte & Touche audit report dated March 26, 2013)



YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 26)	\$ 109,897,605	100	\$ 98,029,207	100
OPERATING COSTS (Notes 2, 7, 23 and 26)	<u>113,368,185</u>	<u>103</u>	<u>107,527,409</u>	<u>110</u>
GROSS LOSS	<u>(3,470,580)</u>	<u>(3)</u>	<u>(9,498,202)</u>	<u>(10)</u>
OPERATING EXPENSES (Notes 23 and 26)				
Selling expenses	1,254,895	1	1,188,715	1
General and administrative expenses	<u>324,939</u>	<u>-</u>	<u>290,257</u>	<u>-</u>
Total operating expenses	<u>1,579,834</u>	<u>1</u>	<u>1,478,972</u>	<u>1</u>
OPERATING LOSS	<u>(5,050,414)</u>	<u>(4)</u>	<u>(10,977,174)</u>	<u>(11)</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of financial instruments, net (Notes 2 and 9)	2,777,434	3	372,744	-
Gains on disposal of properties (Note 26)	1,419,542	1	1,109,707	1
Investment income recognized under equity method (Notes 2 and 9)	555,652	1	-	-
Interest income (Note 26)	528,916	-	586,722	1
Rent income (Note 26)	131,514	-	111,929	-
Dividend income	109,368	-	160,015	-
Exchange gain, net (Note 2)	93,320	-	13,206	-
Valuation gain on financial liabilities, net (Notes 2 and 5)	42,024	-	-	-
Others (Note 26)	<u>239,423</u>	<u>-</u>	<u>235,052</u>	<u>-</u>
Total nonoperating income and gains	<u>5,897,193</u>	<u>5</u>	<u>2,589,375</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 10 and 26)	951,155	1	843,211	1
Investment loss recognized under equity method (Notes 2 and 9)	-	-	840,293	1
Valuation loss on financial assets, net (Notes 2,5,6 and 8)	41,982	-	4,225	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	-	-	47,136	-
Others (Note 23)	<u>100,184</u>	<u>-</u>	<u>83,461</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,093,321</u>	<u>1</u>	<u>1,818,326</u>	<u>2</u>

(Continued)

**YANG MING MARINE TRANSPORT CORPORATION****STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2012 AND 2011****(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)**

	2012		2011	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX EXPENSE	\$ (246,542)	-	\$ (10,206,125)	(11)
INCOME TAX BENEFIT (Notes 2 and 22)	<u>(297,977)</u>	<u>-</u>	<u>(807,247)</u>	<u>(1)</u>
NET INCOME (LOSS)	<u>\$ 51,435</u>	<u>-</u>	<u>\$ (9,398,878)</u>	<u>(10)</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	<u>\$ (0.09)</u>	<u>\$ 0.02</u>	<u>\$ (3.62)</u>	<u>\$ (3.33)</u>
Diluted	<u>\$ (0.09)</u>	<u>\$ 0.02</u>	<u>\$ (3.62)</u>	<u>\$ (3.33)</u>

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

(With Deloitte & Touche audit report dated March 26, 2013)

(Concluded)



YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividend Per Share)

	Capital Stock		Capital Surplus (Notes 2, 16 and 21)			Retained Earnings (Accumulated Loss)		Unappropriated Earnings (Deficit)		Other Items of Stockholders' Equity (Notes 2 and 21)		Total Stockholders' Equity
	Shares (Thousands)	Amount	Additional Paid-in Capital	Long-term Investments	Component of Mandatory Convertible Bonds	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit)	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain or Loss on Financial Instruments	
BALANCE, JANUARY 1, 2011	2,562,466	\$ 25,624,665	\$ 4,710,566	\$ 8,927	\$ -	\$ -	\$ -	\$ 11,787,853	\$ (469,051)	\$ (26,499)	\$ 413,020	\$ 42,049,481
Appropriations of 2010 earnings	-	-	-	-	-	1,178,785	-	(1,178,785)	-	-	-	-
Special reserve	-	-	-	-	-	-	82,530	(82,530)	-	-	-	-
Cash dividends - \$1.25 per share	-	-	-	-	-	-	-	(3,203,083)	-	-	-	(3,203,083)
Stock dividends - \$1 per share	256,247	2,562,466	-	-	-	-	(2,562,466)	-	-	-	-	-
Net loss for the year ended December 31, 2011	-	-	-	-	-	-	-	(9,398,878)	-	-	-	(9,398,878)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	293,739	-	-	293,739
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	418	(35,976)	(35,558)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(401,038)	(401,038)
Changes in unrealized gain on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	66,931	66,931
Changes in net loss not recognized pension cost	-	-	-	-	-	-	-	-	-	(40,988)	-	(40,988)
Effect of changes on sale long-term equity-method investments	-	-	-	-	-	-	-	-	16,871	-	(14)	16,857
BALANCE, DECEMBER 31, 2011	2,818,713	28,187,131	4,710,566	8,927	-	1,178,785	82,530	(4,637,889)	(158,441)	(67,069)	42,923	29,347,463
Compensation of 2011 deficit	-	-	-	-	-	(1,178,785)	-	1,178,785	-	-	-	-
Legal reserve	-	-	-	-	-	-	(82,530)	82,530	-	-	-	-
Special reserve	-	-	-	-	-	-	-	3,376,574	-	-	-	-
Capital surplus - additional paid-in capital	-	-	(3,376,574)	-	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2012	-	-	-	-	-	-	-	51,435	-	-	-	51,435
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(308,920)	-	-	(308,920)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(6)	(24,258)	(24,264)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(456,780)	(456,780)
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	(48,933)	(48,933)
Changes in net loss not recognized pension cost	-	-	-	-	-	-	-	-	-	(60,065)	-	(60,065)
Equity component of mandatory convertible bonds	-	-	-	-	4,413,702	-	-	-	-	-	-	4,413,702
BALANCE, DECEMBER 31, 2012	2,818,713	28,187,131	1,333,992	8,927	4,413,702	-	-	51,435	(467,361)	(127,140)	(487,048)	32,913,638

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated March 26, 2013)

**YANG MING MARINE TRANSPORT CORPORATION****STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 51,435	\$ (9,398,878)
Depreciation	3,070,228	3,129,433
Amortization	16,398	19,097
Unrealized exchange loss (gain)	(24,734)	28,203
Reversal of doubtful accounts	(88)	(8,119)
Provision for (reversal of) allowance for loss on shipping fuel	99,595	(44,854)
Gain on disposal of financial instruments, net	(2,777,434)	(372,744)
Gain on disposal of properties, net	(1,419,542)	(1,109,707)
Provision for (repayment of) pension cost	(8,717)	(22,817)
Valuation loss on financial assets	41,982	4,225
Valuation loss (gain) on financial liabilities	(42,024)	47,136
Investment loss (income) recognized under equity-method	(555,652)	840,293
Cash dividends received from equity-method investee	334,066	541,229
Deferred income tax	(458,382)	(960,692)
Others	6,869	-
Changes in operating assets and liabilities		
Financial instruments held for trading	(536,352)	665,297
Accounts receivable	(502,513)	213,776
Accounts receivable from related parties	(1,352,930)	457,898
Other receivable from related parties	628,563	(587,828)
Shipping fuel	2,093,048	(1,399,075)
Prepaid expenses	(142,361)	140,366
Advances to shipping agents	775,200	285,787
Other current assets	14,675	(8,273)
Accounts payable	(1,542,637)	329,985
Income tax payable	19,148	(25,739)
Accrued expenses	(59,978)	(1,117,975)
Accrued expenses - related parties	1,063,425	290,869
Advances from customers	(1,691,984)	32,030
Payable to shipping agents	711,141	203,475
Payable to shipping agents - related parties	704,951	262,128
Other current liabilities	(156,853)	167,851
Advances on long-term rent agreements	31,572	2,969
	<u>(1,609,885)</u>	<u>(7,394,654)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(21,935,000)	(17,699,951)
Proceeds from disposal of available-for-sale financial assets	22,035,267	26,562,716
Acquisition of investments accounted for using equity method	(2,597,500)	-
Proceeds from disposal of investments accounted for using equity method	5,249,797	436,834
Acquisition of properties	(14,508,298)	(3,784,820)
Acquisition of assets leased to others	(689)	(7,802)

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Proceeds from disposal of properties	\$ 1,325,644	\$ 1,502,496
Increase in long-term receivable from related parties	(1,927,619)	(4,415,471)
Acquisition of computer software	(10,760)	(8,792)
Decrease in other assets	11,189	6,617
Decrease in refundable deposits	<u>616</u>	<u>1,179</u>
Net cash provided by (used in) investing activities	<u>(12,357,353)</u>	<u>2,593,006</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from commercial paper	1,599,505	3,546,359
Payment for commercial paper	(4,845,864)	(2,140,000)
Increase (decrease) in short-term debt	(2,638,672)	2,638,672
Proceeds from long-term debt	31,719,350	11,488,160
Repayment of long-term debt	(26,220,538)	(5,493,598)
Proceeds from issuance of bonds	15,694,000	6,451,280
Repayment of principal of bonds	(960,000)	(11,080,000)
Payment for other financial liabilities	(64,404)	-
Payments for obligations under capital leases	(83,697)	(85,587)
Increase in guarantee deposits received	35,905	5,020
Cash dividends paid	<u>-</u>	<u>(3,203,083)</u>
Net cash provided by financing activities	<u>14,235,585</u>	<u>2,127,223</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	268,347	(2,674,425)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,680,430</u>	<u>9,354,855</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,948,777</u>	<u>\$ 6,680,430</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 899,137</u>	<u>\$ 900,725</u>
Income tax paid	<u>\$ 143,375</u>	<u>\$ 194,733</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties into assets leased to others	<u>\$ 84,626</u>	<u>\$ 13,244</u>
Reclassification of advances on long-term rent agreements into properties	<u>\$ -</u>	<u>\$ 131,452</u>
Reclassification of investment into increase (deduction) to long-term receivables from related parties	<u>\$ 9,704</u>	<u>\$ (418,286)</u>
Current portion of long-term interest-bearing debts	<u>\$ 7,175,354</u>	<u>\$ 4,502,191</u>

(Continued)



YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties	\$ 13,421,968	\$ 7,508,157
Decrease in long-term receivables from related parties	-	(2,627,668)
Decrease (increase) in payables on equipment	<u>1,086,330</u>	<u>(1,095,669)</u>
Cash paid	<u>\$ 14,508,298</u>	<u>\$ 3,784,820</u>
Proceeds from disposal of properties	\$ 1,572,916	\$ 1,254,514
Increase (decrease) in advances from disposal of properties (included in other current liabilities)	<u>(247,272)</u>	<u>247,982</u>
Cash received	<u>\$ 1,325,644</u>	<u>\$ 1,502,496</u>
Proceeds from disposal of available-for-sale financial assets	\$ 22,035,267	\$ 26,008,003
Receivables from disposal of securities	-	554,713
Cash paid	<u>\$ 22,035,267</u>	<u>\$ 26,562,716</u>

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

(With Deloitte & Touche audit report dated March 26, 2013)

(Concluded)



YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(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 as of December 31, 2012 and 2011.

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, 2012 and 2011, the Corporation had 1,531 and 1,553 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.

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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



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

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

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

Available-for-sale Financial Assets

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

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

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

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

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

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 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 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 on the asset in prior years. A reversal of an impairment loss is recognized in earnings.

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



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

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the 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.

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, 2 to 16 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 3 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.

Convertible Bonds

For convertible bonds, the Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Corporation uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Transaction costs of convertible bonds, net of related income tax benefit, are allocated in proportion to the liability and equity components of the bonds.

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 Corporation applies the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles or charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not 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.

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, 2011 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2012.

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.

**4. CASH AND CASH EQUIVALENTS**

	December 31	
	2012	2011
Cash		
Petty cash and cash on hand	\$ 1,954	\$ 2,050
Checking accounts and demand deposits	2,298,372	5,301,677
Time deposits: Interest - 0.40% to 3.18% in 2012 and 0.29% to 1.80% in 2011	<u>3,658,451</u>	<u>1,376,703</u>
	5,958,777	6,680,430
Cash equivalents		
Repurchase agreements collateralized by bonds: Interest - 0.8%	<u>990,000</u>	<u>-</u>
	<u>\$ 6,948,777</u>	<u>\$ 6,680,430</u>

As of December 31, 2012 and 2011, the Corporation had no time deposits with maturity of over one year.

The overseas deposits as of December 31, 2012 and 2011 are summarized in the accompanying Schedule A and Schedule B.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**Financial Instruments at FVTPL**

	December 31	
	2012	2011
<u>Financial assets held for trading</u>		
Principal guaranteed notes	\$ 1,000,302	\$ -
Crude oil swap and oil swap option	34,028	15,484
Mutual fund	32,201	181,673
Quoted stocks	1,364	1,269
Forward exchange contracts	<u>-</u>	<u>51,743</u>
	<u>\$ 1,067,895</u>	<u>\$ 250,169</u>
<u>Financial liabilities held for trading</u>		
Crude oil swap and oil swap option	\$ 5,112	\$ -
Forward exchange contracts	<u>-</u>	<u>47,136</u>
	<u>\$ 5,112</u>	<u>\$ 47,136</u>

Principal guaranteed notes were held to link to TTT50 and interest was at rate range of commercial paper. Realized profit and loss arose from redemption were \$3,989 thousand and \$5,982 thousand for the year ended December 31, 2012 and 2011, respectively. The contract held as of December 31, 2012 had been settled by February 2013.

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, 2012 and 2011 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, 2012 had been settled.

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)

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\$10,022 thousand to US\$21,320 thousand and from US\$2,495 thousand to US\$12,628 thousand every month for the years ended December 31, 2012 and 2011, 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, 2012 were as follows:

	Due Date	Notional Amount	Unsettled Amount	
			Contract Amount	Fair Value
<u>December 31, 2012</u>				
Crude oil swap and oil swap option	2012.12.31	US\$272,018 thousand	US\$70,662 thousand	\$ 28,916

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

Net gains from financial assets held for trading were \$275,736 thousand and \$287,534 thousand for the years ended December 31, 2012 and 2011, respectively.

Net gains (losses) from financial liabilities held for trading were \$42,024 thousand and \$(47,136) thousand for the years ended December 31, 2012 and 2011, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2012	2011
Domestic quoted stocks	\$ 1,827,907	\$ 2,322,671
Mutual funds	5,004	-
Corporate bonds	-	60,580
	1,832,911	2,383,251
Less: Current portion	(63,955)	(157,904)
	<u>\$ 1,768,956</u>	<u>\$ 2,225,347</u>



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

7. SHIPPING FUEL

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Shipping fuel	<u>\$ 3,625,892</u>	<u>\$ 5,818,535</u>

As of December 31, 2012, the allowance for inventory devaluation was \$99,595 thousand.

The cost of shipping fuel recognized as operating cost for the years ended December 31, 2012 and 2011, was \$29,363,436 thousand and \$30,342,732 thousand, respectively. The cost of shipping fuel recognized as operating cost for the year ended December 31, 2012 included \$99,595 thousand, which were due to write down of shipping fuel. 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. Previous write-down had been reversed as a result of increased cost of shipping fuel in the market.

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>			
	<u>2012</u>		<u>2011</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.	\$ 372,188	9.76	\$ 381,369	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>	14.02
	<u>\$ 377,188</u>		<u>\$ 386,369</u>	

The Corporation recognized valuation loss on financial assets of \$9,181 thousand and \$25,271 thousand for the years ended December 31, 2012 and 2011, respectively.

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

	<u>December 31</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Kao Ming Container Terminal Corp.	\$ 4,193,616	60.00	\$ 4,218,853	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	3,882,727	100.00	3,517,151	100.00
Kuang Ming Shipping Corp.	3,547,036	86.57	4,070,974	86.57

(Continued)



	December 31			
	2012		2011	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
All Oceans Transportation, Inc.	\$ 3,074,750	100.00	\$ 3,420,972	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,921,867	100.00	1,887,746	100.00
Ching Ming Investment Co., Ltd.	1,510,949	100.00	1,464,818	100.00
Yang Ming Line Holding Co.	741,712	100.00	549,015	100.00
Yes Logistics Corp.	585,741	50.00	583,656	50.00
Yunn Wang Investment Co., Ltd.	141,818	49.75	172,322	49.75
Jing Ming Transportation Co., Ltd.	114,669	50.98	115,916	50.98
Honming Terminal & Stevedoring Co., Ltd.	113,529	79.17	115,640	79.17
Transyang Shipping Pte. Ltd.	75,277	49.00	78,265	49.00
Yang Ming (Liberia) Corp.	<u>(1,261,956)</u>	100.00	<u>(1,252,252)</u>	100.00
	18,641,735		18,943,076	
Add: Investment deducted from long-term receivables from related parties	<u>1,261,956</u>		<u>1,252,252</u>	
	<u>\$ 19,903,691</u>		<u>\$ 20,195,328</u>	

(Concluded)

Movements of the difference between the cost of investments and the Corporation's share in investees' net assets for the years ended December 31, 2012 and 2011 were as follows:

	Non-amortizing Assets	
	2012	2011
Balance, beginning of year	\$ 671	\$ 671
Additions	<u>-</u>	<u>-</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	
	2012	2011
Kao Ming Container Terminal Corp.	\$ 165,817	\$ 195,817
Yang Ming Line (B.V.I.) Holding Co., Ltd.	683,202	(1,137,995)
Kuang Ming Shipping Corp.	(361,920)	242,189
All Oceans Transportation, Inc.	(346,222)	(943,053)
Yang Ming Line (Singapore) Pte. Ltd.	174,258	163,030
Ching Ming Investment Co., Ltd.	42,740	(157,671)
Yang Ming Line Holding Co.	216,120	245,229
Yes Logistics Corp.	8,393	26,523
Yunn Wang Investment Co., Ltd.	7,050	10,721
Jing Ming Transportation Co., Ltd.	3,061	5,458
Honming Terminal & Stevedoring Co., Ltd.	5,806	8,775
Transyang Shipping Pte. Ltd.	15,459	16,790
Yang Ming (Liberia) Corp.	<u>(58,112)</u>	<u>483,894</u>
	<u>\$ 555,652</u>	<u>\$ (840,293)</u>



The Corporation committed to support the operation of Yang Ming (Liberia) Corp. and therefore the credit balance of \$1,261,956 thousand and \$1,252,252 thousand on this investment was reclassified as deduction of long-term receivables from related parties as of December 31, 2012 and 2011, 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 Port of Kaohsiung, Taiwan International Ports Corporation, Ltd. (formerly 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 \$2,700,000 thousand on August 28, 2008 and January 6, 2012, respectively. As of December 31, 2012, the Corporation had increased investment in Kao Ming Container Terminal Corp. for \$5,897,500 thousand. 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, 2012 the banks have allotted \$5,940,000 thousand.

In order to enrich the operating fund for the second-stage construction of Kaohsiung Intercontinental Container Terminal (expected to be completed in September 2014) and enhance the competitiveness of Kao Ming Container Terminal Corp., the Corporation's board of directors resolved on January 6, 2012 to dispose partial interests of Kao Ming Container Terminal Corp. held by the Corporation. According to the specifications of related BOT contracts, the accumulated disposal should not exceed 272,000 thousand shares (approximately equal to 40% of Kao Ming Container Terminal Corp.'s share capital). The disposal price will depend on Kao Ming Container Terminal Corp.'s operating performance and the market price at the time.

For the year ended December 31, 2012, the Corporation disposed of 272,000 thousand shares (approximately equal to 40% of Kao Ming Container Terminal Corp.'s current share capital) at an average price of \$19.30 per share, and recognized a disposal gain of \$2,462,554 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 year ended December 31, 2011, the Corporation disposed 13,700 thousand shares (approximately equal to 6.76% of Kuang Ming's current share capital) to specified persons and employees at an average price of \$31.89 per share, and recognized a disposal gain of \$83,501 thousand. As of December 31, 2012, the Corporation has disposed 27,594 thousand shares (approximately equal to 13.43% of Kuang Ming's current share capital) at an average price of \$28.88 per share and has recognized an accumulated 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, 2012 and 2011 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.

**11. ASSETS LEASED TO OTHERS, NET**

	December 31	
	2012	2011
Cost		
Land	\$ 3,004,810	\$ 2,920,184
Buildings	<u>1,212,994</u>	<u>1,212,305</u>
	4,217,804	4,132,489
Accumulated depreciation - buildings	<u>230,199</u>	<u>202,687</u>
	<u>\$ 3,987,605</u>	<u>\$ 3,929,802</u>

Future rental payments receivable were summarized as follows:

Fiscal Year	Amount
2013	\$ 115,120
2014	73,335
2015	56,331
2016	28,117
2017	5,176

Rentals after 2018 amount to \$88 thousand. The present value of those rentals, computed at an annual interest rate of 1.355%, is \$81 thousand.

12. NONOPERATING ASSETS, NET

	December 31	
	2012	2011
Cost		
Land	\$ 234,359	\$ 234,359
Buildings	<u>1,585</u>	<u>1,585</u>
	235,944	235,944
Accumulated depreciation - buildings	<u>1,585</u>	<u>1,585</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 Port of Kaohsiung, Taiwan International Ports Corporation Ltd. 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, 2012</u>			
Advances on long-term rent agreement	\$ <u>31,572</u>	\$ <u>662,850</u>	\$ <u>694,422</u>
<u>December 31, 2011</u>			
Advances on long-term rent agreement	\$ <u>31,572</u>	\$ <u>694,422</u>	\$ <u>725,994</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.

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, 2012</u>			
Long-term unsecured bank loans	\$ -	\$ 11,840,000	\$ 11,840,000
Long-term secured bank loans	3,912,738	12,287,145	16,199,883
Domestic privately placed unsecured bonds	-	9,885,989	9,885,989
Domestic privately placed secured mandatory convertible bonds	128,420	910,466	1,038,886
Domestic unsecured bonds	3,000,000	-	3,000,000
Domestic secured bonds	-	11,427,079	11,427,079
Capital leases	88,722	463,132	551,854
Other financial liabilities	<u>45,474</u>	<u>261,825</u>	<u>307,299</u>
	<u>\$ 7,175,354</u>	<u>\$ 47,075,636</u>	<u>\$ 54,250,990</u>

(Continued)



	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> (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 December 2012 will be repaid before May 2015. Interest rates were 1.170% to 1.815% and 1.100% to 1.544% on December 31, 2012 and 2011, 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 December 2022. Interest rates were 1.2548% to 2.315% and 1.2674% to 2.315% on December 31, 2012 and 2011, 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 Privately Placed Unsecured Bonds

The Corporation issued the first privately placed unsecured bonds with an aggregate face value of \$5,544,000 thousand on March 6, 2012 (the "March 6 2012 Bonds"), and issued the second privately placed unsecured bonds with an aggregate face value of \$4,350,000 thousand on March 30, 2012 (the "March 30 2012 Bonds").

The bond features and terms are as follows:

March 6 2012 bonds: Type A - aggregate face value of \$1,759,000 thousand and maturity on March 6, 2016. The principal will be repaid in a lump sum payment at maturity; 2.08% annual interest is repayable semiannually.

Type B - aggregate face value of \$3,785,000 thousand and maturity on March 6, 2017. The principal will be repaid in a lump sum on March 6, 2017; 2.18% annual interest is repayable semiannually.

March 30 2012 bonds: Type A - aggregate face value of \$1,550,000 thousand and maturity on March 30, 2016. The principal will be repaid in a lump sum on March 30, 2016; 2.08% annual interest is repayable semiannually.

Type B - aggregate face value of \$2,800,000 thousand and maturity on March 30, 2017. The principal will be repaid in a lump sum on March 30, 2017; 2.18% annual interest is repayable semiannually.



Domestic Privately Placed Secured Mandatory Convertible Bonds

The Corporation issued seven-year domestic privately placed secured mandatory convertible bonds with an aggregate face value of \$5,800,000 thousand; 3% annual interest is repayable annually. Bondholders could request to convert the bonds into the Corporation's common shares between September 28, 2012 and June 17, 2019. The bonds shall only be converted into the Corporation's common shares at the prevailing conversion price at the last day of the seven-year tenor. The initial conversion price is \$12.68 as of the date of issuance. According to SFAS No. 36, the Corporation divided the bonds into liability component and equity component to recognize capital surplus-equity component of mandatory convertible bonds of \$4,413,702 thousand. As of December 31, 2012, no bondholder requested to convert the bonds into the Corporation's common shares.

Guarantees:

Taiwan Bank and Taiwan Cooperative Commercial Bank guarantee were both \$1,650,000 thousand. The Land Bank of Taiwan guarantees for \$1,050,000 thousand. First Commercial Bank guarantees for \$550,000 thousand. Hua Nan Commercial Bank and Shanghai Commercial & Savings Bank guarantee were both \$450,000 thousand. According to performance guarantee agreements, the Corporation has to pay the bank guarantee on the date of issuance and each quarter thereafter. The guarantee payments are recognized as costs attributed to the issue of the bonds and are amortized over the issuance period. As of December 31, 2012, unamortized cost of issuance \$307,299 thousand was recognized as other financial liabilities.

According to performance guarantee agreements, the required financial ratios calculated on the basis of annual consolidated financial statements of the Corporation are as follows:

- a. Current ratio should not be less than 90%.
- b. Debt ratio should not be: Over 350% before the end of 2013; over 300% from 2014 to 2016; over 230% after 2017.
- c. Interest coverage ratio should not be less than 5 times.
- d. The net tangible assets value should be over \$30,000,000 thousand.

As of December 31, 2012, the Corporation had received waiver of the above b. to d. financial ratios. Meanwhile, the Corporation met the current ratio requirement based on the 2012 consolidated financial statements.

Domestic Unsecured Bonds

On various dates, the Corporation issued domestic unsecured bonds; the dates and the aggregate face values were as follows: \$2,400,000 thousand on November 20, 2000 (the "November 2000 Bonds"); \$6,000,000 thousand on October 23, 2006 (the "October 2006 Bonds").

Other bond features and terms were as follows:

November 2000 Bonds: Repayments: 20% - November 20, 2010, 40% - November 20, 2011, and 40% - November 20, 2012; 6.02% annual interest. As of November 29, 2012, 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, 2012 and 2011 unamortized cost of issuance amounted to \$13,836 thousand and \$14,790 thousand, respectively.



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, 2012 and 2011, unamortized cost of issuance amounted to \$59,085 thousand and \$48,720 thousand, respectively.

Domestic Unsecured Convertible Bonds

In order to repay long-term debts, on March 26, 2013, the board resolved to issue five-year, zero-coupon unsecured convertible bonds with an aggregate amount of no more than \$5,025,000 thousand.

Obligations under Capital Leases

Obligations under capital leases are summarized in Note 10.

**17. ACCOUNTS PAYABLE**

	December 31	
	2012	2011
Fuel	\$ 2,454,807	\$ 3,460,359
Space hire	<u>464,177</u>	<u>1,001,262</u>
	<u>\$ 2,918,984</u>	<u>\$ 4,461,621</u>

18. ACCRUED EXPENSES

	December 31	
	2012	2011
Container lease	\$ 516,197	\$ 543,377
Interest	138,273	86,255
Salary and bonus	65,962	134,496
Maintenance	51,266	75,490
Others	<u>270,394</u>	<u>262,452</u>
	<u>\$ 1,042,092</u>	<u>\$ 1,102,070</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

	2012	2011
Services cost	\$ 54,644	\$ 57,140
Interest cost	44,556	46,803
Projected return on plan assets	(12,861)	(12,226)
Unrecognized net transition obligation amortization	(328)	(328)
Unrecognized prior cost amortization	(1,544)	(1,544)
Unrecognized net loss	<u>26,453</u>	<u>19,683</u>
	110,920	109,528
Accounts receivable-related parties	<u>(21,230)</u>	<u>(19,153)</u>
Pension cost	<u>\$ 89,690</u>	<u>\$ 90,375</u>

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

	December 31	
	2012	2011
Benefit obligation		
Vested benefit obligation (VBO)	\$ 1,193,049	\$ 1,082,752
Non-vested benefit obligation	<u>651,566</u>	<u>637,469</u>
Accumulated benefit obligation (ABO)	1,844,615	1,720,221
Additional benefit based on future salaries	<u>552,037</u>	<u>533,505</u>
Projected benefit obligation	2,396,652	2,253,726
Fair value of plan assets	<u>(663,315)</u>	<u>(641,529)</u>
Plan funded status	1,733,337	1,612,197
Unrecognized net transition asset	34	362
Unrecognized prior service cost	28,386	29,930
Unrecognized pension cost	(647,515)	(540,760)
Additional minimum pension liability	<u>126,310</u>	<u>66,681</u>
Accrued pension cost	<u>\$ 1,240,552</u>	<u>\$ 1,168,410</u>
Vested benefit	<u>\$ 1,526,319</u>	<u>\$ 1,478,610</u>

3) Actuarial assumptions

	December 31	
	2012	2011
Discount rate	1.75%	2.00%
Future salary increase rate	2.50%	2.50%
Expected rate of return on plan assets	2.00%	2.00%



	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
4) Contributions to the fund	<u>\$ 18,091</u>	<u>\$ 65,785</u>
5) Payments from the fund	<u>\$ 2,592</u>	<u>\$ 4,789</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 \$41,361 thousand and \$47,685 thousand for the years ended December 31, 2012 and 2011, 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 \$22,286 thousand and \$5,372 thousand for the years ended December 31, 2012 and 2011, 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 2012, 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

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) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options 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 years ended December 31, 2012 and 2011.

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. 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.

On June 15, 2012, the Corporation's stockholders resolved to pass the proposal for offsetting the deficit from 2011 by the following:

Legal reserve	\$ 1,178,785
Special reserve	82,530
Capital surplus - issuance of common shares	<u>3,376,574</u>
	<u>\$ 4,637,889</u>

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.



The board of directors proposed to appropriate the 2012 earnings on March 26, 2013, as follows:

	Appropriation of Earnings
Legal capital reserve	\$ 5,144
Special reserve	46,291

The resolution to appropriate the 2012 earnings would be certain after the shareholders' meeting which planned to be held on June 14, 2013.

d. Unrealized gain or loss on financial instruments

For the years ended December 31, 2012 and 2011, 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>2012</u>				
Balance, beginning of year	\$ 23,402	\$ (29,412)	\$ 48,933	\$ 42,923
Recognized in shareholders' equity	(455,502)	(24,258)	(48,933)	(528,693)
Transferred to profit or loss	<u>(1,278)</u>	<u>-</u>	<u>-</u>	<u>(1,278)</u>
Balance, end of year	<u>\$ (433,378)</u>	<u>\$ (53,670)</u>	<u>\$ -</u>	<u>\$ (487,048)</u>
<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>

22. INCOME TAX

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

	Years Ended December 31	
	2012	2011
Income tax expense (benefit) at the statutory rate	\$ (41,912)	\$ (1,735,041)
Tax effect of adjusting items:		
Permanent differences	(408,710)	(84,585)
Temporary differences	(22,874)	132,825
Loss carryforwards provided	<u>473,496</u>	<u>1,686,801</u>
Income tax payable - current	<u>\$ -</u>	<u>\$ -</u>



b. Tax benefit was as follows:

	Years Ended December 31	
	2012	2011
Income tax payable - current	\$ -	\$ -
Overseas income tax	160,405	163,203
Deferred income tax expenses		
Temporary differences	19,252	(86,885)
Loss carryforwards	(317,634)	(1,773,807)
Adjustment to valuation allowance	(160,000)	900,000
Adjustment to prior years' taxes	<u>-</u>	<u>(9,758)</u>
	<u>\$ (297,977)</u>	<u>\$ (807,247)</u>

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

	December 31	
	2012	2011
Current		
Deferred income tax assets		
Unrealized exchange loss	\$ 26,626	\$ 6,954
Unrealized shipping fuel valuation losses	16,931	-
Others	<u>1,225</u>	<u>2,799</u>
	<u>\$ 44,782</u>	<u>\$ 9,753</u>
Noncurrent		
Deferred income tax assets		
Loss carryforwards	\$ 2,472,410	\$ 2,154,776
Deferred pension cost	134,419	128,107
Unrealized impairment loss on financial assets	10,026	10,026
Investment loss recognized on overseas equity-method investments	<u>242,217</u>	<u>229,743</u>
	2,859,072	2,522,652
Less: Valuation allowance	<u>(990,000)</u>	<u>(1,150,000)</u>
	<u>1,869,072</u>	<u>1,372,652</u>
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(936,562)	(859,356)
Differences in estimated service lives of ships	<u>(42,377)</u>	<u>(46,516)</u>
	<u>(978,939)</u>	<u>(905,872)</u>
	<u>\$ 890,133</u>	<u>\$ 466,780</u>

Loss carryforwards as of December 31, 2012 comprised of:

Unused Amount	Expiry Year
\$ 2,683,337	2019
9,246,258	2021
2,613,990	2022

The tax returns through 2010 had been assessed by the tax authorities.



d. Information about integrated income tax was as follows:

	December 31	
	2012	2011
Balance of the imputation credit account (ICA)	\$ 548,678	\$ 1,303,718
Unappropriated earnings generated before June 30, 1998	\$ -	\$ -

The estimated creditable ratio for distribution of earnings of 2012 was 20.48%.

For distribution of earnings generated on or after June 30, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of ICA as of the date of dividend distribution. The expected creditable ratio for the 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2012			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Personnel expenses				
Salary	\$ 545,975	\$ 831,271	\$ -	\$ 1,377,246
Insurance	38,456	74,434	-	112,890
Pension	60,897	92,440	-	153,337
Others	<u>58,368</u>	<u>110,049</u>	<u>-</u>	<u>168,417</u>
	<u>\$ 703,696</u>	<u>\$ 1,108,194</u>	<u>\$ -</u>	<u>\$ 1,811,890</u>
Depreciation	\$ 2,967,844	\$ 74,872	\$ 27,512	\$ 3,070,228
Amortization	-	16,065	333	16,398
	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



24. EARNINGS (LOSS) PER SHARE

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

	Amount (Numerator)		Shares (Denominator) (In Thousand Shares)	EPS (NT\$)	
	Before Income Tax	Net Income (Loss)		Income (Loss) Before Income Tax	Net Income (Loss)
<u>Year ended December 31, 2012</u>					
Basic EPS	\$ (246,542)	\$ 51,435	2,818,713	\$ (0.09)	\$ 0.02
Impact of dilutive potential common shares					
Domestic privately placed mandatory convertible bonds	<u>-</u>	<u>-</u>	<u>235,599</u>		
Diluted EPS	<u>\$ (246,542)</u>	<u>\$ 51,435</u>	<u>3,054,312</u>	<u>\$ (0.09)</u>	<u>\$ 0.02</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	<u>-</u>	<u>-</u>	<u>-</u>		
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>

The Corporation did not consider the potential shares of mandatory convertible bonds in the calculation of diluted EPS of loss before income tax for the year ended December 31, 2012 and bonus to employees' potential shares in the calculation of diluted EPS for the year ended December 31, 2011 due to their anti-dilutive effect.

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.

25. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 1,067,895	\$ 1,067,895	\$ 250,169	\$ 250,169
Available-for-sale financial assets - current	63,955	63,955	157,904	157,904
Derivative financial assets for hedging - current	-	-	49,161	49,161
				(Continued)



	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets - noncurrent	\$ 1,768,956	\$ 1,768,956	\$ 2,225,347	\$ 2,225,347
Financial assets carried at cost - noncurrent	377,188	-	386,369	-
Refundable deposits	322,079	322,079	322,695	322,695
Long-term receivables from related parties	25,619,983	25,619,983	23,702,068	23,702,068
Liabilities				
Financial liabilities at fair value through profit or loss - current	5,112	5,112	47,136	47,136
Derivative financial liabilities for hedging - current	-	-	229	229
Long-term unsecured bank loans	11,840,000	11,840,000	10,450,000	10,450,000
Long-term secured bank loans	16,199,883	16,199,883	12,091,071	12,091,071
Bonds payable	25,351,954	25,445,278	15,396,490	15,524,167
Obligations under capital lease	551,854	551,854	660,285	660,285
Other financial liabilities	307,299	307,299	-	-
Guarantee deposits received	94,572	94,572	58,667	58,667
				(Concluded)

Place of transaction:

Place of Transaction	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial asset				
Domestic	\$ 1,007,658	\$ 1,007,658	\$ -	\$ -
Overseas (including foreign institutions in Taiwan)	26,672	26,672	116,388	116,388
Financial liability				
Domestic	-	-	47,365	47,365
Overseas (including foreign institutions in Taiwan)	5,112	5,112	-	-

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

- 1) Cash and cash equivalents, 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, domestic private bonds payables, domestic privately placed mandatory convertible bonds, obligations under capital leases and other financial liabilities 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 and guarantee deposits received use carrying amounts to estimate their fair market values since the amounts refundable approximate the carrying amounts.
 - 6) Except for the domestic private placed bonds payables and domestic privately placed mandatory convertible bonds, the fair value of bonds payables 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	
	2012	2011	2012	2011
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 33,565	\$ 182,943	\$ 1,034,330	\$ 67,227
Available-for-sale financial assets - current	63,955	157,904	-	-
Available-for-sale financial assets - noncurrent	1,768,956	2,225,347	-	-
Derivative financial assets for hedging - current	-	-	-	49,161
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current	-	-	5,112	47,136
Bonds payable	14,536,683	15,524,167	10,908,595	-
Derivative financial liabilities for hedging - current	-	-	-	229

- d. Net gain (loss) on changes in fair value determined using valuation technique was \$(74,921) thousand and \$19,877 thousand for the years ended December 31, 2012 and 2011, respectively.
- e. Financial assets and liabilities affected by interest rate were as follows:

	December 31			
	2012		2011	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
<u>Risk of interest rate change</u>				
Fair value risk	\$ 4,620,951	\$ 26,211,106	\$ 1,398,051	\$ 21,941,805
Cash flow risk	2,283,948	28,039,884	5,201,301	22,541,072



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.

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.

For the year ended December 31, 2011, 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. The interest rate swap contracts had been settled in June 2011.

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'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.

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 loans, and long-term bank loans 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.

The interest rate swap contracts had been settled in June 2011.

The Corporation entered into crude oil swap and oil swap option contracts. However, as of the year ended December 31, 2012, crude oil swap and oil swap option contracts do not meet the criteria for hedge accounting. 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, 2012 and 2011 were as follows:

	Years Ended December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets	\$ 58,951	\$ 58,951	\$ 97,324	\$ 97,324

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2012 and 2011) for the years ended December 31, 2012 and 2011 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	Years Ended December 31			
	2012		2011	
	Gains (Losses) Recorded	Pro Forma Gains (Losses)	Gains (Losses) Recorded	Pro Forma Gains (Losses)
Available-for-sale financial assets	\$ 1,278	\$ (394)	\$ (43,391)	\$ (37,668)

26. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2012 and 2011 and the related balances, in addition to those mentioned in Notes 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	
	2012	2011
Salaries	\$ 26,059	\$ 26,874
Incentives	5,499	17,930
Bonus	-	-
	<u>\$ 31,558</u>	<u>\$ 44,804</u>



27. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2012	2011
Properties, net	\$ 14,363,050	\$ 5,822,187
Assets leased to others, net	<u>1,399,353</u>	<u>1,408,434</u>
	<u>\$ 15,762,403</u>	<u>\$ 7,230,621</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, 2012 were as follows:

- a. Leases of office premises, containers, ships, and container yard under operating lease agreements that will expire on various dates until September 2036. The total rental expense for the year ended December 31, 2012 was \$10,395,985 thousand. Refundable deposit made under the lease contract was \$320,915 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2013	\$ 6,966,378
2014	2,754,529
2015	2,508,249
2016	2,207,017
2017	1,809,681

Rentals after 2018 amount to \$473,417 thousand. The present value of those rentals, computed at an annual interest rate of 1.355%, is \$422,667 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.

- b. Leases of containers under capital lease agreements expiring on various dates until February 2018. Rental for the year ended December 31, 2012 was about \$83,697 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2013	\$ 120,414
2014	120,414
2015	120,414
2016	120,419
2017	155,662

Rentals after 2018 amount to \$50,412 thousand. The present value of those rentals, computed at an annual interest rate of 1.355%, is \$47,131 thousand.



- c. On December 27, 2011, the Corporation transferred from All Oceans Transportation one ship construction contract amounting to US\$116,239 thousand which were signed with CSBC Corporation, Taiwan. As of December 31, 2012, the Company and All Oceans have paid \$1,100,667 thousand.
- d. 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\$ 284,455
Yang Ming (Liberia) Corp.	Subsidiary	US\$ 644,170
Kuang Ming (Liberia) Corp.	Subsidiary	US\$ 168,274 and JPY 5,072,000
United Terminal Leasing LLC	Indirect equity-method investee	US\$ 8,204
West Basin Container Terminal LLC	Indirect equity-method investee	US\$ 18,640
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.

31. OTHERS

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

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 389,386	29.14	\$ 11,346,718	\$ 333,970	30.29	\$ 10,115,952
JPY	266,029	0.3385	90,041	1,118,344	0.3901	436,304
GBP	2,963	47.0742	139,480	5,801	46.6920	270,870
RMB	73,900	4.6761	345,561	43,754	4.8120	210,543
EUR	6,311	38.5260	243,133	5,114	39.1044	199,986
THB	85,402	0.9532	81,407	117,069	0.9585	112,216
HKD	13,075	3.7591	49,152	25,656	3.8989	100,028
INR	11,140	0.5321	5,928	81,500	0.5679	46,285
AED	5,512	7.9335	43,729	4,987	8.2469	41,124
MYR	15,079	9.5167	143,505	4,271	9.5417	40,751
AUD	4,839	30.2531	146,403	1,103	30.7231	33,873
Investments accounted for using equity method						
USD	183,926	29.14	5,359,627	157,805	30.29	4,779,925
Nonmonetary items						
USD	1,167	29.14	34,028	5,842	30.29	176,967
EUR	85	38.5260	3,275	2,594	39.1044	101,424
GBP	614	47.0742	28,926	1,719	46.6920	80,249
<u>Financial liabilities</u>						
Monetary items						
USD	251,850	29.14	7,338,906	252,938	30.29	7,661,481
RMB	191,023	4.6761	893,236	108,651	4.8120	522,826
JPY	974,173	0.3385	329,722	1,097,692	0.3901	428,247
HKD	90,937	3.7591	341,842	83,549	3.8989	325,746
EUR	8,008	38.5260	308,503	6,526	39.1044	255,209
KRW	4,786,312	0.0273	130,650	4,620,781	0.0261	120,747
THB	84,604	0.9532	80,647	90,483	0.9585	86,732
SAR	3,099	7.7702	24,078	6,023	8.0771	48,648
AED	7,525	7.9335	59,699	3,217	8.2469	26,526
BDT	104,008	0.3650	37,965	42,065	0.3702	15,571
Nonmonetary items						
USD	175	29.14	5,112	8	30.29	229

**SCHEDULE A****YANG MING MARINE TRANSPORT CORPORATION****OVERSEAS DEPOSITS
DECEMBER 31, 2012**

Country	Currency	Foreign-currency Amount (Thousands)	New Taiwan Dollar Exchange Rate	New Taiwan Dollar Amount (Thousands)
Japan	USD	\$ 6	29.14	\$ 167
	JPY	50,293	0.3385	17,022
Hong Kong	USD	2,809	29.14	81,840
	HKD	12,098	3.7591	45,478
	RMB	57,786	4.6761	270,209
United States	USD	15,054	29.14	438,682
Indonesia	USD	7	29.14	191
Malaysia	USD	59	29.14	1,728
	MYR	15,042	9.5167	143,150
Great Britain	USD	101	29.14	2,943
	GBP	853	47.0742	40,136
Germany	USD	284	29.14	8,283
	EUR	2,657	38.5260	102,370
Philippines	PHP	4,210	0.7096	2,987
Singapore	USD	45	29.14	1,304
	SGD	786	23.8247	18,725
India	INR	6,457	0.5321	3,436
Thailand	THB	85,876	0.9532	81,859
Korea	USD	1,204	29.14	35,079
	KRW	2,132,477	0.0273	58,217
Canada	USD	649	29.14	18,922
	CAD	6	29.2747	181
Australia	USD	128	29.14	3,732
	AUD	1,302	30.2531	39,395
Panama	USD	120	29.14	3,485
Dubai	AED	5,085	7.9335	40,339
Belgium	EUR	334	38.5260	12,854



SCHEDULE B**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

Name of Related Party	Charter Hire		Agency Income		Bunkers of Containers		Operating Revenues		Ship Management		Other Operating Expenses		Operating Costs		Operating Expenses		Financial Expenses		Non-operating Income and Losses		Others		Purchase Sale of Properties	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Yang Ming Shipping (HK) Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Yang Ming Assets Shipping Agency S.A.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming (Liberal) Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shanghai Insurance Pte. Ltd.	193,065	36	-	-	-	-	2,507	2	445	2	-	-	39,339	-	-	-	-	-	-	-	-	-	-	(555)
Yang Ming Cultural Pte. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Maritime Pte. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kao Ming Container Terminal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Shipping (Canada) Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming (US) LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yang Ming Shipping (Japan) S.A.E.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Total	\$ 193,065	36	\$ -	-	\$ -	-	\$ 2,507	2	\$ 445	2	\$ -	-	\$ 39,339	-	\$ -	-	\$ -							

Notes

- A. Subsidiary of the Corporation
- B. An equity-method investee of subsidiary of the Corporation
- C. More than half of the directors are identical
- D. An equity-method investee of the Corporation
- E. Supervisor of the Corporation
- F. Represents freight expense paid and held on behalf of Yangming (UK) Ltd.
- G. Including the amount of interest receivable, financing provided and proceeds from disposal of ships (Schedule E).
- H. Including the amount of interests receivable, dividends receivable, financing provided and proceeds from disposal of ships (Schedule E).
- I. The amount of financing provided which has deducted the credit balance of the Corporation long-term in Yang Ming (Liberia) Corp. (Schedule E).
- J. Including the amount of proceeds from disposal of ships and financing provided. (Schedule E).
- K. Has deducted the credit balance of the Corporation long-term in Yang Ming (Liberia) Corp.
- L. Receivables from disposal of ships from All Oceans Transportation Inc. and from Yang Ming (Liberia) Corp. will be offset by rental payable and the payment made for All Oceans Transportation Inc. periodically.
- M. Other related parties, with which the Corporation had no transactions for the year ended December 31, 2011, are listed in Schedule J.
- N. The original investment amount.
- O. The Corporation originally signed contract to rent ships with Morning 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 \$10,866 thousand for the year ended December 31, 2012 and 2011.

(Continued)

SCHEDULE E

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

FINANCING PROVIDED

DECEMBER 31, 2012

(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	Maximum Amount of Financing that Can Be Provided by the Financier
											Item	Value		
0	Yang Ming Marine Transport Corporation	Yang Ming (Liberia) Corp. All Oceans Transportation, Inc.	Other receivables Other receivables	\$ 7,000,000 9,516,896	\$ 7,000,000 7,800,000	1.9008% 1.9008%	1 1	\$ 102,13,508 13,155,170	Repayment of loans Obtain working capital	\$ - -	- -	9,874,091 9,874,091	\$ 16,456,819 16,456,819	
1	Yang Ming Line (Singapore) Pte. Ltd.	Yang Ming Marine Transportation Corp.	Other receivables	(US\$ 3,300)	96,162	-	2	-	Obtain working capital	-	-	119,059	238,119	
2	Yang Ming (America) Corp.	Olympic Container Terminal LLC	Other receivables	(US\$ 15,200)	442,928	2.0000%	2	442,928	Obtain working capital	-	-	472,068	524,520	
3	Yang Ming Shipping (B.V.) Inc.	Karlman Properties Limited	Other receivables	(HK\$ 5,300)	19,923	0.5000%	2	15,037	Repayment of loans	-	-	48,459	96,919	
4	Yang Ming Line B.V.	Antwerp International Terminal NV	Other receivables	(EUR 327)	12,583	1.1696%	2	12,583	Obtain working capital	-	-	13,111	17,482	
5	Kung Ming Shipping Corp.	Kung Ming (Liberia) Corp.	Other receivables	(US\$ 10,000)	291,400	1.3425%- 1.3805%	2	291,400	Obtain working capital	-	-	614,573	1,229,146	
6	Yang Ming Line (B.V.) Holding Co., Ltd.	Yang Ming Transportation Corp.	Other receivables	(GBP 1,900)	89,441	-	2	-	Obtain working capital	-	-	1,062,575	2,125,150	

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 a borrower 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 or the total amount of transactions between 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. The maximum financing amount is the 40% of the latest net assets audited or reviewed by CPA of the lender. For borrowers with transactions with the lender, maximum financing is 10% of the latest net assets audited or reviewed by CPA of the lender. For borrowers with short-term financing need, the maximum is the 30% of the latest net assets audited or reviewed by CPA of the lender.
- M. For borrowers with transactions with the lender, maximum financing is the lower of 50% of 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 50% of the financing amount.
- N. United States dollars, Great British Pounds, Euro dollars and Hong Kong dollars translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.14, US\$1 = GBP0.619023, US\$1 = EUR0.756372 and US\$1 = HK\$7.75185 as of December 31, 2012.
- O. The balance of actual financing provided as of December 31, 2012 was \$5,551,518 thousand.
- P. The balance of actual financing provided as of December 31, 2012 was \$2,896,785 thousand.
- Q. The balance of actual financing provided as of December 31, 2012 was \$348,223 (US\$11,950 thousand).
- R. The balance of actual financing provided as of December 31, 2012 was \$12,894 (HK\$3,430 thousand).
- S. The balance of actual financing provided as of December 31, 2012 was \$12,583 (EUR327 thousand).
- T. The balance of actual financing provided as of December 31, 2012 was \$84,506 thousand (US\$2,900 thousand).

(Concluded)

SCHEDULE F

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED

DECEMBER 31, 2012

(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	\$ 52,661,820 (Note B) 52,661,820 (Note B) 52,661,820 (Note B) 52,661,820 (Note B) 52,661,820 (Note B) 52,661,820 (Note B) 52,661,820 (Note B) 52,661,820 (Note B)	\$ 8,289,030 (US\$ 284,455) 7,541,590 (US\$ 168,274 and JPY 5,072,000) 18,771,114 (US\$ 644,170) 145,700 (US\$ 5,000) 1,500,000 311,011 (US\$ 10,673) 722,672 (US\$ 24,800) 145,704 (US\$ 5,000)	\$ 8,289,030 (US\$ 284,455) 6,620,194 (US\$ 168,274 and JPY 5,072,000) 18,771,114 (US\$ 644,170) 145,700 (US\$ 5,000) - 239,069 (US\$ 8,204) 543,170 (US\$ 18,640) 145,704 (US\$ 5,000)	\$ - - - - - - - -	25.18% 20.11% 57.03% 0.44% - 0.73% 1.65% 0.44%	\$ 65,827,276 (Note A) 65,827,276 (Note A) 65,827,276 (Note A) 65,827,276 (Note A) 65,827,276 (Note A) 65,827,276 (Note A) 65,827,276 (Note A) 65,827,276 (Note A)
1	Yang Ming Line Holding Co.	West Basin Container Terminal LLC	Equity-method investee of subsidiary	385,884 (Note D)	9,325 (US\$ 320)	5,434 (US\$ 186)	-	0.02%	482,355 (Note C)
2	Yang Ming Line (B.V.) Holding Co., Ltd.	Yang Ming (UK) Ltd.	Subsidiary	4,250,300 (Note F)	19,583 (GBP 416)	16,749 (GBP 356)	-	0.05%	5,312,875 (Note E)
3	All Oceans Transportation, Inc.	Yang Ming Marine Transport Corporation	Parent	25,495,731 (Note H)	12,466,000	12,466,000	12,466,000 (Note N)	37.87%	31,869,664 (Note G)
4	Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Subsidiary	6,555,446 (Note J)	3,948,490 (JPY 7,740,000 and US\$ 45,600)	3,948,490 (JPY 7,740,000 and US\$ 45,600)	-	12.00%	8,194,308 (Note I)
5	Kuang Ming (Liberia) Corp.	Kuang Ming Shipping Corp.	Parent	5,405,766 (Note L)	1,074,840 (US\$ 6,000 and NT\$ 900,000)	900,000	-	2.73%	6,757,208 (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=NT\$29.14, GBP1= NT\$47.07418, JPY1= NT\$0.338463 and HK\$1= NT\$3.759103 on December 31, 2012.
- N. Represents 14 ships used as guarantees, with carrying value of \$11,302,535 thousand as of December 31, 2012.

(Concluded)

SCHEDULE G

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2012
(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, 2012			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
Yang Ming Marine Transport Corporation	Common stock Kao Ming Container Terminal Corp.	Subsidiary	Investments accounted for by the equity method	408,000,000	\$ 4,193,616	60.00	\$ 4,193,616	
	Kuang Ming Shipping Corp.	Subsidiary	Investments accounted for by the equity method	177,920,000	3,547,036	86.57	3,547,036	
	Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	Investments accounted for by the equity method	10,351	3,882,727	100.00	3,882,727	
	All Oceans Transportation, Inc.	Subsidiary	Investments accounted for by the equity method	1,000	3,074,750	100.00	3,074,750	
	Yang Ming Line (Singapore) Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	60,130,000	1,921,867	100.00	1,921,867	
	Ching Ming Investment Corp.	Subsidiary	Investments accounted for by the equity method	160,650,000	1,510,949	100.00	1,510,949	
	Yes Logistics Corp.	Subsidiary	Investments accounted for by the equity method	60,000,000	585,741	50.00	586,412	
	Yang Ming Line Holding Co.	Subsidiary	Investments accounted for by the equity method	13,500	741,712	100.00	741,712	
	Yuan Wang Investment Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	5,211,474	141,818	49.75	141,818	
	Jing Ming Transportation Co., Ltd.	Subsidiary	Investments accounted for by the equity method	8,615,923	114,669	50.98	114,669	
	Honning Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for by the equity method	7,916,908	113,529	79.17	113,529	
	Transyang Shipping Pte. Ltd.	Equity-method investee	Investments accounted for by the equity method	1,345	75,277	49.00	75,277	
	Yang Ming (Liberia) Corp.	Subsidiary	Investments accounted for by the equity method	1	(1,261,956)	100.00	(1,261,956)	Note B
	Taipei Port Container Terminal Co., Ltd.	-	Financial asset carried at cost - noncurrent	41,000,000	372,188	9.76	-	
	United Stevedoring Corp.	-	Financial asset carried at cost - noncurrent	500,000	5,000	10.00	-	
	Antwerp International Terminal N.V.	-	Financial asset carried at cost - noncurrent	1,486,030	-	14.02	-	
	Taiwan Fertilizer Co., Ltd.	-	Financial assets at fair value through profit or loss - current	18,000	1,364	-	1,364	
	Taiwan Navigation Co., Ltd.	Governed by the MOTC	Available-for-sale financial asset - noncurrent	70,758,243	1,768,956	16.96	1,768,956	Note R
	China Steel Corp.	-	Available-for-sale financial assets - current	853,847	23,353	0.01	23,353	
	Greattek Electronics Inc.	-	Available-for-sale financial assets - current	482,698	11,730	0.09	11,730	
	Cathay Financial Holding Co., Ltd.	-	Available-for-sale financial assets - current	720,449	22,694	0.01	22,694	
	Aken International Co., Ltd.	-	Available-for-sale financial assets - current	25,614	1,174	0.02	1,174	

(Continued)



Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2012			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	-	Financial assets at fair value through profit or loss - current	85,008	\$ 3,275	-	\$ 3,275	
	BlackRock ICS GBP Liquidity Funds	-	Financial assets at fair value through profit or loss - current	614,472	28,926	-	28,926	
	Paradigm Pion Money Market Funds	-	Available-for-sale financial assets-current	445,915	5,004	-	5,004	
	Principal guaranteed notes Masterlink Principal Guaranteed Notes CAPITAL Principal Guaranteed Notes	-	Financial assets at fair value through profit or loss - current	-	100,078	-	100,078	
Yang Ming Line (B.V.)	Common stock Yang Ming Line N.V.	Subsidiary	Investments accounted for by the equity method	1,500,000	(1,884,798)	100.00	(1,884,798)	Note B
	Common stock Yang Ming Line B.V.	Subsidiary	Investments accounted for by the equity method	2,500	(1,886,880)	100.00	(1,886,880)	Note B
Yang Ming Line B.V.	Common stock Yang Ming (Belgium) N.V.	Subsidiary	Investments accounted for by the equity method	553	27,284	89.92	27,284	
	Yang Ming (Netherlands) B.V.	Subsidiary	Investments accounted for by the equity method	(Note C)	33,872	100.00	33,872	
	Yang Ming (Italy) S.p.A.	Subsidiary	Investments accounted for by the equity method	125,000	24,230	50.00	24,230	
	Yang Ming (UK) Ltd.	Subsidiary	Investments accounted for by the equity method	1,500,000	(2,171,919)	100.00	(2,171,919)	Note B
	Yang Ming Shipping Europe GmbH	Subsidiary	Investments accounted for by the equity method	(Note D)	126,587	100.00	126,587	
	Yang Ming Shipping (Egypt) S.A.E.	Equity-method investee	Investments accounted for by the equity method	24,500	34,039	49.00	34,039	
Yang Ming (Netherlands) B.V.	Common stock Yang Ming (Belgium) N.V.	Subsidiary	Investments accounted for by the equity method	62	3,059	10.08	3,059	
Yang Ming (Italy) S.p.A.	Common stock Yang Ming (Naples) S.r.l.	Subsidiary	Investments accounted for by the equity method	(Note E)	1,555	60.00	1,555	
	Common stock Cosstor Ltd.	Equity-method investee	Investments accounted for by the equity method	(Note F)	7,089	50.00	7,089	
Kuang Ming Shipping Corp.	Yes Logistic (UK) Limited	Subsidiary	Investments accounted for by the equity method	200	(3,676)	100.00	(3,676)	Note B
	Common stock Kuang Ming (Liberia) Corp.	Subsidiary	Investments accounted for by the equity method	2	3,378,604	100.00	3,378,604	
	Mutual fund Fuh Hwa Money Market	-	Available-for-sale financial assets - current	4,787,199	67,272	-	67,272	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2012			Note	
				Shares/Units	Carrying Value	% of Ownership		Market Value or Net Asset Value (Note A)
Yang Ming Line (Singapore) Pte. Ltd.	Common stock Yang Ming Shipping (B.V.I.) Inc.	Subsidiary	Investments accounted for by the equity method	510	\$ 216,446	51.00	\$ 216,446	
	Yang Ming Line (Hong Kong) Ltd.	Subsidiary	Investments accounted for by the equity method	510,000	(48,132)	51.00	(48,132)	
	Yang Ming Line (India) Pvt. Ltd.	Subsidiary	Investments accounted for by the equity method	300,000	16,973	60.00	16,973	
	Yang Ming (Korea) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	60,000	28,750	60.00	28,750	
	Young-Carrier Company Ltd.	Subsidiary	Investments accounted for by the equity method	910,000	244,585	91.00	244,585	
	Yangming (Japan) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	3,000	14,903	100.00	14,903	
	Yangming (Singapore) Pte Ltd.	Subsidiary	Investments accounted for by the equity method	1,000,000	73,429	100.00	73,429	
	Yang Ming Line (M) Sdn. Bhd.	Subsidiary	Investments accounted for by the equity method	1,000,000	37,308	100.00	37,308	
	Sunbright Insurance Pte. Ltd.	Subsidiary	Investments accounted for by the equity method	3,000,000	132,267	100.00	132,267	
	Yang Ming (Vietnam) Company Limited	Equity-method investee	Investments accounted for by the equity method	(Note G)	1,033	49.00	1,033	
	Fomosa International Development Corporation	Equity-method investee	Investments accounted for by the equity method	(Note H)	234,283	30.00	198,058	
	Yang Ming Anatolia Shipping Agency S.A.	Subsidiary	Investments accounted for by the equity method	50,000	42,190	50.00	42,190	
	Yang Ming (U.A.E.) LLC	Equity-method investee	Investments accounted for by the equity method	(Note I)	52,478	49.00	52,478	
	Yang Ming Shipping (B.V.I.) Inc.	Common stock Karliman Properties Limited	Subsidiary	Investments accounted for by the equity method	24,000,000	82,598	100.00	82,598
	Yangming (Japan) Co., Ltd.	Common stock Manwa & Co., Ltd.	Subsidiary	Investments accounted for by the equity method	200	3,457	100.00	3,457
Ching Ming Investment Corp.	Other Cash surrender Value in Insurance	-	Financial asset carried at cost - noncurrent	-	908	-	908	
	Common stock Yes Logistics Corp	Subsidiary	Investments accounted for by the equity method	55,630,977	542,936	46.36	542,936	
	Honing Terminal & Stevedoring Co., Ltd.	Subsidiary	Investments accounted for by the equity method	2,083,092	29,546	20.83	29,546	
	China Steel Corporation	-	A available-for-sale financial assets - current	7,458	204	-	204	
	Cathay Financial Holding Co., Ltd.	-	A available-for-sale financial assets - current	400,000	12,600	-	12,600	
	Fomosa Plastics Corporation	-	Financial assets at fair value through profit or loss - current	100,000	7,860	-	7,860	
	Far Eastern New Century Corporation	-	Financial assets at fair value through profit or loss - current	38,000	1,258	-	1,258	
	HTC Corporation	-	Financial assets at fair value through profit or loss - current	97,000	29,149	0.01	29,149	
	Phison Electronics Corp.	-	Financial assets at fair value through profit or loss - current	20,000	3,850	0.01	3,850	

(Continued)

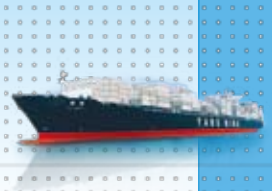


Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2012			Note
				Shares/Units	Carrying Value	% of Ownership	
Taiwan Navigation Co., Ltd.		Governed by the MOTC	Financial assets at fair value through profit or loss - current	355,000	\$ 8,875	0.09	\$ 8,875
Fubon Financial Holding Co., Ltd.		-	Financial assets at fair value through profit or loss - current	112,484	3,948	-	3,948
Yuanta Financial Holding Co., Ltd.		-	Financial assets at fair value through profit or loss - current	300,000	4,485	-	4,485
Mega Financial Holding Company		-	Financial assets at fair value through profit or loss - current	820,000	18,552	0.01	18,552
First Financial Holding Co., Ltd.		-	Financial assets at fair value through profit or loss - current	1,210,000	21,417	0.01	21,417
T.H.I. Global Holdings Corp.		-	Financial assets at fair value through profit or loss - current	64,000	1,210	0.09	1,210
Far Eastern Department Stores Co., Ltd.		-	Financial assets at fair value through profit or loss - current	100,000	3,015	0.01	3,015
Dynapack International Technology Corp.		-	Financial assets at fair value through profit or loss - current	20,000	2,290	0.01	2,290
Lotes Co., Ltd.		-	Financial assets at fair value through profit or loss - current	17,000	1,525	0.02	1,525
Prime OH Chemical Service Corp.		-	Financial assets at fair value through profit or loss - current	219,000	5,289	0.32	5,289
Ili Technology Corp.		-	Financial assets at fair value through profit or loss - current	20,000	1,830	0.03	1,830
Powertech Technology Inc.		-	Financial assets at fair value through profit or loss - current	213,000	10,000	0.03	10,000
Merida Industry Co., Ltd.		-	Financial assets at fair value through profit or loss - current	20,000	2,600	0.01	2,600
SF Technology Venture Capital Investment Corp.		-	Financial asset carried at cost - noncurrent	349,929	-	7.24	-
United Venture Capital Corp.		-	Financial asset carried at cost - noncurrent	1,710,720	-	9.04	-
Ascantek Venture Capital Corp.		-	Financial asset carried at cost - noncurrent	784,000	7,896	2.14	-
Kingmax Technology Corp.		-	Financial asset carried at cost - noncurrent	822,115	6,421	1.38	-
Mutual Fund							
Franklin Templeton Developing Markets Trust Fund		-	Available-for-sale financial assets - current	2,524	1,545	-	1,545
Fidelity Emerging Markets Fund		-	Available-for-sale financial assets - current	2,477	1,519	-	1,519
Hua Nan Global Infrastructure Fund-A		-	Available-for-sale financial assets - current	200,000	1,140	-	1,140
Allianz GIS RCM Little Dragons Fund		-	Available-for-sale financial assets - current	15,235	41,826	-	41,826
Eaistpring Investments Well Pool Money Market Fund		-	Financial assets at fair value through profit or loss - current	2,036,319	26,040	-	26,040
Yuanta India Fund		-	Financial assets at fair value through profit or loss - current	223,585	1,827	-	1,827
FSITC China Century Fund		-	Financial assets at fair value through profit or loss - current	632,645	5,150	-	5,150
Capital Chinese Golden Age Equity Fund		-	Financial assets at fair value through profit or loss - current	243,013	2,148	-	2,148
PineBridge Global Multi-Strategy High Yield Fund		-	Financial assets at fair value through profit or loss - current	1,263,515	15,092	-	15,092
PineBridge Global Emerging Market High Yield Bond Fund-A		-	Financial assets at fair value through profit or loss - current	860,274	10,630	-	10,630
Allianz Global Investors Rising Asia Fund		-	Financial assets at fair value through profit or loss - current	239,102	2,783	-	2,783

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2012			Market Value or Net Asset Value (Note A)	Note
				Shares/Units	Carrying Value	% of Ownership		
	UPAMC Great China Small-Middle Cap Fund		Financial assets at fair value through profit or loss - current	1,834,504	\$ 15,226	-	\$ 15,226	
	ING EMD & High Yield Bond Portfolio Fund-A		Financial assets at fair value through profit or loss - current	1,148,947	12,249	-	12,249	
	Easpring Investments Global High Yield Bond Fund-A		Financial assets at fair value through profit or loss - current	1,000,143	11,729	-	11,729	
	UPAMC Great China Fund		Financial assets at fair value through profit or loss - current	729,130	9,996	-	9,996	
	Pinebridge BRIC Infrastructure Equity Fund		Financial assets at fair value through profit or loss - current	623,609	5,245	-	5,245	
	Yuanta Greater China Small & Medium Cap Fund		Financial assets at fair value through profit or loss - current	628,332	4,895	-	4,895	
	FSITC Innovation Fund		Financial assets at fair value through profit or loss - current	200,200	2,068	-	2,068	
	Franklin Templeton SinoAm Natural Resources Equity Fund of Franklin Templeton SinoAm Emerging Trends Umbrella Fund		Financial assets at fair value through profit or loss - current	1,593,772	14,257	-	14,257	
	Jih Sun MIT Mainstream Fund		Financial assets at fair value through profit or loss - current	500,000	4,950	-	4,950	
	SinoPac Global Investment Grade Bond Fund		Financial assets at fair value through profit or loss - current	1,000,000	10,631	-	10,631	
	Allianz Global Investors Asian Smaller Companies Fund		Financial assets at fair value through profit or loss - current	247,323	2,248	-	2,248	
	Taishin Latin America Equity Fund		Financial assets at fair value through profit or loss - current	500,000	4,200	-	4,200	
	Manulife Asia Pacific Middle and Small Cap Fund		Financial assets at fair value through profit or loss - current	1,400,561	20,014	-	20,014	
	UPAMC Global Fixed Income Selection Fund		Financial assets at fair value through profit or loss - current	2,677,926	30,050	-	30,050	
	Fuh Hua Emerging Market High Yield Bond Fund-A		Financial assets at fair value through profit or loss - current	915,751	10,009	-	10,009	
	Taishin India Fund		Financial assets at fair value through profit or loss - current	500,000	4,850	-	4,850	
	Jih Sun Small Cap Fund		Financial assets at fair value through profit or loss - current	139,491	1,825	-	1,825	
	Easpring Investments China Fund (formerly PCA China Fund)		Financial assets at fair value through profit or loss - current	1,325,160	15,120	-	15,120	
	FSITC Global High Yield Bond Fund-A		Financial assets at fair value through profit or loss - current	738,951	10,050	-	10,050	
	Taishin China Equity Fund		Financial assets at fair value through profit or loss - current	788,349	14,782	-	14,782	
	UPAMC Asia Pacific Fund		Financial assets at fair value through profit or loss - current	497,808	10,006	-	10,006	
	Aberdeen Global-Emerging Markets Smaller Companies Fund		Financial assets at fair value through profit or loss - current	5,409	2,952	-	2,952	
	Hwa Nan Global Luxury Goods Fund		Financial assets at fair value through profit or loss - current	188,147	1,994	-	1,994	
	Franklin Templeton SinoAm Global High Yield Bond Fund-Accu.		Financial assets at fair value through profit or loss - current	1,458,663	15,514	-	15,514	
	Cathay Value and Superior Fund		Financial assets at fair value through profit or loss - current	459,137	5,005	-	5,005	
	Easpring Emerging Asia Local Currency Bond Fund-A		Financial assets at fair value through profit or loss - current	957,313	10,035	-	10,035	
	Shin Kong Cross Straight Selective Fund		Financial assets at fair value through profit or loss - current	2,112,786	20,156	-	20,156	
	HSBC Global Income Bond Fund		Financial assets at fair value through profit or loss - current	1,468,048	17,319	-	17,319	
	JPM (Taiwan) Emerging Markets Debt Fund-Accu.		Financial assets at fair value through profit or loss - current	918,814	10,287	-	10,287	

(Continued)



Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2012			Market Value or Net Asset Value (Note A)	Note	
				Shares/Units	Carrying Value	% of Ownership			
Yes Logistics Corp.	Allianz Global Investors Biotech Fund		Financial assets at fair value through profit or loss - current	1,10,132	1,892	-	\$ 1,892		
	Mineae Asset Global Dynamic Bond Fund-A		Financial assets at fair value through profit or loss - current	500,000	5,191	-	5,191		
	Jih Sun Asian High Yield Bond Fund-A		Financial assets at fair value through profit or loss - current	1,892,189	20,405	-	20,405		
	Capital Global Emerging Market Bond Fund-A		Financial assets at fair value through profit or loss - current	100,000	1,027	-	1,027		
	Allianz Global Investors Taiwan Fund		Financial assets at fair value through profit or loss - current	1,426,312	15,019	-	15,019		
	Mineae Asset Asia High Income Bond Fund		Financial assets at fair value through profit or loss - current	1,320,377	14,147	-	14,147		
	Fubon Strategic High Income Fund-A		Financial assets at fair value through profit or loss - current	1,393,342	15,328	-	15,328		
	Allianz Global Investors All Seasons Return Fund of Bond Funds		Financial assets at fair value through profit or loss - current	1,826,038	25,244	-	25,244		
	Reliance Chinese Selected Growth Equity Fund		Financial assets at fair value through profit or loss - current	1,248,751	10,002	-	10,002		
	Franklin Templeton Sino-Am China Consumption Fund		Financial assets at fair value through profit or loss - current	2,328,542	22,121	-	22,121		
	HSBC Asian High Yield Bond Fund-A		Financial assets at fair value through profit or loss - current	1,358,975	15,106	-	15,106		
	Hua Nan Bric High Yield Bond Fund-A		Financial assets at fair value through profit or loss - current	386,262	4,057	-	4,057		
	EaSpring Investments Global High Yield Bond Fund-A		Financial assets at fair value through profit or loss - current	4,000,000	39,955	-	39,955		
	Franklin Templeton Sino-Am Emerging Countries Fixed Income Fund		Financial assets at fair value through profit or loss - current	14,388	5,067	-	5,067		
	ING Asia Pacific Multi High Yield Bond Fund-Accu.		Financial assets at fair value through profit or loss - current	883,744	10,072	-	10,072		
	Franklin Templeton Sino-Am Aggressive Return Bond Fund-Accu.		Financial assets at fair value through profit or loss - current	2,478,031	27,059	-	27,059		
	Jih Sun Golden Brands Fund of Funds		Financial assets at fair value through profit or loss - current	519,054	5,011	-	5,011		
	Jih Sun Neo Taiwan Enterprises Fund		Financial assets at fair value through profit or loss - current	220,264	4,980	-	4,980		
	Pinebridge Global Emerging Market Investments Strategy Bond Fund-A		Financial assets at fair value through profit or loss - current	925,138	10,010	-	10,010		
	Common stock								
	Yes Yangming Logistics (Singapore) Pte. Ltd.		Subsidiary	Investments accounted for by the equity method	1,471,304	35,324	100.00	35,324	
	Yes Logistics Corp.		Subsidiary	Investments accounted for by the equity method	5,460,000	118,280	100.00	118,280	
	Chang Ming Logistics Company Limited		Equity-method investee	Investments accounted for by the equity method	(Note J)	341,015	49.00	341,015	
	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								
Allianz Global Investors All Seasons Return Fund of Bond Funds		-	Financial assets at fair value through profit or loss - current	3,939,024	54,455	-	54,455		
Allianz All Seasons Harvest Fund of Bond Funds-A			Financial assets at fair value through profit or loss - current	3,661,664	40,636	-	40,636		
HSBC Global Fund of Bond Funds			Financial assets at fair value through profit or loss - current	1,175,216	14,678	-	14,678		

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Value	% of Ownership	Market Value or Net Asset Value (Note A)	
	UPAMC Global Fixed Income Selection Fund		Financial assets at fair value through profit or loss - current	3,005,741	\$ 33,728	-	\$ 33,728	
	Manulife Asia Pacific Bond Fund		Financial assets at fair value through profit or loss - current	1,985,263	22,433	-	22,433	
	Hua Nan Global Henry Fund		Financial assets at fair value through profit or loss - current	2,203,092	29,716	-	29,716	
	Fuh Hwa Emerging Market High Yield Bond Fund		Financial assets at fair value through profit or loss - current	640,439	7,000	-	7,000	
	Yuanta Global Wealthy Countries Bond Securities Investment Trust Fund		Financial assets at fair value through profit or loss - current	688,373	7,000	-	7,000	
	Capital Money Market Fund		Financial assets at fair value through profit or loss - current	319,244	5,000	-	5,000	
	Sinopac Dragon Fixed Income (US\$)		Financial assets at fair value through profit or loss - current	258,006	79,424	-	79,424	
YES Yangmng Logistics (Singapore) Pte. Ltd.	Common stock Yes Logistics Benelux B.V.	Subsidiary	Investments accounted for by the equity method	12,600	3,325	70.00	3,325	
	Yes Logistics (Netherlands) B. V.	Subsidiary	Investments accounted for by the equity method	(Note K)	2,418	100.00	2,418	
	Yes Logistics Company Ltd.	Subsidiary	Investments accounted for by the equity method	29,000,000	29,630	100.00	29,630	
Yes Logistics Corp.	Common stock Yes Logistics Europe GmbH	Subsidiary	Investments accounted for by the equity method	(Note L)	12,983	100.00	12,983	
	Golden Logistics USA Corporation	Subsidiary	Investments accounted for by the equity method	100	540	100.00	540	
	Yes Logistics (Shanghai) Corp.	Subsidiary	Investments accounted for by the equity method	(Note M)	62,207	100.00	62,207	
Yang Ming Line Holding Co.	Common stock Yang Ming (America) Corp.	Subsidiary	Investments accounted for by the equity method	5,000	97,647	100.00	97,647	
	Olympic Container Terminal LLC	Subsidiary	Investments accounted for by the equity method	(Note N)	(297,252)	100.00	(297,252)	Note B
	Triumph Logistics, Inc.	Subsidiary	Investments accounted for by the equity method	200	(4,777)	100.00	(4,777)	Note B
	Topline Transportation, Inc.	Subsidiary	Investments accounted for by the equity method	100	1,020	100.00	1,020	
	Coastal Tarheel Express, Inc.	Subsidiary	Investments accounted for by the equity method	100	6,929	100.00	6,929	
	Transocean Intermodal Logistics, Inc.	Subsidiary	Investments accounted for by the equity method	200	14,009	100.00	14,009	
	Yang Ming Shipping (Canada) Ltd.	Subsidiary	Investments accounted for by the equity method	1,000	26,619	100.00	26,619	
	West Basin Container Terminal LLC	Equity-method investee	Investments accounted for by the equity method	(Note O)	818,414	40.00	818,414	
	United Terminal Leasing LLC	Equity-method investee	Investments accounted for by the equity method	(Note P)	181,964	40.00	181,964	

Notes:

A. Market values were based on closing prices at December 31, 2012 or the net asset value of the fund on December 31, 2012, 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.

(Continued)



- 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.
- 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 US\$1,000,000, and no shares were issued.
- O. This is equivalent to US\$3,800,000, and no shares were issued.
- P. This is equivalent to US\$1,000,000, and no shares were issued.
- Q. 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.
- R. More than half of the directors are identical.

(Concluded)

SCHEDULE II

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-UP CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Except Shares/Units)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Change of Carrying Value Accounted for Using the Equity Method	Ending Balance				
					Shares	Amount	Shares	Amount	Shares	Amount		Shares	Amount			
Yang Ming Marine Transport Corp.	Commanstock Kao Ming Container Terminal Co., Ltd.	Investments accounted for using equity method	-	Subsidiary	410,000,000	\$ 4,218,853	270,000,000	\$ 2,597,500	272,000,000	\$ 5,249,797	\$ 2,787,243	\$ 2,462,854	408,000,000	\$ 4,193,616		
		Financial assets at fair value through profit or loss - current	-	-	2,593,680	101,224	8,861,328	349,727	11,370,000	447,876	447,876	-	85,008	3,275		
		Financial assets at fair value through profit or loss - current	-	-	1,718,698	802,49	14,945,774	703,903	16,050,000	755,226	755,226	-	61,4472	28,926		
		Available-for-sale financial assets - current	-	-	-	-	123,555,089	1,930,000	1,930,428	1,930,000	1,930,428	428	-	-		
		Available-for-sale financial assets - current	-	-	-	-	104,134,509	1,430,000	1,430,000	1,430,000	1,430,000	1,521	-	-		
		Available-for-sale financial assets - current	-	-	-	-	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	-	-		
		Available-for-sale financial assets - current	-	-	-	-	114,300,114	1,600,000	1,600,000	1,600,000	1,600,000	334	-	-		
		Available-for-sale financial assets - current	-	-	-	-	120,916,665	1,460,000	1,460,000	1,460,000	1,460,000	647	-	-		
		Available-for-sale financial assets - current	-	-	-	-	163,752,956	2,090,000	2,090,000	2,090,000	2,090,000	453	-	-		
		Available-for-sale financial assets - current	-	-	-	-	153,819,659	2,200,000	2,200,000	2,200,000	2,200,000	476	-	-		
		Available-for-sale financial assets - current	-	-	-	-	26,165,940	400,000	400,000	400,000	400,000	58	-	-		
		Available-for-sale financial assets - current	-	-	-	-	34,100,132	500,000	500,000	500,000	500,000	178	-	-		
		Available-for-sale financial assets - current	-	-	-	-	139,557,294	2,200,000	2,200,458	2,200,000	2,200,458	458	-	-		
		Available-for-sale financial assets - current	-	-	-	-	138,445,088	2,100,000	2,100,496	2,100,000	2,100,496	496	-	-		
		Available-for-sale financial assets - current	-	-	-	-	11,124,158	180,000	180,017	180,000	180,017	17	-	-		
		Available-for-sale financial assets - current	-	-	-	-	9,485,511	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-		
		Available-for-sale financial assets - current	-	-	-	-	445,915	5,000	-	-	445,915	-	-	5,000		
		Financial assets at fair value through profit or loss - current	-	-	-	-	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	3,297	-	-		
		Financial assets at fair value through profit or loss - current	-	-	-	-	100,000	100,000	-	-	-	-	-	100,000		
		Financial assets at fair value through profit or loss - current	-	-	-	-	1,700,000	1,700,000	-	-	800,692	800,000	692	-		
		Available-for-sale financial assets - current	-	-	-	-	126,711	263,000	6,282	130,195	121,853	8,342	-	11,140		
		Ching Ming Investment Corp.	Commanstock Cunby Financial Holding Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	3,874,966	-	-	-	3,737,966	-	-	-	400,000	-
				Financial assets at fair value through profit or loss - current	-	-	5,006,749.20	65,703	16,603,358.90	218,418	21,620,408.10	284,827	284,121	706	-	
Financial assets at fair value through profit or loss - current	-			-	5,457,788.93	71,024	16,568,069.40	216,566	22,025,858.33	288,448	287,590	858	-			
Financial assets at fair value through profit or loss - current	-			-	1,405,317.57	20,073	12,928,208.20	184,994	14,337,525.77	205,282	205,067	215	-			
Financial assets at fair value through profit or loss - current	-			-	-	-	11,027,516.30	151,499	11,027,516.30	151,722	151,499	223	-			
Kao Ming Container Terminal Co., Ltd.	Mutual fund Mega Diamond Money Market Fund	Available-for-sale financial assets - current	-	-	8,385,744.24	100,000	-	-	8,385,744.24	101,335	100,000	-	-			
		Available-for-sale financial assets - current	-	-	-	-	-	-	-	-	-	-	-			

Notes:
A. Represent the investment income recognized under equity method \$165,817 thousand, unrealized loss on financial instruments increased \$1,311 thousand.
B. Carrying value is the original acquisition amount.



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, 2012
(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	\$ 21,330,421 (Note D)	-	-	\$ -	-	\$ -
	Yang Ming (Liberia) Corp.	A	4,289,562 (Note E)	-	-	-	-	-
	Young-Carrier Company Limited	A	678,309	-	-	-	599,922	-
	Yang Ming (America) Corp.	A	323,153	-	-	-	323,153	-
	Yangming (Japan) Co., Ltd.	A	276,747	-	-	-	211,648	-
	Yang Ming Line (Hong Kong) Ltd.	A	151,300	-	-	-	151,300	-
	Yang Ming (Italy) S.P.A.	A	118,205	-	-	-	118,205	-
	Yang Ming Shipping (Canada) Ltd.	A	111,526	-	-	-	43,146	-
	Yang Ming (Korea) Ltd.	A	107,601	-	-	-	107,601	-
All Oceans Transportation, Inc.	Yang Ming (Liberia) Corp.	B	6,554,163 (Note F)	-	-	-	-	-
Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	B	157,691	-	-	-	157,691	-
Young-Carrier Company Limited	Yang Ming Marine Transport Corporation	C	892,131	-	-	-	892,131	-
Yang Ming Line (Hong Kong) Ltd.	Yang Ming Marine Transport Corporation	C	284,801	-	-	-	284,801	-
Kao Ming Container Terminal Corp.	Yang Ming Marine Transport Corporation	C	102,261	-	-	-	102,261	-
Yang Ming (America) Corp.	Olympic Container Terminal LLC	B	348,223 (Note G)	-	-	-	-	-
	Yang Ming Marine Transport Corporation	C	425,451	-	-	-	425,451	-
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Yangming (UK) Ltd.	A	2,818,426 (Note H)	-	-	-	88,102	-
Yang Ming Shipping (B.V.I.) Inc.	Yang Ming Line (Hong Kong) Ltd.	B	306,363	-	-	-	297,920	-
Yangming (UK) Ltd.	Yang Ming Marine Transport Corporation	C	1,038,210 (Note I)	-	-	-	125,060	-
	Young-Carrier Company Limited	B	287,768	-	-	-	278,341	-

(Continued)

Notes:

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

(Concluded)



SCHEDULE J

YANG MING MARINE TRANSPORT CORPORATION AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A) December 31, 2012	Investment Amount (Note A) December 31, 2011	Balance as of December 31, 2012 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	\$ 3,882,727	\$ 683,202	\$ 683,202	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	1,921,867	174,258	174,258	Subsidiary
Ching Ming Investment Corp.	Ching Ming Investment Corp.	Taipei, Taiwan	Investment	1,500,013	1,500,013	160,650,000	100.00	1,510,949	42,740	42,740	Subsidiary
	All Oceans Transportation, Inc.	Monrovia, Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,235	3,235	1,000	100.00	3,074,750	(346,222)	(346,222)	Subsidiary
	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	593,404	593,404	60,000,000	50.00	585,741	16,786	8,393	Subsidiary
	Kuang Ming Shipping Corp.	Taipei, Taiwan	Shipping service, shipping agency and forwarding agency	3,587,496	3,587,496	177,920,000	86.57	3,547,036	(418,050)	(361,920)	Subsidiary
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	79,273	79,273	7,916,908	79.17	113,529	7,333	5,806	Subsidiary
	Jing Ming Transportation Co., Ltd.	Kaohsiung, Taiwan	Container transportation	35,844	35,844	8,615,923	50.98	114,669	6,004	3,061	Subsidiary
	Yang Ming Line Holding Co.	Wilmington, USA	Investment, shipping agency, forwarding agency and shipping managers	143,860	143,860	13,500	100.00	741,712	216,120	216,120	Subsidiary
	Yang Ming (Liberia) Corp.	Republic of Liberia	Shipping agency, forwarding agency and shipping managers	3,378	3,378	1	100.00	(1,261,956) (Note M)	(58,112)	(58,112)	Subsidiary
	Kao Ming Container Terminal Corp.	Kaohsiung, Taiwan	Terminal operation and stevedoring	4,018,500	4,100,000	408,000,000	60.00	4,193,616	174,318	165,817	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	75,277	31,549	15,459	Equity-method investee
Ching Ming Investment Corp.	Yuan Wang Investment Co., Ltd.	Taipei, Taiwan	Investment	179,810	179,810	5,211,474	49.75	141,818	14,171	7,050	Equity-method investee
	Honming Terminal & Stevedoring Co., Ltd.	Kaohsiung, Taiwan	Terminal operation and stevedoring	24,988	24,988	2,083,092	20.83	29,546	7,333	-	Subsidiary
Yang Ming Line Holding Co.	Yes Logistics Corp.	Taipei, Taiwan	Warehouse operation and forwarding agency	548,286	548,286	55,630,977	46.36	542,936	16,786	-	Subsidiary
	Yang Ming (America) Corp.	New Jersey, U.S.A.	Shipping agency, forwarding agency and shipping managers	17,305	17,305	5,000	100.00	97,647	31,503	-	Subsidiary
	Olympic Container Terminal LLC	U.S.A.	Terminal operation and stevedoring	31,530	31,530	(Note Q)	100.00	(297,252) (Note E)	(25,183)	-	Subsidiary
	Triumph Logistics, Inc.	U.S.A.	Container transportation	1,699	1,699	200	100.00	(4,777) (Note E)	6,849	-	Subsidiary
	Topline Transportation Inc.	U.S.A.	Container transportation	4,860	4,860	100	100.00	1,020 (Note E)	4,717	-	Subsidiary
	Coastal Tarheel Express Inc.	U.S.A.	Container transportation	2,430	2,430	100	100.00	(Note E)	869	-	Subsidiary
	Transcont Intermodal Logistics, Inc.	U.S.A.	Inland forwarding agency	2,444	2,444	200	100.00	14,009	2,943	-	Subsidiary
	Yang Ming Shipping (Canada) Ltd.	Canada	Shipping agency, forwarding agency and shipping managers	2,981	2,981	1,000	100.00	26,619	1,519	-	Subsidiary
	West Basin Container Terminal LLC	Los Angeles, USA	Terminal operation and stevedoring	132,050	132,050	(Note F)	40.00	818,414	223,715	-	Equity-method investee
	United Terminal Leasing LLC	Los Angeles, USA	Terminal operation and machine lease	34,750	34,750	(Note G)	40.00	182,927	88,188	-	Equity-method investee
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	(1,884,798) (Note E)	40,868	-	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	(1,886,880) (Note E)	411,175	-	Subsidiary
Yang Ming Line B.V.	Yang Ming (Belgium) N.V.	Belgium	Shipping agency	8,614	8,614	553	89.92	27,284	11,538	-	Subsidiary
	Yang Ming (Netherlands) B.V.	Amsterdam, The Netherlands	Shipping agency	820	820	(Note I)	100.00	35,872	18,400	-	Subsidiary
Yang Ming (Italy) S.p.A.	Yang Ming (Italy) S.p.A.	Genova, Italy	Shipping agency	4,319	4,319	125,000	50.00	24,230	3,216	-	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount (Note A) December 31, 2012	Investment Amount (Note A) December 31, 2011	Shares	Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
	Yang Ming (UK) Ltd.	London, U.K.	Shipping agency, forwarding agency and shipping managers	\$ 70,709	\$ 42,408	\$ 1,500,000	100.00	\$ (2,171,919) (Note E)	\$ 352,450	\$ -	Subsidiary
	Yang Ming Shipping Europe GmbH	Hamburg, Germany	Shipping agency, forwarding agency and shipping managers	29,697	29,697	(Note B)	100.00	126,387	11,495	-	Subsidiary
	Yang Ming Shipping (Egypt) S.A.E.	Egypt	Shipping agency, forwarding agency and shipping managers	14,149	14,149	24,500	49.00	34,039	31,278	-	Equity-method investee
Yang Ming (Netherlands) B.V.	Yang Ming (Belgium) N.V.	Belgium	Forwarding agency	1,900	1,900	62	10.08	3,059	11,538	-	Subsidiary
Yang Ming (UK) Ltd.	Yes Logistic UK Limited	U.K.	Forwarding agency	-	-	200	100.00	(3,676) (Note E)	-	-	Subsidiary
	Costor Ltd.	U.K.	Forwarding agency and shipping managers	25	25	(Note C)	50.00	7,089	4,693	-	Equity-method investee
Yang Ming (Italy) S.p.A.	Yang Ming (Naples) S.r.l.	Naples, Italy	Forwarding agency	238	238	(Note K)	60.00	1,555	(344)	-	Subsidiary
Yang Ming Line (Singapore) Pte Ltd.	Yang Ming Shipping (B.V.I.) Inc.	British Virgin Islands	Forwarding agency and shipping agency	16	16	510	51.00	216,446	25,630	-	Subsidiary
	Yang Ming Line (Hong Kong) Ltd.	Hong Kong	Forwarding agency and shipping agency	2,138	2,138	510,000	51.00	(48,132) (Note F)	14,642	-	Subsidiary
	Yang Ming Line (India) Pvt. Ltd.	India	Shipping agency, forwarding agency and shipping managers	2,228	2,228	300,000	60.00	16,973	12,874	-	Subsidiary
	Yang Ming (Korea) Co., Ltd.	Korea	Shipping agency, forwarding agency and shipping managers	10,107	10,107	60,000	60.00	28,750	8,735	-	Subsidiary
	Young-Carrier Company Ltd.	Hong Kong	Investment, shipping agency, forwarding agency and shipping managers	3,229	3,229	910,000	91.00	244,585	4,854	-	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	14,903	(10,360)	-	Subsidiary
	Yangming Shipping (Singapore) Pte Ltd.	Singapore	Shipping agency, forwarding agency and shipping managers	18,851	18,851	1,000,000	100.00	73,429	19,607	-	Subsidiary
	Yang Ming Line (M) Sdn. Bhd.	Malaysia	Shipping agency, forwarding agency and shipping managers	10,727	10,727	1,000,000	100.00	37,308	3,674	-	Subsidiary
	Subright Insurance Pte. Ltd.	Singapore	Insurance	32,440	32,440	3,000,000	100.00	132,267	44,648	-	Subsidiary
	Yang Ming Anatolia Shipping Agency Corporation	Turkey	Shipping agency, forwarding agency and shipping managers	1,077	1,077	50,000	50.00	42,190	56,016	-	Subsidiary
	Formosa International Development Corporation	Vietnam	Invest industry district and real estate	254,358	254,358	(Note O)	30.00	198,058	43,508	-	Equity-method investee
	Yang Ming (U.A.E.) LLC.	U.A.E.	Shipping agency, forwarding agency and shipping managers	2,140	2,140	(Note R)	49.00	52,478	53,018	-	Equity-method investee
	Yang Ming (Vietnam) Company Limited	Vietnam	Forwarding agency and shipping managers	3,197	3,197	(Note J)	49.00	1,033	(8,582)	-	Equity-method investee
Yangming (Japan) Co., Ltd.	Manwa & Co., Ltd.	Tokyo, Japan	Forwarding agency and shipping agency	2,666	2,666	200	100.00	3,457	416	-	Subsidiary
Yang Ming Shipping (B.V.I.) Inc.	Karhman Properties Limited	Hong Kong	Property agency	4	4	24,000,000	100.00	82,598	716	-	Subsidiary
Kuang Ming Shipping Corp.	Kuang Ming (Liberia) Corp.	Monrovia, Republic of Liberia	Forwarding agency	1,960,904	1,960,904	2	100.00	3,378,604	(108,476)	-	Subsidiary
Yes Logistics Corp.	Yes Logistics Corp. (USA)	Auckland, USA	Shipping agency, forwarding agency and shipping managers	179,750	179,750	5,460,000	100.00	118,280	1,712	-	Subsidiary
	Yes Yangming Logistics (Singapore) Pte. Ltd.	Singapore	Investment and subsidiaries management	34,214	128,571	1,471,304	100.00	35,324	(514)	-	Subsidiary
	Chang Ming Logistics Company Limited	Chongqing, China	Terminal operation and stevedoring	304,326	304,326	(Note D)	49.00	341,015	(15,154)	-	Equity-method investee
Yes Yangming Logistics (Singapore) Pte. Ltd.	Yes Logistics Benelux B.V.	Netherlands	Forwarding agency	10,179	10,179	12,600	70.00	3,325	(1,373)	-	Subsidiary
	Yes Logistics (Netherlands) B.V.	Netherlands	Forwarding agency	1,224	1,224	(Note S)	100.00	2,418	(574)	-	Subsidiary
	Yes Logistics Company Ltd.	Hong Kong	Forwarding agency	114,417	114,417	29,000,000	100.00	29,630	1,162	-	Subsidiary
Yes Logistics Corp. (USA)	Golden Logistics USA Corporation	USA	Container transportation	328	328	100	100.00	540	398	-	Subsidiary
	Golden Logistics Corp.	Shanghai, China	Forwarding agency	164,329	164,329	(Note L)	100.00	62,207	11,492	-	Subsidiary
	YES Logistics Europe GmbH	Hamburg, Germany	Forwarding agency	1,158	1,158	(Note H)	100.00	12,983	5,811	-	Subsidiary

(Continued)



Notes:

- A. This is translated into New Taiwan dollars at the exchange rate prevailing at the time of investment acquisition.
- B. This is equivalent to EUR818,000, and no shares were issued.
- C. This is equivalent to GBP500, and no shares were issued.
- D. This is equivalent to US\$9,301,000, and no shares were issued.
- E. Investees had negative net assets. Thus, the negative carrying values of the investments were presented as liability.
- F. This is equivalent to US\$3,800,000, and no shares were issued.
- G. This is equivalent to US\$1,000,000, and no shares were issued.
- H. Paid-in capital was equivalent to EUR25,000, and no shares were issued.
- I. 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 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, 2012
(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, 2012	Investment Flows		% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note E)	Carrying Value as of December 31, 2012 (Note F)	Accumulated Inward Remittance of Earnings as of December 31, 2012
						Outflow	Inflow				
Yang Ming Marine Transportation Corporation	Yangze River Express Airlines Company Limited (Note A)	Shipping agency	RMB 500,000	Indirect investment through Singapore-based subsidiary's direct investment in Mainland China.	\$ 542,645 (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.	145,700 (US\$ 5,000)	-	-	96.36%	(11,138)	\$ 59,880	-
	Chang Ming Logistics Company Limited (Note C)	Terminal operation and stevedoring	RMB 144,800	Investee's direct investment in Mainland China.	271,031 (US\$ 9,301)	-	-	47.22%	(7,156)	328,627	-

Company Name	Investment Amounts Authorized by Investment Commission, MOEA		Upper Limit on Investment
	Accumulated Investment in Mainland China as of December 31, 2012	Investment Commission, MOEA	
Yang Ming Marine Transportation Corporation	\$ 542,645 (US\$ 18,622)	\$ 542,645 (US\$ 18,622)	\$ 19,748,183
Yes Logistics Corp.	\$ 416,731 (US\$ 14,301)	\$ 416,731 (US\$ 14,301)	703,694 (Note E)

Notes:

- A. 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.
- B. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on June 3, 2004, July 4, 2006 and December 26, 2006.
- C. Yes Logistics Corp. (the subsidiary of the Corporation) was authorized to invest in Mainland China by the Investment Commission, Ministry of Economic Affairs on April 11, 2005, August 22, 2006, November 29, 2006 and December 2, 2008.
- D. Calculated by the % ownership of direct or indirect investment.
- E. It represents 60% (\$1,172,824 thousand) of the net assets of Yes Logistics Corp. as of December 31, 2012.
- F. Impairment loss was recognized in 2007.
- G. United States dollars translated into New Taiwan dollars at the exchange rate of (US\$)=NT\$29.14 as of December 31, 2012.



6.9 Independent Auditors' Report and Consolidated Financial Reports As of Dec.31,2012

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, 2012 and 2011, 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. We did not audit the financial statements of YES Logistics (Shanghai) Corp., YES Logistics Company Ltd., Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. as of and for the years ended December 31, 2012 and 2011, and of Yes Logistics Europe GmbH and Yes Logistics (Netherlands) B.V. as of and for the year ended December 31, 2011, these subsidiaries had been audited by other auditors. The combined total assets of these subsidiaries were 3.7% (NT\$5,170,872 thousand) and 3.1% (NT\$4,021,347 thousand) of the total consolidated assets as of December 31, 2012 and 2011, respectively. The combined total operating revenues of these subsidiaries were 2.1% (NT\$2,783,491 thousand) and 1.8% (NT\$2,117,195 thousand) of the consolidated revenue in 2012 and 2011, respectively. Also, we did not audit the financial statements of the following equity-method investees, 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 as of and for the years ended December 31, 2012 and 2011, these subsidiaries had been audited by other auditors. The carrying values of these investments were NT\$1,436,032 thousand and NT\$1,358,741 thousand as of December 31, 2012 and 2011, respectively. The equity in these investees' net income was NT\$156,782 thousand and NT\$172,567 thousand in 2012 and 2011, respectively. The financial statements of these subsidiaries and investees were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these subsidiaries and investees included in the accompanying consolidated financial statements, is based solely on the reports of other auditors.

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



In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yang Ming Marine Transport Corporation and its subsidiaries as of December 31, 2012 and 2011, 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, 2013

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, 2012 AND 2011

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

	2012		2011		
	Amount	%	Amount	%	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents (Notes 2 and 4)	\$ 11,086,730	8	\$ 11,250,595	9	
Trade receivables, net (Notes 2 and 5)	2,527,627	2	2,627,690	2	
Accounts receivable, net (Notes 2 and 7)	190,910	-	662,690	1	
Derivative financial assets for hedging - current (Notes 2 and 27)	-	-	49,161	-	
Notes payable (Note 2)	210,386	-	291,674	-	
Accounts payable, net of allowance for doubtful accounts of \$9,450 thousand and \$9,454 thousand at December 31, 2012 and 2011 (Notes 2 and 3)	3,016,661	2	1,782,100	1	
Prepaid expenses (Notes 2 and 7)	41,705,564	3	26,119,119	2	
Shipping fuel, net (Notes 2 and 7)	4,170,584	3	6,481,143	5	
Advances on long-term interest-bearing debts (Notes 2, 10, 17 and 29)	765,762	1	963,303	1	
Advances from customers	190,629	-	572,222	-	
Deferred income tax assets - current (Notes 2 and 24)	2,225	-	36,513	-	
Other current assets (Notes 28)	2,116,646	1	2,226,676	2	
Other current assets (Notes 28)	771,646	1	776,430	1	
Total current assets	24,747,748	18	23,833,451	18	
LONG-TERM INVESTMENTS (Notes 2, 6, 8, 9 and 28)					
Available-for-sale financial assets - non-current	1,708,956	1	2,254,690	2	
Financial assets carried at cost - non-current	309,500	-	425,290	-	
Investments accounted for using equity method	1,887,410	2	1,850,367	2	
Cash surrender value of life insurance	26,450	-	20,396	-	
Total long-term investments	4,032,316	3	4,550,743	4	
PROPERTIES (Notes 2, 10, 14 and 29)					
Cost					
and					
Net book value	691,084	1	776,181	1	
Buildings	1,173,192	1	1,173,192	1	
Containers and chassis	24,408,281	18	25,409,096	20	
Ships	82,867,006	59	66,574,080	51	
Leased assets	13,501,062	10	13,963,478	11	
Leasehold improvements	239,263	-	244,620	-	
Marine survey equipment	1,267,678	1	1,267,678	1	
Total	106,607,284	91	111,750,226	86	
Less: Accumulated depreciation	41,531,306	30	37,502,584	29	
Construction in progress	85,075,478	61	74,247,683	57	
	3,299,339	2	6,302,183	5	
Net properties	88,374,817	63	80,549,866	62	
INTANGIBLE ASSETS					
Computer software (Note 2)	27,948	-	32,107	-	
Deferred pension cost (Notes 2 and 22)	1,460	-	2,132	-	
Franchise (Notes 2, 11 and 25)	9,771,626	7	9,628,838	8	
Total intangible assets	9,800,924	7	9,713,121	8	
OTHER ASSETS					
Retained earnings, net (Notes 2, 12 and 29)	3,713,087	3	3,661,624	3	
Nonoperating assets, net (Notes 2 and 13)	234,359	-	234,359	-	
Retainable deposits (Notes 10, 29 and 30)	5,562,654	4	5,715,983	4	
Deferred income tax assets - non-current (Notes 2 and 24)	971,456	1	561,006	1	
Advances on long-term rent agreements (Note 14)	662,850	-	694,422	-	
Residual assets - non-current (Note 25)	1,946,024	1	1,946,024	1	
Other assets (Notes 2 and 25)	30,024	-	58,588	-	
Total other assets	12,207,444	9	10,948,343	8	
TOTAL	\$ 139,412,815	100	\$ 129,955,524	100	
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Short-term debt (Note 15)					
Accounts payable (Note 16)	\$ 209,907	-	\$ 511,229	-	
Financial liabilities through profit or loss - current (Notes 2 and 5)	5,112	-	49,161	-	
Derivative financial liabilities for hedging - current (Notes 2 and 27)	-	-	291,674	-	
Notes payable	51,157	-	3,839,947	3	
Accounts payable (Note 18)	3,289,947	2	1,782,100	1	
Payable to related parties (Note 28)	187,206	-	187,206	-	
Payable to shipping agents - related parties (Note 28)	1,527,201	1	1,527,201	1	
Accrued expenses (Note 19)	3,180,873	2	2,762,265	2	
Payables on equipment	2,747,263	2	2,747,263	2	
Advances from customers	808,677	1	2,689,678	2	
Current portion of long-term interest-bearing debts (Notes 2, 10, 17 and 29)	11,296,671	8	5,834,338	7	
Deferred income tax liabilities - current (Notes 2 and 24)	36,513	-	2,225	-	
Other current liabilities (Notes 2 and 24)	203,126	-	88,724	-	
Other current liabilities (Notes 2 and 24)	603,445	1	714,868	1	
Total current liabilities	24,010,238	17	30,184,051	23	
LONG-TERM LIABILITIES					
Bonds payable (Notes 2, 17, 28 and 29)	22,222,534	16	14,436,490	11	
Long-term debts (Notes 17 and 29)	42,930,448	31	40,822,261	32	
Obligations under capital leases - long-term portion (Notes 2, 10 and 17)	10,287,381	8	10,919,294	8	
Other financial liabilities (Notes 2 and 17)	261,825	-	-	-	
Total long-term liabilities	75,703,388	55	66,178,045	51	
RESERVE FOR LAND VALUE INCREMENT TAX (Note 20)					
	479,639	-	479,639	-	
OTHER LIABILITIES					
Accrued pension cost (Notes 2 and 22)	1,399,218	1	1,340,436	1	
Deferred income tax liabilities - non-current (Notes 2 and 24)	371,007	-	439,879	-	
Unrealized gain on sale and leaseback (Notes 2 and 21)	436,232	1	493,712	1	
Others	115,827	-	78,886	-	
Total other liabilities	2,322,294	2	2,348,873	2	
Total liabilities	102,815,559	74	99,190,608	77	
YANG MING'S EQUITY					
Authorized - 3,600,000 thousand shares					
Capital stock - \$10 par value	28,187,131	20	28,187,131	22	
Capital surplus	1,333,092	1	4,710,566	3	
Additional paid-in capital	6,527	-	6,527	-	
Retained earnings (accumulated deficit)	4,413,702	3	4,710,493	3	
Equity component of mandatory convertible bonds	5,726,621	4	-	-	
Total capital surplus	22,667,073	17	28,615,247	22	
Retained earnings (accumulated loss)	-	-	1,778,785	1	
Legal reserve	-	-	4,632,889	4	
Unappropriated earnings (accumulated deficit)	51,435	-	(3,376,524)	(3)	
Total retained earnings (accumulated loss)	51,435	-	(3,376,524)	-	
Other equity	(467,361)	-	(58,441)	-	
Net loss not recognized as pension cost	(487,488)	-	49,293	-	
Other equity components of financial instruments	(1,081,549)	(1)	(1,825,827)	-	
Total other equity	32,913,698	23	29,347,463	22	
Total controlling interest	3,383,618	3	1,052,453	1	
MINORITY INTEREST					
	36,097,256	26	30,404,916	23	
Total stockholders' equity	139,412,815	100	129,955,524	100	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 26, 2013)

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011****(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)**

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 28)	\$ 131,724,184	100	\$ 118,554,959	100
OPERATING COSTS (Notes 2, 7, 25 and 28)	<u>130,132,448</u>	<u>99</u>	<u>123,487,238</u>	<u>104</u>
GROSS INCOME (LOSS)	<u>1,591,736</u>	<u>1</u>	<u>(4,932,279)</u>	<u>(4)</u>
OPERATING EXPENSES (Notes 25 and 28)				
Selling expenses	4,544,196	3	4,733,174	4
General and administrative expenses	<u>864,978</u>	<u>1</u>	<u>898,891</u>	<u>1</u>
Total operating expenses	<u>5,409,174</u>	<u>4</u>	<u>5,632,065</u>	<u>5</u>
OPERATING LOSS	<u>(3,817,438)</u>	<u>(3)</u>	<u>(10,564,344)</u>	<u>(9)</u>
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties (Note 2)	1,560,292	1	1,172,994	1
Gain on sale of investments, net (Note 1)	2,812,135	2	417,003	1
Exchange gain, net (Note 2)	204,267	-	150,816	-
Investment income recognized under equity method (Notes 2 and 9)	192,343	-	212,710	-
Dividend income	116,588	-	171,677	-
Rent income (Note 28)	133,457	-	109,637	-
Interest income	120,640	-	139,596	-
Valuation gain on financial liabilities, net (Notes 2 and 5)	42,024	-	-	-
Others (Note 28)	<u>469,542</u>	<u>1</u>	<u>340,804</u>	<u>-</u>
Total nonoperating income and gains	<u>5,651,288</u>	<u>4</u>	<u>2,715,237</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2, 10 and 28)	1,757,590	1	1,643,014	1
Valuation loss on financial assets, net (Notes 2, 6 and 8)	21,280	-	223,499	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	-	-	47,136	-
Others	<u>127,802</u>	<u>-</u>	<u>91,679</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,906,672</u>	<u>1</u>	<u>2,005,328</u>	<u>1</u>
LOSS BEFORE INCOME TAX EXPENSE	(72,822)	-	(9,854,435)	(8)
INCOME TAX BENEFIT (Notes 2 and 24)	<u>(138,061)</u>	<u>-</u>	<u>(559,149)</u>	<u>-</u>

(Continued)



YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
CONSOLIDATED NET INCOME (LOSS)	\$ <u>65,239</u>	<u>-</u>	\$ <u>(9,295,286)</u>	<u>(8)</u>
ATTRIBUTABLE TO:				
Controlling interest	\$ 51,435	-	\$ (9,398,878)	(8)
Minority interest	<u>13,804</u>	<u>-</u>	<u>103,592</u>	<u>-</u>
	\$ <u>65,239</u>	<u>-</u>	\$ <u>(9,295,286)</u>	<u>(8)</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 26)				
Basic	\$ <u>(0.09)</u>	\$ <u>0.02</u>	\$ <u>(3.62)</u>	\$ <u>(3.33)</u>
Diluted	\$ <u>(0.09)</u>	\$ <u>0.02</u>	\$ <u>(3.62)</u>	\$ <u>(3.33)</u>

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

(With Deloitte & Touche audit report dated March 26, 2013)

(Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Capital Surplus (Notes 2, 17 and 23)			Retained Earnings (Accumulated Loss) (Notes 2 and 23)			Other Equity (Notes 2 and 23)			Total Stockholders' Equity	
	Shares (Thousands)	Amount	Additional Paid-in Capital	Long-term Investments	Component of Mandatory Convertible Bonds	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, 2011	2,562,466	\$ 25,624,665	\$ 4,710,586	\$ 8,927	\$ -	\$ -	\$ -	\$ 11,787,883	\$ (469,051)	\$ (26,499)	\$ 413,020	\$ 753,385	\$ 42,802,866
Appropriations of 2010 earnings	-	-	-	-	-	1,178,785	-	(1,178,785)	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	82,530	(82,530)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(3,203,083)	-	-	-	-	(3,203,083)
Cash dividends - \$1.25 per share	-	-	-	-	-	-	-	(3,203,083)	-	-	-	-	-
Stock dividends - \$1.00 per share	2,562,247	2,562,466	-	-	-	-	-	(2,562,466)	-	-	-	-	-
Consolidated net loss for the year ended December 31, 2011	-	-	-	-	-	-	-	(9,398,878)	-	-	-	103,592	(9,295,286)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	293,739	-	-	5,443	299,182
Changes in stockholders' equity of investees accounted for using equity method	-	-	-	-	-	-	-	-	-	418	(35,976)	-	(35,558)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(401,038)	-	(401,038)
Changes in unrealized gain on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	66,931	-	66,931
Changes in net loss not recognized pension cost	-	-	-	-	-	-	-	-	-	(40,988)	-	-	(40,988)
Effect of changes brought by sale of long-term equity-method investments	-	-	-	-	-	-	-	-	16,871	-	(14)	-	16,857
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	(120,743)	(120,743)
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	315,276	315,276
BALANCE, DECEMBER 31, 2011	2,818,713	28,187,131	4,710,586	8,927	-	1,178,785	82,530	(4,637,889)	(158,441)	(67,069)	42,923	1,057,453	30,404,916
Compensation of 2011 deficit	-	-	-	-	-	(1,178,785)	(82,530)	1,178,785	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	82,530	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(82,530)	-	-	-	-	-
Capital surplus - additional paid-in capital	-	-	(3,376,574)	-	-	-	-	3,376,574	-	-	-	-	-
Net income for the year ended December 31, 2012	-	-	-	-	-	-	-	51,435	-	-	-	13,804	65,239
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(308,920)	-	-	(27,766)	(336,686)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(6)	(24,288)	-	(24,294)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(456,780)	-	(456,780)
Changes in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	(48,933)	-	(48,933)
Changes in net loss not recognized pension cost	-	-	-	-	-	-	-	-	-	(60,065)	-	-	(60,065)
Equity component of mandatory convertible bonds	-	-	-	-	4,413,702	-	-	-	-	-	-	-	4,413,702
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	(47,116)	(47,116)
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	2,787,243	2,787,243
BALANCE, DECEMBER 31, 2012	2,818,713	28,187,131	1,333,992	8,927	4,413,702	-	-	51,435	(467,361)	(127,140)	(487,048)	3,783,618	36,697,556

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 26, 2013)



YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	\$ 65,239	\$ (9,295,286)
Depreciation	6,941,574	6,723,686
Amortization	330,542	319,587
Reversal for doubtful accounts	(5,447)	(11,412)
Provision (repayment of) for pension cost	1,877	(908)
Provision for (reversal of) allowance for loss on shipping fuel	116,598	(48,219)
Gain on disposal of properties, net	(1,560,292)	(1,172,994)
Gain on disposal of financial instruments, net	(2,812,135)	(417,003)
Investment income recognized under equity method	(192,343)	(212,710)
Cash dividends received from equity-method investee	59,835	79,639
Valuation loss on financial instruments	21,280	223,499
Valuation loss (gain) on financial liabilities	(42,024)	47,136
Deferred income tax	(543,256)	(960,618)
Realized gain on sale and lease back	(57,480)	(57,480)
Others	6,869	(48,720)
Changes in operating assets and liabilities		
Financial instruments held for trading	(882,849)	766,102
Notes receivable	81,288	65,526
Accounts receivable	(1,232,448)	805,565
Accounts receivable from related parties	(15,482)	(10,538)
Shipping fuel	2,193,991	(1,483,042)
Prepaid expenses	309,584	197,949
Advances to shipping agents	381,593	20,187
Other current assets	8,369	(314,255)
Notes payable	(11,312)	4,079
Accounts payable	(1,753,183)	353,938
Payables to related parties	43,772	(61,722)
Income tax payable	55,005	15,579
Accrued expenses	418,608	(852,070)
Payables to shipping agents - related parties	119,402	(63,975)
Advances from customers	(1,881,001)	(319,229)
Payables to shipping agents	1,413,373	740,269
Other current liabilities	224,071	95,691
Advances on long-term rent agreements	31,572	2,969
Net cash provided by (used in) operating activities	<u>1,835,190</u>	<u>(4,868,780)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(22,004,016)	(17,881,419)
Proceeds from disposal of available-for-sale financial assets	22,532,710	27,337,854
Proceeds from capital reduction of equity-method investees	9,723	11,589
Acquisition of properties	(17,768,303)	(12,986,183)
Proceeds from disposal of properties	1,467,374	1,580,604
Acquisition of franchise	(378,595)	(391,660)

(Continued)

**YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)**

	2012	2011
Acquisition of computer software	(26,368)	(12,540)
Acquisition of assets leased to others	(689)	(7,802)
Decrease (increase) in cash surrender value of life insurance	(6,054)	7,898
Decrease (increase) in refundable deposits	(32,519)	392,710
Decrease in other assets	7,675	12,107
Increase in restricted assets	<u>(3,074,011)</u>	<u>(9,315)</u>
Net cash used in investing activities	<u>(19,273,073)</u>	<u>(1,946,157)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debt	(2,800,797)	1,962,641
Proceeds from commercial paper	1,599,505	3,546,359
Payment for commercial paper	(4,845,864)	(2,140,000)
Proceeds from long-term debts	33,943,080	17,955,945
Repayments of long-term debts	(30,457,688)	(9,106,540)
Proceeds from issuance of bonds	15,694,000	6,500,000
Repayment of principal of bonds	(960,000)	(11,080,000)
Payment for other financial liabilities	(64,404)	-
Payment for obligations under capital leases	(411,518)	(347,795)
Increase (decrease) in other liabilities	40,991	(9,887)
Increase in minority interest	5,249,797	416,134
Cash dividends paid by Yang Ming	-	(3,203,083)
Cash dividends received by minority interest	<u>(47,116)</u>	<u>(120,743)</u>
Net cash provided by financing activities	<u>16,939,986</u>	<u>4,373,031</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>334,032</u>	<u>(203,938)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(163,865)	(2,645,844)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,250,595</u>	<u>13,896,439</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 11,086,730</u>	<u>\$ 11,250,595</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 1,686,999	\$ 2,191,091
Less: Capitalized interest	<u>62,625</u>	<u>16,797</u>
Interest paid (excluding capitalized interest)	<u>\$ 1,624,374</u>	<u>\$ 2,174,294</u>
Income tax paid	<u>\$ 271,867</u>	<u>\$ 462,460</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties into assets leased to others	<u>\$ 84,626</u>	<u>\$ 11,454</u>
Reclassification of advances on long-term rent agreements into properties	<u>\$ -</u>	<u>\$ 131,452</u>

(Continued)



YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Current portion of long-term interest-bearing debts	<u>\$ 11,756,671</u>	<u>\$ 8,834,538</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of properties	\$ 16,378,525	\$ 13,219,258
Derase (increase) in payables on equipment	<u>1,389,778</u>	<u>(233,075)</u>
Cash paid	<u>\$ 17,768,303</u>	<u>\$ 12,986,183</u>
Proceeds from disposal of properties	\$ 1,714,646	\$ 1,332,622
Increase (decrease) in advances from disposal of properties (included in other current liabilities)	<u>(247,272)</u>	<u>247,982</u>
Cash received	<u>\$ 1,467,374</u>	<u>\$ 1,580,604</u>
Proceeds from disposal of available-for-sale financial assets	\$ 22,532,710	\$ 26,783,141
Receivables from disposal of securities	<u>-</u>	<u>554,713</u>
Cash received	<u>\$ 22,532,710</u>	<u>\$ 27,337,854</u>
Proceeds from capital reduction of financial assets carried at cost	\$ 19,013	\$ 11,589
Increase in other receivable (included in other current assets)	<u>(9,290)</u>	<u>-</u>
Cash received	<u>\$ 9,723</u>	<u>\$ 11,589</u>

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

(With Deloitte & Touche audit report dated March 26, 2013)

(Concluded)

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YANG MING

YANG MING MARINE TRANSPORT CORP.

20646 基隆市七堵區明德一路271號
271 Ming De 1st Road, Cidu District, Keelung Taiwan 20646, R.O.C.
Tel: 886-2-2455-9988 / Fax: 886-2-2455-9958
<http://www.yangming.com>