Stock Code : 2609

YANG MING

YANG MING MARINE TRANSPORT CORP.

陽 明 海 運 股 份 有 限 公 司

2009 ANNUAL REPORT

http://mops.tse.com.tw

http://www.yml.com.tw

Printed on April 30,2010

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I、Letter to Shareholders

1. Business Report for 2009

2009 has been one of the worst years for the world economy and liner market. Suffered from the recession, the world trade contracted to a greatest degree since the end of WW II. The main reason for this freefall in trade has been the simultaneous reduction in aggregated demand across all major world economies. The liner market was further hit seriously by the huge decline of the global trade volume besides the overcapacity. The balance between demand growth and supply growth was worse and carriers' revenue is eroded sharply.

Though the world's economic recovery began in the second half of 2009 as industrial production and international trade rebounded due to boost policies, both the global trade and liner market in 2009 are worse than those in 2008. In 2009, the IMF and UN-LINK estimated the global trade volume contracted by 11.9% and 12.5% respectively, a huge decline compared with 3.0% growth and 2.9% growth in 2008. For liner market, Clarkson estimated the box trade demand contracted by 9.5%, a historic decline in the liner industry.

Suffered from the huge orderbook and the recession, almost all carriers spontaneously reduced capacity through measures such as scrapping of old tonnage, slippage, delivery delays or cancellations for new ships, and idle fleets. Moreover, carriers has been going to adopt extra slow steaming strategy in the longhaul routes for the sake of saving bunker cost, reducing CO2 emission, and consuming idle capacity. The seriousness of overcapacity has been going to be eased at the end of 2009.

Owing to the global economic recession and downturn of the liner market, the company's carried volume of 2.78 millions TEU reflects a slide of 9.46% in 2009. The revenue amounted to NT$88.8billion.

2. Business Outlook and Strategies for 2010

The world's economic recovery which began in the second half of 2009 is expected to continue in 2010. Global Insight projected the world economy and global trade volume will grow by 2.8% and 6.0% respectively, and the box trade demand will also grow by 7.3%. Besides, Clarkson also projected the global box trade demand will grow by 5.5%.

Though it is believed 2010 will be a rising-from-downturn year for the world economy and liner industry, there are still some potential risks for these projections. For the moment, the recovery is much relied on policies' backup. The questions are when private demand comes and takes over, and whether stimulus exit will make world economy derail again, especially in the face of still-high unemployment, weak consumer spending, huge public liabilities, rising inflation risk, and real estate bubble in emerging markets.

For the liner industry, the balance between supply growth and demand growth is believed to steady in 2010 because the box trade demand is growing slightly accompanying the world economic recovery and capacity supply is restrained by carriers' voluntary capacity management measures. However, this rosy projection is still unstable taking account of overcapacity worry including the still-huge deliveries in the coming years and the comeback of idle tonnage.

Facing this treacherous market, Yang Ming will manage existing services with flexibility and keep finding niche market opportunities to boost our operating performance. Our main strategies are:

1. Keep cultivating existing main east-west long haul services including transpacific trade and Asia-Europe trade in cooperation with other members in CKYH.

2. Develop intra-Asia services and South-North trade: Yang Ming inaugurated Red Sea service in 2009 and will develop South-North trade services in the future. In 2010 we will launch an Asia-Australia service and make studies of new China-Southeast Asia services and additional strings of cross-strait service. In addition, we will research in the opportunity of Far East-South Africa trade service.

3. Strengthen our services in China-Southeast Asia trade to take advantage of emerging opportunity brought by the effectiveness of China-ASEAN FTA on New Year's Day 2010.

4. Adopt extra slow steaming strategy in long-haul services, such as Asia-Europe services and Far East-USEC services to save bunker cost and to reduce CO2 emission.

5. Reschedule the route of one Far East-USEC service in February 2010 to return from the USEC via the Cape of Good Hope not via the Panama Canal, for the sake of rising Panama Canal toll.

6. Strengthen cooperation with CKYH members and build flexible plans to face the economic uncertainty in the coming years.
7. Set up Energy Saving and Carbon Reduction workforce to carry out environmental protection measures to strength our Green Competence in the shipping industry.

While the market situation is still unhealthy and complicated, we will keep close track of market change and respond to it on the instant. Moreover, we will do our best to overcome any challenges in order to merit stakeholders and the public's trust.

Yours truly,

Frank F. H. Lu

Dr. Frank F.H. Lu
Chairman

Ⅱ、Company Profile

2.1 Date of Incorporation：December 29,1972

2.2 Company History

1972-1981

- Yang Ming Marine Transport Corporation is established on Dec.29 with a capital of NT$100,000,000.
- Four multiple-purpose ships are added to Yang Ming's first container fleet.
- Launches a new Asia / U.S.West Coast full-container liner service.
- New full-container liner service between Asia / U.S. East & West Coast is inaugurated, with a fleet of seven 2,054 TEU full-container vessels serving the route.
- YANG MING leases Dock No.70 at Kaohsiung Harbor for its exclusive use.
- Inaugurates new liner service from Asia to Mediterranean.

1982-1991

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

1992-2001

- Yang Ming Shares are listed on the Taiwan Stock Exchange.
- Three 3,604 TEU full-container ships are completed and join Yang Ming's worldwide service.
- YANG MING Shipping Europe Gmbh is established.

- Five 3,725 full-container vessels, including Ming East, Ming West, Ming South, Ming North, and Ming Zenith are completed and put into service.
- The China Merchants Steam Navigation Co., Ltd. is merged into Yang Ming in 1995.
- Completes privatization in 1996.
- In 1996, Yang Ming obtains ISO 9002 / ISM CODE accreditation and also the ROC's National Outstanding Quality Case Award.
- Yang Ming establishes subsidiary companies in Japan（Yangming (Japan) Co., Ltd.）and the U.K.（Yangming (UK) Ltd.）.
- Young-Carrier Co., Ltd. is established in Shanghai.
- Off-shore transhipment link service between Kaohsiung / Xiamen and weekly service routes in Asia / Persian Gulf（U.A.E.）/ Sub-continent（India / Pakistan） full-container liner service are inaugurated.
- Honming Terminal & Stevedoring Co., Ltd. is established.
- Jing Ming Transportation Co., Ltd. is established.
- Yang Ming establishes a subsidiary company in H.K.（Yang Ming Line (Hing Kong) Ltd.）to enhance the whole transportation service in Pearl River Delta and H.K. areas.
- YES Logistics Co., Ltd. is established to join the total logistics service.
- Yang Ming establishes subsidiary companies in Singapore（Yangming Shipping (Singapore) Pte. Ltd.） and Malaysia（Yang Ming Line (M) Sdn. Bhd.） to enhance the whole transportation service.
- Seven 5,500 TEU Post-panamax full-container vessels, Ming Plum, Ming Orchid, Ming Bamboo, Ming Pine, Ming Cosmos, Ming Cypress and Ming Green are completed and join Yang Ming's fleet service.
- Yang Ming Marine Transport Corporation, COSCO Container Lines Ltd., Kawasaki Kisen Kaisha, Ltd., and Hanjin Shipping Co., Ltd. (also representing Senator Lines GmbH) mutually agree to establish CKYH constorium in order to provide the best services to their customers.
- On-Line electronic services is constructed, providing instant and interactive services to customers.

2002-2006

- The Global Logistics Center in Kaohsiung Harbor is completed.
- Yang Ming sets up「Taiwan Business Department」 to manage all shipping affairs in Taiwan.
- Becomes a certificated member of the Customs-Trade Partnership Against Terrorism（C-TPAT）, authorized by U.S. Customs.
- Rejuvenates bulk carriers by purchasing 77,000-ton vessel, Medi Taipei.
- Establishes Yang Ming (America) Corporation on July 1, 2003 .
- Obtains the certification ISO 9001：2000 .
- Sets up Yang Ming (Netherlands) B.V. on January 1 to develop and strengthen its regional business in Europe.

- Leases Terminal 7D - Olympic Container Terminal LLC (OCT) at the Port of Tacoma on the U.S. West Coast for Yang Ming's exclusive use.
- Obtains the ISPS Code Certificate for all self-owned vessels, keeping Yang Ming at the forefront among domestic and world competitors.
- Be rated as having comparatively transparent information by the Securities and Futures Institute.
- Be credited as one of the most reputable enterprises in the marine industry and one of the best corporate citizens which making Yang Ming the only one to receive such honor among domestic shipping-related industries by the Common Wealth Magazine, cited by the Euromoney Magazine as governance model in the emerging market, and also awarded a Gold Medal at the 7th & 8th WinXin Awards sponsored by the Council of Culture Affairs.
- Establishes Yang Ming Cultural Foundation and YM Oceanic Culture & Art Museum in Keelung to develop our oceanic culture business.
- Acquires the Certification of the OHSAS 18001 (Occupational Health and Safety Assessment Serial) and ISO 14001:2004 Environmental Management System on November 1.
- The Antwerp International Terminal is in operation.
- Four 1,500TEU full container vessels ,Seven 1,805TEU full container vessels and three 8,200 TEU full container vessels are delivered to join Yang Ming's fleet.
- Invests in the My Xuan Industrial Area, container terminal and logistics park in Ba Ria Yung Tan Province of Hochiminh City.
- Establishes Yang Ming (Korea) Corporation to strengthen the business operations.
- Reintegrates Yang Ming's company structure into 7 business groups to cope with the rapidly expanding business operations.
- CKYH Alliance and Europe Container Terminals sign a Memorandum of Understanding to invest in the Euromax Terminal in the Port of Rotterdam.

2007

- An 8,200 TEU full container vessel, YM Ultimate, and six 1,805 TEU full container vessels, YM Initiative, YM Inventive, YM Instruction, YM Interaction, YM inauguration and YM Improvement join Yang Ming's fleet.
- Wins the 15th place in the Corporate Social Responsibility Evaluation conducted by the *CommonWealth* magazine.
- Obtains Container Contribution Award granted by Port Dalian.
- Gets a 50-year concession and the priority of contract extension for Kaohsiung International Container Terminal BOT Project and holds a ground-breaking ceremony at the end of the year.
- Launches Asia-Black Sea Service in partnership with CSCL, "K"Line and ZIM.
- Launches Fareast-East Mediterranean (EMX) service with Cosco and "K"Line.
- Launches CTS service with SYMS.

- Robert Ho is appointed as president.
- Wins “Happy & Healthy Company Award” offered by Common Health Magazine.
- Yang Ming (Belgium) NV is jointly formed by the Yang Ming Group and the Royal Burger Group, through their subsidiary Müller Thomsen Antwerpen N.V.
- Inaugurates Kaohsiung YM Museum of Marine Exploration.
- Inaugurates Multi-temperature Warehousing Logistics Center in Kaohsiung.

2008

- Wins the Quest for Quality Award in 2007 offered by Logistics Management Magazine.
- Wins First Happy & Healthy Company Award by Common Health Magazine.
- Awarded 1st Runner-up for 2007 Williams-Sonoma's Carrier of the Year and 2nd Runner-up for 2008 LOG-NET E-Commerce Excellence Award.
- Holds 2008 Keelung Fairy Tale Festival jointly with Keelung City Government.
- 4,250 TEU full Container vessel, YM Eminence, joins YM ’s fleet.
- Builds 8,200 TEU U Type vessels, YM Uberty, YM Utopia, YM Upward and 4,250 TEU E Type vessels, YM Eminence, YM Elixir, YM Enhancer and an 81,200 Panamax bulk carrier, KM Mt. Jade.
- Frank F. H. Lu is elected chairman by the board of directors.
- The board of directors transfers bulk business to subsidiary, Kuang Ming Shipping Corp.
- CKYH’s Euromax Terminal in Rotterdam is inaugurated.
- Wins Wen Xin Award granted by the Council for Cultural Affairs.
- The signing of an agreement on cross-strait direct shipping link is instrumental in this company’s deployment and development on the Chinese mainland. On December 15, 2008, the company sent a 1,500 TEU vessel, YM Heights, from Keelung in Taiwan to Shanghai on the mainland, opening the direct shipping route across the Taiwan Strait.

2009

- Two 8,200 TEU full container vessel, YM Utility and YM Uniform, and two 4,250 TEU full container vessels, YM Efficiency and YM Eternity join Yang Ming’s fleet.
- Opens with CKYH the Far East/Red Sea Route (RES).
- Opens with CKYH the direct service between Vietnam and U.S. East Coast.
- CKYH and Evergreen Line to Cooperate on U.S. East Coast / Northwest Europe trade.
- Yang Ming's ASIA-MED Express Service (AME) to Offer Exclusive Ashdod Direct Call.
- Yang Ming Anatolia Shipping Agency S.A. is established.
- Yang Ming Shipping(Canada) Ltd. is established.
- Selected by CommonWealth magazine as the 15th Corporate Citizen, the only domestic shipping company winning this honor.
- Rated as one of the 50 Outstanding Businesses by Global View magazine.

- YM Uberty wins the 2008 Ship Award granted by Taiwan Society of Naval Architects and Marine Engineers.
- The LOG-NET Outstanding E-commerce Award.
- 2^{nd} place in World Trade Magazine's Liner Service evaluation.
- Bureau of Healthy Promotion's "2009 Most Healthy Workplace Award".

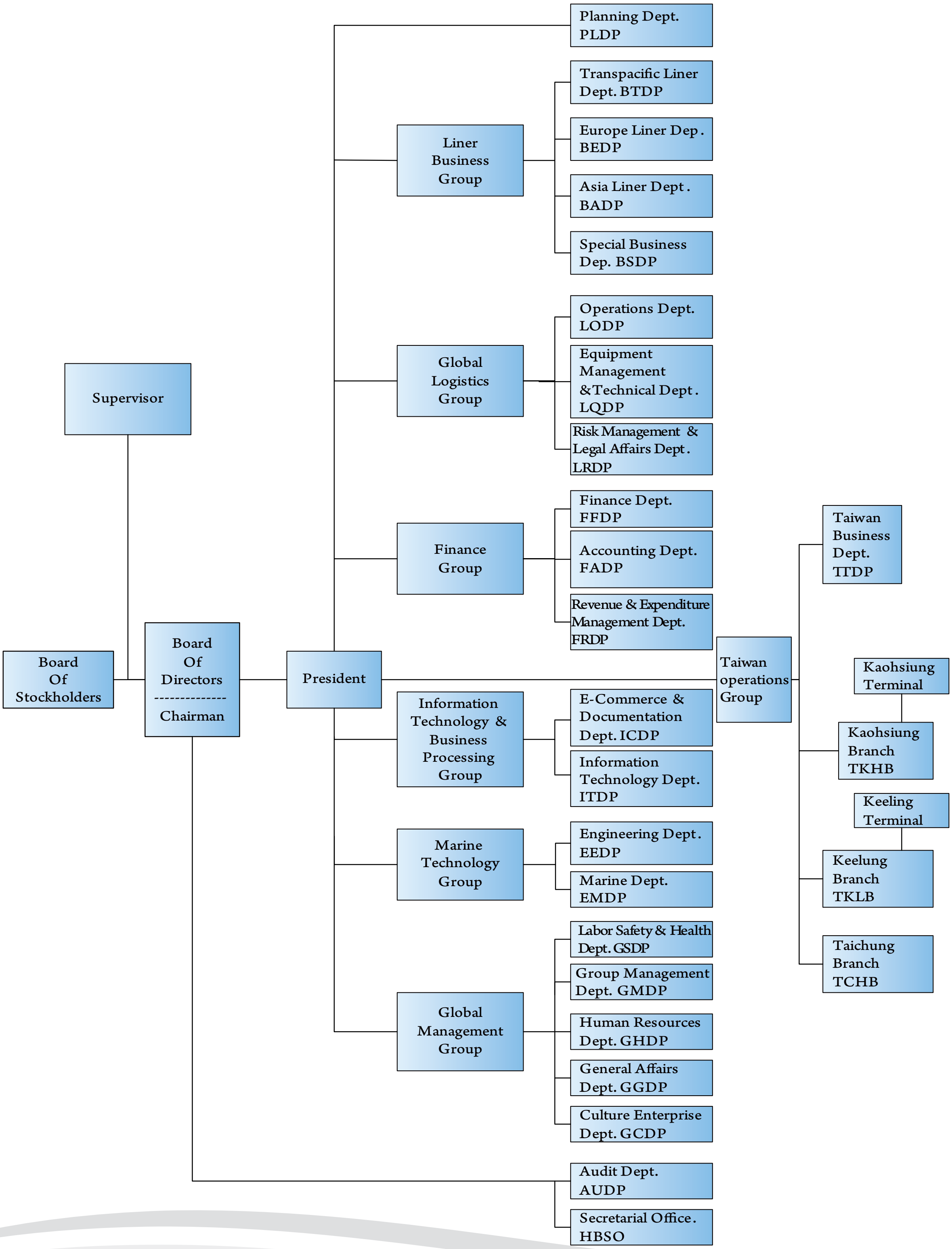
2010

- Yang Ming (U.A.E) L.L.C is established.
- Two 6,500 TEU full container vessel, YM Mandate and YM Maturity, join Yang Ming's fleet.
- Yang Ming Shipping (Egypt) S.A.E. is established.

Ⅲ、Corporate Governance Report and Capital Overview

3.1 Organization:

3.1.1 Yang Ming organizational structure is shown below:



3.2 Directors, Supervisors and Management Team

APR. 30, 2010

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

3.2.1 Top management

APR. 30, 2010

Position	Name	Date appointed	Entitled for other companies presently
President	Shuh-Shun Ho	OCT.01, 2007	Director of Ching Ming Investment Corp.
Senior Executive Vice President	R.B. Chiou	APR. 01, 2006	Director of YES Logistics Corp.
Senior Executive Vice President	J.S. Wang	AUG. 01, 2008	Director of Kuang Ming Shipping Corp.
Executive Vice President	Herbert Lin	SEP. 01, 2008	Director of Kao Ming Container Terminal Corp.
Executive Vice President	Shyh-Jen Miau	JAN. 10, 2009	Supervisor of Ching Ming Investment Corp.

3.3 Capital and Shares Issuance

3.3.1 Type of Stock

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

3.3.2 Issued Shares

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

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

3.3.3 Market price, Net worth, Earnings, and Dividends per sharesduring the latest 2 years

Unit：NT$

Item \ Year		2008	2009	Jan. 1, 2010~ APR. 30, 2010
Market-price per share	Highest price	25.55	15.30	13.20
	Lowest price	6.66	8.58	10.00
	Average price	17.79	11.67	11.99
Net worth per share	Unappropriated	18.34	12.39	12.21
	Appropriated	18.19	-	-
Earnings per share	Weighted average number of outstanding shares	2,445,582 (Note) thousand shares	2,562,466 (Note) thousand shares	2,562,466(Note) thousand shares
	Earnings per share	0.21	-6.18	0.01
Dividends per share	Cash dividend	0.15	0	-
	Stock dividend	0	0	-
Return on Investment	Price / Earnings ratio	84.71	N.A.	-
	Price / Cash dividends ratio	118.60	N.A.	-
	Cash dividends/ Price ratio	0.008	N.A.	-

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

3.4 Issuance of Corporate Bond

December 31,2009

Bond Category	Sixth Debenture Bonds	Seventh Debenture Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds	Thirteenth Debenture Bonds
Date of Issuance	June 1, 2000	Nov. 20, 2000	Jun 18, 2004	Oct 8, 2004	Dec 8, 2004	Oct 23, 2006
Par Value	NTD 1 million	NTD 1 million	NTD 10million	NTD 10 million	NTD 10 million	NTD 1 million
Place of Issuance and Exchange	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.	R.O.C.
Issuance Price	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value	100% of par value
Total Amount	NTD 3,000 million	NTD 2,400 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 6,000 million
Interest Rate	7 years（1,200 million）-5.70% 10 years（1,800 million）-6.09%	6.02%	Note1	3.30%	2.99%	5 years（3,000 million）-2.09% 7 years（3,000 million）-2.32%
Terms of Reimbursement	7 years, Date of maturity: June 7, 2007 10 years, Date of maturity: June 9, 2010	12years,Date of maturity: Nov. 29, 2012	7years, Date of maturity: Jun 18, 2011	7years, Date of maturity: Oct 20, 2011	7years, Date of maturity: Dec 14, 2011	5 years, Date of maturity: Oct 23, 2011 7 years, Date of maturity: Oct 23, 2013
Guarantor	Nil	Nil	Nil	Nil	Nil	Nil
Trustee	Bank of Taiwan	Bank of Taiwan	Bank SinoPac	Bank SinoPac	Bank SinoPac	Chinatrust Commercial Bank
Underwriter	Taiwan International SecuritiesCorp.、Taiwan Securities Corp.、Capital Securities Corp.、MasterLink Securities Corp.、Core Securities Corp.	Jih Sun Securities Corp. Taiwan Securities Corp.	Nil	Nil	Nil	Nil
Audit Lawyer	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin	Attorney at Law Jason S. G. Lin
Audit Accountant	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche

Bond Category	Sixth Debenture Bonds	Seventh Debenture Bonds	Tenth Debenture Bonds	Eleventh Debenture Bonds	Twelfth Debenture Bonds	Thirteenth Debenture Bonds
Way of Reimbursement	Maturity : 7years:For5,6,7years, 33%, 33%,34% due respectively. 10years: For8,9,10 years, 33%, 33%, 34% due respectively.	Maturity : For 10,11,12 years, 20%, 40%,40% due respectively.	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Reimbursed in cash upon maturity	Maturity: 5years-For 3.4.5years,33%. 33%.34%due respectively 7years-reimbursed in cash upon maturity
Unreimbursed Amount	NTD 612 million	NTD 2,400 million	NTD 1,600 million	NTD 5,000 million	NTD 2,500 million	NTD 5,010 million
Conditions of Recall or Recall in Advance	Nil	Nil	Nil	Nil	Nil	Nil
Conditions of Restriction	Nil	Nil	Nil	Nil	Nil	Nil
Credit Rating Agency, Rating Date, Rating	Taiwan Ratings Corporation, Mar. 6, 2000 twA	Taiwan Ratings Corporation, Sep. 26, 2000 twA	Taiwan Ratings Corporation, May. 11, 2004 twA	Taiwan Ratings Corporation, Sep 3, 2004 twA	Taiwan Ratings Corporation, Nov 9, 2004 twA	Taiwan Ratings Corporation, Sep 12, 2006 twA
Amount of Converted Common Stock , GDR or other valuable securities	Nil	Nil	Nil	Nil	Nil	Nil

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

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

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

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

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

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

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

“LO LIMIT, HI LIMIT ”are as following

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

3.5 Issuance of GDR

Conditions of the issuance of GDR

Apr. 30, 2010

Items \ Date of Issuance			Nov. 14, 1996
Place of Issuance and Exchange			London Stock Exchange
Total amount of Issuance			USD 116,392,201.2
Issuance price			USD 11.64
Total units of Issuance			9,999,330 units of GDR
Underling security			Capital increase by public offering of common shares
Units of underling security			99,993,300 common shares
The right & obligation of GDR holders			Same right & obligation with the YMTC'S common shares
Depository			Citibank N. A.
Custodian			Citibank Taiwan Ltd.
Outstanding shares (Apr 30,2010)			48,122,037 shares
Allocation of related expenses for issuance and During existence.			To be borne by the company
Major covenants of deposit agreement and Custody agreement			In accordance with the law of R.O.C. and State of New York, U.S.A.
Market price per unit	2009	the highest	USD 4.50
		the lowest	USD 2.52
		the average	USD 3.53
	From Jan. 1, 2010 to Apr.30, 2010	the highest	USD 4.14
		the lowest	USD 3.16
		the average	USD 3.74

IV、Operational Highlights

4.1 Business Profile, Operating Fleet & Service Scope

4.1.1 Business profile

(1) Domestic and overseas marine shipment service.
(2) Domestic and overseas marine passenger service.
(3) Warehouse, pier, tug boat, barge, container freight station and terminal operations.
(4) Maintenance and repairs, chartering, sales and purchase of ships.
(5) Maintenance and repairs, lease, sales and purchase of containers as well as chassis.
(6) Shipping agency.
(7) G402011 Ocean freight forwarding service.
(8) ZZ99999 Besides licensed business, all other business items that are not banned or restricted.

4.1.2 Operating Fleet & Service Scope

As of Dec. 31, 2009, YML operates 82 vessels consisting of 80 full container vessels, and 2 bulk carriers owned by Taiwan Power Company.
The service scope of year 2010 includes the following three categories:

－Container Liner Service

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

－Proxy Service

Operating 2 bulkers on behalf of other Carriers.

4.1.3 Liner Services for full container wessels from 2007 to 2009

Unit：TEU

Items	2007	Pct.	2008	Pct.	2009	Pct.
Cargo for Trans-ocean	2,228,893	71	2,186,373	71	1,874,804	67
Cargo for Intra-Asia	917,277	29	888,708	29	909,275	33
Total	3,146,170	100	3,075,081	100	2,784,079	100

4.2 Market Analysis

4.2.1 Transpacific Trade

According to JOC PIERS, the total transpacific trade on eastbound leg has experienced a downturn, 14.04% decreased in 2008; however, increased 1.75% on westbound.

According to Drewry, YM's market share in 2009 is counted for 4.9% on eastbound, 5.1% on westbound. It is forecasted that the total cargo volume in year 2010 will grow 3.5% for eastbound and 3.1% increased for westbound.

4.2.2 F.E.-Europe/Mediterranean Trade

According to the internal report, due to the reduction of capacity supply under the worldwide recession, YM's annual westbound volume for F.E.-Europe trade dropped by 7.89% in 2009, meanwhile, F.E-Mediterranean trade dropped by 27.43% drastically. Besides, according to Drewry (2009 / Q4 quarterly report), it is forecasted that overall westbound volume for F.E.-Europe trade will slightly increase by 3.1% in 2010 while the total westbound volume for F.E-Mediterranean trade will increase by 2.7% approximately.

4.2.3 Transatlantic Trade

Transatlantic trade is still one of the few trade lanes where the trade imbalance is narrowing. In 2009, the annual westbound volume shall decrease at 14.9% and eastbound volume shall decrease by 23.3% based on Drewry Report's forecast. In 2010, the whole market will slightly improve, the annual westbound volume will grow 2.4% and eastbound volume will grow 2.0%.

4.2.4 Intra-Asia Trade

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

4.3. Employees Status

Year		2008	2009	Apr.30, 2010
Number of employees	Office service	1,201	1,169	1,164
	Sea service	250	353	365
	Total	1,451	1,522	1,529
Average age		39.59	40.31	40.73
Average service years		11.72	12.51	12.78
Education level	Ph. D	3	4	3
	Master’s degree	230	230	233
	College degree	960	988	989
	High school degree	192	220	225
	Middle school and below	66	80	79

4.4 Relationship with Employees

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

4.5 Environmental Protection

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

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

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

(3) To acquire bunker convention certificates from the signatory states of the 2001 Bunker Convention;

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

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

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

All pollution prevention facilities purchased in the future shall be corresponded to MARPOL 73 / 78 / 97 Rules and these for oil, water, sewage, and air anti pollution facilities will be installed at the time of shipbuilding. Thus, total expenditure will be included into the overall shipbuilding cost.

4.5.3 Effects of set up additional equipment to the company：

All of the company’s vessels have equipped pollution prevention facilities for oil pollution, sewage and air pollution to comply with international environmental protection criteria as required by MARPOL 73 / 78 / 97 rules.

4.6 Important Contracts

Apr.30, 2010

Name of contract	Party	Contract Period	Primary content
Vessel Sharing and Slot Allocation Agreement	COSCO K LINE HJS	3/22/2002 ~ the indefinite duration	Asia/U.S. West Coast ; Asia/U.S. East Coast ; Asia/Med/Europe ; Asia/Black sea; Asia/Red sea
Space Allocation & Operating Agreement	K LINE	3/22/2002~3/21/2012	Asia / U.S. West Coast ;
Slot Charter Agreement	COSCO/HJS	9/21/2009~ the indefinite duration	U.S East Coast / North Europe
Slot Charter Agreement	HJS	1/29/2009~ the indefinite duration	India subcontinent / U.S East Coast
Slot Charter Agreement	NYK	7/1/2009~ the indefinite duration	US North East coast / South East coast
Vessel Sharing and Slot Allocation Agreement	K LINE Wan Hai PIL	09/01/2007~the indefinite duration	Asia / Black Service
Vessel Sharing and Slot Allocation Agreement	K LINE HJS	02/26/2009~the indefinite duration	Far East / Red Sea Service
Joint Service Agreement	CNC / STX	9/18/2008 ~ the indefinite duration	China-Thailand service
Joint Service Agreement	OOCL	5/21/2009 ~ the indefinite duration	China-India-Pakistan service
Joint Service Agreement	STX	11/24/2008 ~ the indefinite duration	Pan Asia service
Joint Service Agreement	KWY	2/28/2009 ~ the indefinite duration	Taiwan-Hong Kong service
Joint Service Agreement	EMC / OOCL	4/4/2006 ~ the indefinite duration	Taiwan - Ho Chi Minh Express service
Joint Service Agreement	TNC	3/21/2009 ~ the indefinite duration	Taiwan – China service
Slot Exchange Agreement	EMC	9/1/2002 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	CNC	1/13/2009 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	Mariana	3/20/2008 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	Seacon	3/20/2010 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	Coscon	3/23/2010 ~ the indefinite duration	Intra-Asia service
Slot Exchange Agreement	Wanhai	1/15/2010 ~ the indefinite duration	Intra-Asia service
Slot Charter Agreement	BTL	6/12/2009 ~ the indefinite duration	Intra-Asia service
Slot Charter Agreement	Wanhai	7/22/2009 ~ the indefinite duration	Intra-Asia service
Slot Charter Agreement	IAL	5/21/2009 ~ the indefinite duration	Taiwan - Indonesia Service

Name of contract	Party	Contract Period	Primary content
Long-term Charter-in Vessels	SHOEI / Imabari	2003/Jun~2013/Jun 2003/Jul~2013/Jul 2003/Sep~2013/Sep	3 x 1620 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2004/Apr~2014/Apr 2004/May~2014/May	2 x 5500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Zodiac Maritime Agencies Ltd.	2004/Sep~2012/Sep 2004/Nov~2012/Nov 2005/Jan~2013/Jan	3 x 4000 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2006/4Q~2016/4Q 2006/4Q~2016/4Q	2 x 4920 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Continental Chartering GmbH & Co. KG	2006/Mar~2011/Mar 2006/Jul~2011/Jul	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (HHI)	2007/Mar~2019/Mar 2007/Sep~2019/Sep	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (Samsung)	2007/Sep~2019/Sep 2007/Nov~2019/Nov	2 x 4300 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Peter Doehle Schiffahrts-KG	2007/Sep~2019/Sep	1 x 4444 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	SHOEI / Imabari	2013/Sep~2028/Sep 2013/Nev~2028/Nev 2013/Dec~2028/Dec	3 x 6250 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels(BBC)	Danaos Shipping Co. Ltd. (HHI)	2010/May ~ 2028/May 2010/Jul ~ 2028/Jul	2 x 6500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Danaos Shipping Co. Ltd. (HHI)	2012/Q1-Q2 ~ 2027/Q1-Q2	3 x 6500 TEU Long-term Charter-in Container Vessels
Long-term Charter-in Vessels	Synergy Group	2008/Dec ~ 2018/Dec 2009/Jan ~ 2019/Jan 2009/Feb ~ 2019/Feb 2009/Jun ~ 2019/Jun	4 x 4250 TEU Long-term Charter-in Container Vessels
Bank Credit Loan	Shin Kong Bank	2009.04.29~2011.04.29	1. Interest shall be repaid monthly. 2. Principal shall be repaid on due.
Bank Credit Loan	Far Eastern International Bank	2009.06.18~2012.06.18	1. Interest shall be repaid monthly. 2. Principal shall be repaid on due.
Bank Credit Loan	EnTie Commercial Bank	2009.07.17~2012.07.17	1. Interest shall be repaid monthly. 2. Principal shall be repaid on due.
Bank Mortgage Loan	Bank of Taiwan	2008.05.30~2016.05.30	The principal shall be repaid in 14 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.
Bank Mortgage Loan	Bank of Taiwan	2008.05.30~2013.05.30	The principal shall be repaid in 8 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.

Name of contract	Party	Contract Period	Primary content
Bank Mortgage Loan	Bank of Taiwan	2008.12.30~2015.12.30	The principal shall be repaid in 12 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.
Bank Mortgage Loan	Bank of Taiwan	2009.06.30~2016.06.30	The principal shall be repaid in 12 successive semiannual installments commencing the date of expiry of 1.5 years from the date on which the initial Advance is made.
Bank Mortgage Loan	Cathay United Bank	2008.05.30~2015.05.30	1.The principal shall be repaid in successive semiannual installments with NTD 50 million, commencing the date of expiry of one year from the date on which the initial Advance is made. 2. The rest principal shall be repaid on due.
Bank Mortgage Loan	Cathay United Bank	2009.05.08~2014.05.08	1.The principal shall be repaid in successive semiannual installments with NTD 180 million, commencing the date of expiry of 1.5 years from the date on which the initial Advance is made. 2. The rest principal shall be repaid on due.
Bank Mortgage Loan	Land Bank of Taiwan	2009.03.31~2014.03.31	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Hua Nan Bank	2009.03.31~2014.03.31	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Hua Nan Bank	2009.06.05~2014.06.05	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Hua Nan Bank	2009.06.12~2014.06.12	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Mortgage Loan	Chang Hwa Bank	2009.06.26~2014.06.26	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.

Name of contract	Party	Contract Period	Primary content
Bank Mortgage Loan	Mega International Commercial Bank	2009.06.30~2014.06.30	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Credit Loan	First Commercial Bank	2009.11.27~2014.11.27	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.
Bank Credit Loan	First Commercial Bank	2009.12.25~2014.12.25	The principal shall be repaid in 10 successive semiannual installments commencing the date of expiry of six months from the date on which the initial Advance is made.

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YANG MING MARINE TRANSPORT CORP.

陽明海運股份有限公司

V、Letter to Shareholders

5.1 Condensed Balance Sheets and Income Statements

UNIT：NT$1,000

Items		Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Mar. 31, 2010
Year		Accounting data for the recent 5 years					
Current Assets		31,249,907	24,183,162	17,695,469	11,446,296	13,214,144	14,285,341
Investments in Shares of Stock		16,784,797	18,800,905	23,304,253	26,461,125	24,705,343	23,729,556
Net Properties		12,886,377	15,363,071	17,594,143	15,507,976	16,701,184	15,947,232
Other Assets		19,117,753	24,198,088	29,023,551	33,713,920	26,639,142	28,385,051
Total Assets		80,038,834	82,545,226	87,617,416	87,129,317	81,259,813	82,347,180
Current Liabilities	Unappropriated	11,248,681	15,838,297	14,716,907	12,036,425	13,523,572	14,887,265
	Appropriated	17,079,693	16,632,457	17,148,838	12,420,795	-	-
Total Long-Term Debts		18,459,943	20,562,215	19,229,489	24,852,581	34,791,856	34,972,794
Other Liabilities		3,132,230	3,306,902	3,237,578	3,233,614	1,184,075	1,201,865
Total Liabilities	Unappropriated	32,840,854	39,707,414	37,183,974	40,122,620	49,499,503	51,061,924
	Appropriated	38,671,866	40,501,574	39,615,905	40,506,990	-	-
Capital stock		22,898,167	22,898,344	23,286,982	25,624,665	25,624,665	25,624,665
Capital surplus		8,496,473	8,774,975	8,980,008	8,988,582	8,988,637	8,988,637
Retained Earnings	Unappropriated	15,816,055	11,128,198	16,170,046	11,956,355	(4,269,144)	(4,247,053)
	Appropriated	9,985,043	10,150,118	11,409,062	11,571,985	-	-
Unrealized loss on financial instruments		-	(35,588)	1,935,242	25,832	1,200,905	753,962
Unrealized loss on investments in shares of stock		-	-	-	-	-	-
Cumulative translation adjustments		191,616	168,626	100,131	447,853	240,626	190,424
Net loss not recognized as pension costs		(39,630)	(96,743)	(38,967)	(36,590)	(25,379)	(25,379)
Total Stockholders' Equities	Unappropriated	47,197,980	42,837,812	50,433,442	47,006,697	31,760,310	31,285,256
	Appropriated	41,366,968	41,859,731	45,672,458	46,622,327	-	-

Income Statement

UNIT：NT$1,000

Items	Jan. 1, 2005~ Dec 31,2005	Jan. 1, 2006~ Dec 31,2006	Jan. 1, 2007~ Dec 31,2007	Jan. 1, 2008~ Dec 31,2008	Jan. 1, 2009~ Dec 31,2009	Jan. 1, 2010~ Mar. 31, 2010
Year	Accounting data for the recent 5 years					
Operating revenue	84,155,941	92,039,885	114,220,255	117,133,641	74,503,197	21,835,206
Gross profit (loss)	4,960,783	25,957	4,213,036	311,113	(15,845,670)	(68,215)
Operating income (loss)	3,031,936	(1,439,006)	2,110,972	(1,502,641)	(17,407,290)	(450,993)
Non-operating income	8,273,922	4,017,390	5,869,673	4,501,158	1,976,476	716,568
Non-operating expenses	1,280,799	949,389	975,557	2,207,142	2,431,168	352,583
Income (loss) before income	10,025,059	1,628,995	7,005,088	791,375	(17,861,982)	(87,008)
Cumulative effect of change in accounting principles	-	16,896	-	-	-	-
Net income (loss)	9,262,954	1,143,155	6,020,284	547,293	(15,841,129)	22,091
Earnings per share	4.11	0.50	2.36	0.21	(6.18)	0.01

5.2 CPA and Audit results for the past 5 years

Year	CPA name	Audit Opinion
Jan. 1, 2005 ~ Dec. 31, 2005	Lin An Hwei、Way Yung Do	Modify Unqualified
Jan. 1, 2006 ~ Dec. 31, 2006	Lin An Hwei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2007 ~ Dec. 31, 2007	Hung Yu Mei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2008 ~ Dec. 31, 2008	Hung Yu Mei、Chen Chin Hsiang	Modify Unqualified
Jan. 1, 2009 ~ Dec. 31, 2009	Hung Yu Mei、Lin An Hwei	Modify Unqualified

5.3 Financial Statement Analysis

Items \ Year		Financial Analysis for the years from 2005 to 2010					
		Jan. 1, 2005~ Dec. 31, 2004	Jan. 1, 2006~ Dec. 31, 2006	Jan. 1, 2007~ Dec. 31, 2007	Jan. 1, 2008~ Dec. 31, 2008	Jan. 1, 2009~ Dec. 31, 2009	Jan. 1, 2010~ Mar. 31,2010
Financial conditions	Debt to Total Assets Ratio	41.03	48.10	42.44	46.05	60.92	62.01
	Long-term funds to net properties	505.79	409.56	393.22	460.28	395.62	412.48
Institutional solvency	Current ratio（%）	277.81	152.69	120.24	95.10	97.71	95.96
	Acid-test ratio（%）	260.37	137.94	92.88	76.44	69.35	68.97
	Time interest earned	13.63	3.08	9.67	2.00	(19.73)	0.60
Operating performance	Receivables turnover	35.13	34.73	33.62	35.07	29.88	41.47
	Average collection period(days)	10.39	10.51	10.86	10.41	12.22	8.80
	Payables turnover	-	-	-	-	-	-
	Turnover of the fixed assets	6.53	5.99	6.49	7.55	4.46	5.48
	Turnover of the total assets	1.05	1.12	1.30	1.34	0.92	1.06
Profitability	Return on total assets（%）	12.49	2.13	7.79	1.31	(18.05)	0.90
	Return on stockholder’s equity（%）	20.35	2.54	12.91	1.12	(40.22)	0.28
	Ratio of income against paid-in capital（%）: Operating income (Loss)	13.24	(6.28)	9.07	(5.86)	(67.93)	(7.04)
	Ratio of income against paid-in capital（%）: Pre-tax income (Loss)	43.78	7.19	30.08	3.09	(69.71)	(1.36)
	Profit Margin（%）	11.01	1.24	5.27	0.47	(21.26)	0.10
	Earnings per share (note1)	4.11 4.06	0.50 0.50	2.60 2.36	0.21 0.21	(6.18) -	0.01 -
Cash flow	Cash flow ratio（%）	70.95	9.25	41.91	26.49	(118.90)	5.89
	Cash flow adequacy ratio（%）	60.64	54.57	53.53	43.86	5.79	(13.75)
	Cash reinvestment ratio（%）	1.23	(5.11)	5.96	0.94	(19.09)	1.01
Leverage	Operation Leverage	2.97	(3.07)	4.38	(7.88)	0.58	(3.19)
	Finance Leverage	1.35	0.65	1.62	0.66	0.95	0.68

Note 1：According to the adjusted outstanding shares.

5.4 Independent Auditors' Report and Financial Reports As of Dec.31,2009

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, 2009 and 2008, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. as of and for the year ended December 31, 2009 and 2008 and Ming Giant (Shanghai) International Logistics Company Limited as of and for the year ended December 31, 2008 in which the Corporation has long-term investments accounted for using equity method. As shown in the accompanying balance sheets, the carrying values of these investments were 2.0% (NT$1,654,176 thousand) and 2.5% (NT$2,177,591 thousand) of the Corporation's total assets as of December 31, 2009 and 2008, respectively. The equity in these investees' net loss was 1.4% (NT$245,384 thousand) and (7.0%) (NT$55,071 thousand) of the Corporation's loss (income) before income tax in 2009 and 2008, 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

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

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

We have also audited the consolidated financial statements of Yang Ming Marine Transport Corporation and subsidiaries as of and for the years ended December 31, 2009 and 2008 and have issued a modified unqualified opinion thereon in our report dated March 10, 2010.

Deloitte & Touche

March 10, 2010

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
YANG MING MARINE TRANSPORT CORP

YANG MING MARINE TRANSPORT CORPORATION

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 3,792,641	5	$ 4,692,315	5
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	254,214	-	162,625	-
Available-for-sale financial assets - current (Notes 2, 3 and 6)	777,887	1	579,719	1
Accounts receivable, net of allowance for doubtful accounts of $18,137 thousand and $25,048 thousand at December 31, 2009 and 2008 (Note 2)	636,009	1	710,473	1
Accounts receivable from related parties (Notes 2 and 23)	1,445,487	2	2,192,918	3
Other receivable from related parties (Notes 17 and 23)	959,603	1	91,538	-
Shipping fuel, net (Notes 2 and 3)	3,385,987	4	1,900,383	2
Prepaid expenses (Note 23)	449,819	-	345,266	-
Advances to shipping agents (Note 23)	1,315,952	2	409,403	1
Other current assets (Notes 2 and 19)	196,545	-	361,656	-
Total current assets	13,214,144	16	11,446,296	13
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 8 and 25)				
Available-for-sale financial assets - noncurrent	3,297,334	4	2,855,096	3
Financial assets carried at cost - noncurrent	844,094	1	803,407	1
Hedging derivative financial assets - noncurrent	-	-	23,607	-
Investments accounted for using equity method	20,563,915	25	22,779,015	26
Total long-term investments	24,705,343	30	26,461,125	30
PROPERTIES (Notes 2, 9, 23, 24 and 25)				
Cost				
Land	330,069	1	330,069	-
Buildings	728,683	1	728,683	1
Containers and chassis	22,906,639	28	23,566,163	27
Ships	6,261,492	8	2,378,832	3
Leased containers and chassis	2,178,416	3	2,178,416	3
Leasehold improvements	146,272	-	146,272	-
Miscellaneous equipment	2,659,739	3	2,527,228	3
Total cost	35,211,310	44	31,855,663	37
Accumulated depreciation	18,510,126	23	16,436,353	19
	16,701,184	21	15,419,310	18
Construction in progress	-	-	88,666	-
Net properties	16,701,184	21	15,507,976	18
OTHER ASSETS				
Assets leased to others, net (Notes 2, 10 and 24)	4,012,999	5	4,040,746	5
Nonoperating assets, net (Notes 2, 11 and 24)	319,137	1	218,058	-
Advances on long-term rent agreements (Note 12)	901,521	1	942,627	1
Deferred charges, net (Note 2)	216,940	-	71,852	-
Deferred income tax assets - noncurrent (Notes 2 and 19)	109,984	-	-	-
Long-term receivables from related parties (Notes 8 and 23)	20,517,972	25	28,190,788	33
Refundable deposits (Note 25)	323,927	1	53,752	-
Miscellaneous	236,662	-	196,097	-
Total other assets	26,639,142	33	33,713,920	39
TOTAL	$ 81,259,813	100	$ 87,129,317	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ -	-	$ 500,000	1
Payable to related parties (Note 23)	754,170	1	2,763,370	3
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	-	-	145,134	-
Accrued expenses (Note 15)	4,716,176	6	3,398,648	4
Payable for equipment	-	-	40,119	-
Advances from customers	1,763,965	2	1,167,264	1
Current portion of long-term interest-bearing debts (Notes 2, 9, 14 and 24)	5,135,422	6	2,052,327	3
Payable to shipping agents	1,079,959	2	1,824,657	2
Other current liabilities (Notes 2 and 5)	73,880	-	144,906	-
Total current liabilities	13,523,572	17	12,036,425	14
LONG-TERM DEBTS, NET OF CURRENT PORTION				
Hedging derivative liabilities - noncurrent (Notes 2 and 22)	15,595	-	-	-
Bonds (Notes 2 and 14)	15,040,000	18	17,122,000	20
Long-term bank loans (Notes 14 and 24)	19,152,510	24	7,110,714	8
Obligations under capital leases - long-term portion (Notes 2, 9,14 and 25)	104,112	-	140,228	-
Total long-term debts	34,312,217	42	24,372,942	28
RESERVE FOR LAND VALUE INCREMENT TAX (Note 16)	479,639	1	479,639	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	1,056,394	1	967,372	1
Deferred income tax liabilities - noncurrent (Notes 2 and 19)	-	-	2,123,197	3
Others	127,681	-	143,045	-
Total other liabilities	1,184,075	1	3,233,614	4
Total liabilities	49,499,503	61	40,122,620	46
CAPITAL STOCK - $10 PAR VALUE				
Authorized - 3,000,000 thousand shares			-	-
Issued - 2,562,466 thousand shares	25,624,665	31	25,624,665	29
CAPITAL SURPLUS				
Paid-in capital in excess of par value	7,499,701	9	7,499,701	8
Treasury stock transactions	1,480,009	2	1,480,009	2
From long-term equity-method investment	8,927	-	8,872	-
Total capital surplus	8,988,637	11	8,988,582	10
RETAINED EARNINGS				
Legal reserve	3,869,543	5	3,814,813	5
Special reserve	2,067,513	3	2,067,513	2
Unappropriated earnings (accumulated deficit)	(10,206,200)	(13)	6,074,029	7
Total retained earnings	(4,269,144)	(5)	11,956,355	14
OTHER ITEMS OF STOCKHOLDERS' EQUITY				
Cumulative translation adjustments	240,626	-	447,853	1
Net loss not recognized as pension cost	(25,379)	-	(36,590)	-
Unrealized gain on financial instruments	1,200,905	2	25,832	-
Total other items of stockholders' equity	1,416,152	2	437,095	1
Total stockholders' equity	31,760,310	39	47,006,697	54
TOTAL	$ 81,259,813	100	$ 87,129,317	100

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

(With Deloitte & Touche audit report dated March 10, 2010)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 23)	$ 74,503,197	100	$ 117,133,641	100
OPERATING COSTS (Notes 2, 20 and 23)	90,348,867	122	116,822,528	100
GROSS (LOSS) INCOME	(15,845,670)	(22)	311,113	-
OPERATING EXPENSES (Notes 20 and 23)				
Selling	1,272,156	2	1,503,264	2
General and administrative	289,464	-	310,490	-
Total operating expenses	1,561,620	2	1,813,754	2
OPERATING LOSS	(17,407,290)	(24)	(1,502,641)	(2)
NONOPERATING INCOME AND GAINS				
Interest income (Note 23)	652,639	1	838,062	1
Gain on disposal of properties	385,501	1	1,049,584	1
Investment income recognized under equity method (Notes 2 and 8)	-	-	2,056,957	2
Dividend income	311,741	1	220,786	-
Gain on disposal of financial instruments, net	129,487	-	-	-
Foreign exchange gain, net	129,142	-	-	-
Valuation gain on financial liabilities, net (Notes 2 and 5)	126,156	-	-	-
Rent income (Note 23)	100,677	-	161,371	-
Others	141,133	-	174,398	-
Total nonoperating income and gains	1,976,476	3	4,501,158	4
NONOPERATING EXPENSES AND LOSSES				
Investment loss recognized under equity method (Notes 2 and 8)	1,133,757	2	-	-
Interest expense (Note 2)	861,647	1	791,171	1
Impairment loss on financial assets carried at cost (Note 2)	229,102	-	53,855	-
Valuation loss on financial assets, net (Note 2)	43,808	-	147,661	-
Exchange loss, net	-	-	602,730	1
Loss on sale of financial instruments, net	-	-	330,893	-
Valuation loss on financial liabilities, net (Note 2)	-	-	117,064	-
Others	162,854	-	163,768	-
Total nonoperating expenses and losses	2,431,168	3	2,207,142	2

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2009		2008	
	Amount	**%**	**Amount**	**%**
(LOSS) INCOME BEFORE INCOME TAX EXPENSES	$ (17,861,982)	(24)	$ 791,375	-
INCOME TAX (BENEFIT) EXPENSES (Notes 2 and 19)	(2,020,853)	(3)	244,082	-
NET (LOSS) INCOME	$ (15,841,129)	(21)	$ 547,293	-

	2009		2008	
	Income Before Income Tax	**Net Income**	**Income Before Income Tax**	**Net Income**
EARNINGS PER SHARE (Note 21)				
Basic	$ (6.97)	$ (6.18)	$ 0.31	$ 0.21
Diluted	$ (6.97)	$ (6.18)	$ 0.31	$ 0.21

The pro forma information based on the assumption that Yang Ming Marine Transport Corporation had spun off the tramp business department into Kuang Ming Shipping Corp. on January 1, 2008 (Notes 1, 2 and 26) was as follows:

	2008
OPERATING REVENUES	$ 114,399,978
OPERATING COSTS	(114,992,495)
GROSS LOSS	$ (592,517)
OPERATING LOSS	$ (2,398,372)
NET INCOME	$ 547,293

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

(With Deloitte & Touche audit report dated March 10, 2010) (Concluded)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock (Notes 2 and 18)		Capital Surplus (Notes 2 and 18)			Retained Earnings (Notes 2 and 18)			Other Items of Stockholders' Equity (Notes 2, 3, 17 and 18)			
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	From Long-term Equity-method Investment	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit)	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Total Stockholders' Equity
BALANCE, JANUARY 1, 2008	2,328,698	$ 23,286,982	$ 7,491,127	$ 1,480,009	$ 8,872	$ 3,212,821	$ 2,067,513	$ 10,889,712	$ 100,131	$ (38,967)	$ 1,935,242	$ 50,433,442
Appropriation of 2007 earnings												
Legal reserve	-	-	-	-	-	601,992	-	(601,992)	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(102,876)	-	-	-	(102,876)
Cash dividends - $1.0 per share	-	-	-	-	-	-	-	(2,329,054)	-	-	-	(2,329,054)
Stock dividends - $1.0 per share	232,905	2,329,054	-	-	-	-	-	(2,329,054)	-	-	-	-
Domestic convertible bonds converted into capital stocks and capital surplus	863	8,629	8,574	-	-	-	-	-	-	-	-	17,203
Net income for the year ended December 31, 2008	-	-	-	-	-	-	-	547,293	-	-	-	547,293
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	347,722	-	-	347,722
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(235)	(303,842)	(304,077)
Effect of reclassification of financial assets on July 1, 2008	-	-	-	-	-	-	-	-	-	-	(157,445)	(157,445)
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(1,461,102)	(1,461,102)
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	12,979	12,979
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	2,612	-	2,612
BALANCE, DECEMBER 31, 2008	2,562,466	25,624,665	7,499,701	1,480,009	8,872	3,814,813	2,067,513	6,074,029	447,853	(36,590)	25,832	47,006,697
Appropriation of 2008 earnings												
Legal reserve	-	-	-	-	-	54,730	-	(54,730)	-	-	-	-
Cash dividends - $0.15 per share	-	-	-	-	-	-	-	(384,370)	-	-	-	(384,370)
Net loss for the year ended December 31, 2009	-	-	-	-	-	-	-	(15,841,129)	-	-	-	(15,841,129)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(179,327)	-	-	(179,327)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(2,716)	258,664	255,948
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	944,779	944,779
Changes in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	(30,181)	(30,181)
Effect of changes on sale long-term equity-method investments	-	-	-	-	55	-	-	-	(27,900)	-	1,811	(26,034)
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	13,927	-	13,927
BALANCE, DECEMBER 31, 2009	2,562,466	$ 25,624,665	$ 7,499,701	$ 1,480,009	$ 8,927	$ 3,869,543	$ 2,067,513	$ (10,206,200)	$ 240,626	$ (25,379)	$ 1,200,905	$ 31,760,310

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

(With Deloitte & Touche audit report dated March 10, 2010)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (15,841,129)	$ 547,293
Depreciation	2,849,994	2,758,304
Amortization	96,846	65,583
Provision for (reversal of) allowance for loss on shipping fuel	(552,681)	564,201
(Gain) loss on sale of investments	(129,487)	330,893
Gain on disposal of properties, net	(383,425)	(1,048,801)
(Reversal of) provision for pension cost	68,747	(1,910)
Impairment loss on available-for-sale financial assets	174,789	-
Impairment loss on financial assets carried at cost	54,313	53,855
Investment loss (income) recognized under equity method	1,133,757	(2,056,957)
Cash dividends received on equity method investee	1,446,055	720,970
Valuation (gain) loss on financial liabilities	(126,156)	117,064
Valuation loss on financial assets	43,808	147,661
Deferred income tax	(2,011,034)	(206,093)
Others	(1,117)	5,420
Changes in operating assets and liabilities		
Financial instruments held for trading	(53,503)	(222,091)
Accounts receivable	80,594	192,872
Accounts receivable from related parties	747,431	689,666
Other receivable from related parties	(833,863)	2,132,018
Shipping fuel	(932,923)	1,311,349
Prepaid expenses	(67,704)	(170,077)
Advances to shipping agents	(906,549)	(21,999)
Other current assets	(48,015)	5,811
Payable to related parties	(2,009,200)	750,275
Income tax payable	-	(783,436)
Financial liabilities held for trading	(18,978)	155,988
Accrued expenses	1,317,528	(2,716,833)
Payable to shipping agents	(744,698)	266,145
Advances from customers	596,701	(444,991)
Other current liabilities	(71,156)	5,474
Advances on long-term rent agreements	41,106	41,106
Net cash provided by (used in) operating activities	(16,079,949)	3,188,760
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(7,984,389)	(10,938,784)
Proceeds from disposal of available-for-sale financial assets	8,129,914	10,631,919
Proceeds of cash dividends from available-for-sale financial assets	-	18,984
Acquisition of investments accounted for using equity method	(1,000,000)	(1,060,904)
Proceeds from disposal of investments accounted for using equity method	984,058	-
Acquisition of financial assets carried at cost	(95,000)	(150,000)
Acquisition of properties	(220,075)	(2,458,466)

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
Acquisition of nonoperating assets	$ (100,800)	$ -
Proceeds from disposal of properties and nonoperating assets	393,365	1,140,617
Increase (decrease) in long-term receivable from related parties	3,365,093	(4,870,225)
Increase in deferred charges	(83,403)	(101,197)
Increase in other assets	(6,036)	(75,068)
Decrease in restricted assets	(310,866)	-
Net cash provided by (used in) investing activities	3,071,861	(7,863,124)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(500,000)	500,000
Increase in long-term bank loans	15,616,000	7,500,000
Repayments of long-term bank loans	(940,885)	-
Repayments of principal of bonds	(1,584,000)	(1,076,933)
Payments of obligations under capital leases - long-term portion	(84,340)	(104,368)
Decrease in other liabilities	(14,121)	(2,584)
Cash dividends and employees' bonus paid	(384,240)	(2,431,460)
Net cash provided by financing activities	12,108,414	4,384,655
NET DECREASE IN CASH AND CASH EQUIVALENT	(899,674)	(289,709)
CASH BEGINNING OF YEAR	4,692,315	4,982,024
CASH AND CASH EQUIVALENT, END OF YEAR	$ 3,792,641	$ 4,692,315
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 897,148	$ 797,645
Income tax paid	$ 190,615	$ 1,312,417
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties into assets leased to others	$ -	$ 21,219
Reclassification of construction in process into advances on long-term rent agreements	$ -	$ 691,543
Reclassification of investment into deduction to long-term receivables from related parties	$ 266,531	$ -
Current portion of interest-bearing long-term debts	$ 5,135,422	$ 2,052,327
Domestic unsecured convertible bonds converted into capital stock and capital surplus	$ -	$ 17,203

(Continued)

YANG MING MARINE TRANSPORT CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS		
Increase in properties and assets leased to others	$ 4,062,617	$ 1,382,250
Decrease in payables for equipment	40,119	1,076,216
Decrease in payables to related parties	(3,882,661)	-
Cash paid	$ 220,075	$ 2,458,466
Increase in deferred changes	$ 241,934	$ 101,197
Decrease in long-term receivables from related parties	(158,531)	-
Cash paid	$ 83,403	$ 101,197

SUPPLEMENTARY DISCLOSURE OF THE SPIN OFF TRANSACTION

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

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

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

(With Deloitte & Touche audit report dated March 10, 2010) (Concluded)

YANG MING MARINE TRANSPORT CORPORATION

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Yang Ming Marine Transport Corporation (the “Corporation”), established in December 1972, was majority owned by the Ministry of Transportation and Communications (MOTC) of the Republic of China (ROC) until February 15, 1996 when MOTC reduced its holdings in the Corporation simultaneous to the Corporation’s listing of its shares of stock on the ROC Taiwan Stock Exchange. The MOTC owned 35.51% of the Corporation’s outstanding capital stock at December 31, 2009 and 2008.

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

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

As of December 31, 2009 and 2008, the Corporation had 1,522 and 1,451 employees, respectively.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

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

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

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

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

Shipping Fuel

Before January 1, 2009, shipping fuel was stated at the lower of cost or market value. Any write-down was made on a total-shipping-fuel basis. Market value meant replacement cost. As stated in note 3, effective January 1, 2009, shipping fuel is stated at the lower of cost or net realizable value. Any write-down is made item by item. Shipping fuel is recorded at weighted-average cost.

Financial Assets Carried at Cost

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

Investments Accounted for by the Equity Method

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

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

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

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

Spin-off

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

Properties and Assets Leased to Others

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

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

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

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

Nonoperating Assets

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

Impairment of Assets

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

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

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

Deferred Charges

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

Convertible Bonds

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

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

Pension Cost

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

Unrealized Gain (Loss) on Sale and Leaseback

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

Provision for Onerous Contract

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

Income Tax

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

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

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

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

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

Foreign Currencies

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

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

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

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

a. Fair value hedge

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

b. Cash flow hedge

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

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2009.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

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

Accounting for Financial Instruments

On July 1, 2008, the Corporation adopted the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The amendments to SFAS 34 mainly deal with the reclassification of financial assets at fair value through profit or loss if certain conditions are met. The adoption of SFAS No. 34 resulted in increase of NT$333,582 thousand in net loss and decrease in after income tax basic earnings per share of $0.13 for the year ended December 31, 2009. Please see Note 22 for relevant information regarding reclassifications of financial instruments..

Accounting for Inventories

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

For comparison purposes, the Corporation also reclassified nonoperating loss of $564,201 thousand to operating cost for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	2008
Cash		
Petty cash and cash on hand	$ 3,501	$ 2,341
Checking accounts and demand deposits	1,871,159	2,001,170
Time deposits: Interest - 0.23% to 2.33% in 2009 and 0.15% to 2.33% in 2008	1,537,981	2,688,804
Cash equivalents		
Repurchase agreements collateralized by bonds interest - 0.25%	380,000	-
	$ 3,792,641	$ 4,692,315

As of December 31, 2008, time deposits with maturity of over one year amounted to $747 thousand (December 31, 2009: None).

The overseas deposits as of December 31, 2009 and 2008 are summarized in the accompanying Schedule A and B.

5. FINANCIAL INSTRUMENTS AT FVTPL

a. Financial assets and liabilities at FVTPL

	December 31 2009	December 31 2008
Financial assets held for trading		
Mutual funds	$ 214,982	$ 31,859
Principal guarantee goods	30,094	-
Forward exchange contracts	7,086	-
Quoted stocks	2,052	5,097
Oil swap option	-	125,669
	$ 254,214	$ 162,625
Financial liabilities held for trading		
Oil swap option	$ -	$ 145,134

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

Outstanding forward contracts as of December 31, 2009 were as follows: (December 31, 2008: None).

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

The purpose of holding the short crude oil swap option is for spread trading. By shorting the swap the Corporation can hedge some energy fund investment risk, and make possible profit when the convergence of the two price series appears. The Corporation's purpose for trading oil swap is to reduce the cost burden from oil price increase.

Outstanding oil swap options as of December 31, 2008 were as follows: (As of December 31, 2009: None).

	Due Date	Notional Amount	Fair Value
December 31, 2008			
Sell put	2009.04.30	US$59,205 thousand	$ (145,134)
Buy put	2009.04.30	US$44,340 thousand	125,669

As of December 31, 2008, the oil swap option settled were $88,062 thousand which were recognized as other current liabilities. The settlement amount was paid in April 2009.

Net gains arising from financial assets held for trading were $39,277 thousand (including realized settlement gain of $81,894 thousand, interest revenue of $1,191 thousand and valuation loss of $43,808 thousand) for the year ended December 31, 2009; net losses were $602,563 thousand (including realized settlement loss of $454,902 thousand and valuation loss of $147,661 thousand) for the year ended December 31, 2008.

Net gains arising from financial liabilities held for trading were $126,156 thousand (valuation gain) for the year ended December 31, 2009, and $12,798 thousand (including realized settlement gain of $129,862 thousand and valuation loss of $117,064 thousand) for the year ended December 31, 2008.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2009	2008
Domestic quoted stocks	$ 3,722,880	$ 3,142,977
Mutual funds	288,281	291,838
Corporation bonds	64,060	-
Less: Current portion	777,887	579,719
	$ 3,297,334	$ 2,855,096

7. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31			
	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Domestic unquoted common stocks				
New Century Infocomm Co., Ltd.	$ 427,789	1.68	$ -	-
Taipei Port Container Terminal Co., Ltd.	406,640	9.76	316,640	10.00
United Stevedoring Corporation	5,000	10.00	-	-
Domestic unquoted preferred stocks				
New Century Infocomm Co., Ltd.	-	-	427,789	1.68
Overseas unquoted common stocks				
Antwerp International Terminal	4,665	16.33	58,978	16.33
	$ 844,094		$ 803,407	

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

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

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Kuang Ming Shipping Corp.	$ 5,478,453	100.00	$ 5,070,113	100.00
All Oceans Transportation, Inc.	4,894,610	100.00	5,539,339	100.00
Yang Ming Line (B.V.I.) Holding Co., Ltd.	3,767,414	100.00	4,955,560	100.00
Kao Ming Container Terminal Corp.	1,818,097	100.00	786,771	100.00
Yang Ming Line (Singapore) Pte. Ltd.	1,630,396	100.00	1,628,322	100.00
Ching Ming Investment Co., Ltd.	1,538,107	100.00	1,281,101	100.00
Yes Logistics Corp.	482,341	46.04	520,731	46.04
Honming Terminal & Stevedoring Co., Ltd.	346,722	79.17	357,842	79.17
Yunn Wang Investment Co., Ltd.	252,135	49.75	202,032	49.75
Transyang Shipping Pte. Ltd.	217,924	49.00	856,048	49.00
Jing Ming Transportation Co., Ltd.	113,936	50.98	120,861	50.98
Yang Ming Line Holding Co.	23,780	100.00	313,530	100.00
Chunghwa Investment Co., Ltd.	-	-	739,517	40.00
Ming Giant (Shanghai) International Logistics Co., Ltd.	-	-	235,739	100.00
Yang Ming (Liberia) Corp.	(266,531)	100.00	171,509	100.00
	20,297,384		22,779,015	
Add: Investment deducted from long-term receivables from related parties	266,531		-	
	$ 20,563,915		$ 22,779,015	

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

	Years Ended December 31	
	2009	2008
Kuang Ming Shipping Corp.	$ 1,068,363	$ 670,624
Transyang Shipping Pte. Ltd.	157,132	757,372
Yang Ming Line (Singapore) Pte. Ltd.	43,882	19,628
Ching Ming Investment Co., Ltd.	39,396	(172,189)
Kao Ming Container Terminal Corp.	31,088	(11,930)
Yunn Wang Investment Co., Ltd.	20,101	3,964
Chunghwa Investment Co., Ltd.	5,419	(61,453)
Jing Ming Transportation Co., Ltd.	4,276	13,389
Honming Terminal & Stevedoring Co., Ltd.	1,851	13,463
Ming Giant (Shanghai) International Logistics Co., Ltd.	(1,417)	(6,280)
Yes Logistics Corp.	(34,075)	(19,237)
Yang Ming Line Holding Co.	(289,266)	(68,419)
Yang Ming (Liberia) Corp.	(445,623)	336,740
All Oceans Transportation, Inc.	(644,729)	870,424
Yang Ming Line (B.V.I.) Holding Co., Ltd.	(1,090,155)	(289,139)
	$ (1,133,757)	$ 2,056,957

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

The Corporation committed to support ship building plan of Yang Ming (Liberia) Corp. The Corporation recognized all of the losses in excess of the capital contributed by the investee's shareholders, and the credit balance of $266,531 thousand on this investment was reclassified as deduction from long-term receivables from related parties as of December 31, 2009.

In order to engage in the building and operation of Kaohsiung harbor intercontinental container center, the Corporation founded a chartered subsidiary, Kao Ming Container Terminal Corp., which had a contract namely 'First stage of Kaohsiung harbor intercontinental container center construction and operation project' with MOTC Harbor Bureau. The contract commenced on September 28, 2007 and will last for 50 years including the building and operation periods. The board of directors of the Corporation resolved to increase investment in Kao Ming Container Terminal Corp. within the capital disbursement, $3,700,000 thousand, and the Corporation remitted the investment fund amounting to $1,000,000 thousand on October 19, 2009. Kao Ming Container Terminal Corp. secured a $16,200,000 thousand syndicated loan from banks on December 18, 2008, so as to fund the construction of Kaohsiung Intercontinental Container Terminal, and the banks had allotted $3,060,000 thousand in 2009.

For financing the investment project on Euromax terminal in Rotterdam, the board of directors of the Corporation resolved to increase the capital investment by €12,620,000 in Yang Ming Line (Singapore) Pte. Ltd. on January 11, 2008. As of March 3, 2010, the investment fund is still not remitted by Corporations.

The boards of directors resolved to invest $1,060,904 thousand to establish a subsidiary, Kuang Ming (Liberia) Corp. to conform to the spin-off project on August 28, 2008. The fund is mainly for Kuang Ming (Liberia) Corp. to acquire the business, assets and liabilities of the tramp business department from All Oceans Transportation, Inc. The tramp department was spun off into a subsidiary, Kuang Ming Shipping Corp. on October 1, 2008. Please see Notes 1 and 26.

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

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

As required by the revised ROC SFAS No. 7 - "Consolidated Financial Statements", control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than half of the voting rights of an entity unless it can be clearly shown that such ownership does not constitute as a control interest. Thus, the consolidated financial statements as of and for the year ended December 31, 2009 and 2008 include the accounts of the Corporation and its direct and indirect subsidiaries. The Corporation doesn't have control over Transyang Shipping Pte. Ltd., Chunghwa Investment Co., Ltd. and Yunn Wang Investment Co., Ltd., therefore the accounts of these companies were not included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated.

9. PROPERTIES

	Year Ended December 31, 2009								
	Land	Buildings	Containers and Chassis	Ships	Leased Containers and Chassis	Leasehold Improvements	Miscellaneous Equipment	Construction in Process	Total
Cost									
Beginning balance	$ 330,069	$ 728,683	$ 23,566,163	$ 2,378,832	$ 2,178,416	$ 146,272	$ 2,527,228	$ 88,666	$ 31,944,329
Addition	-	-	15,958	3,882,660	-	-	32,604	131,116	4,062,338
Sale or disposal	-	-	665,626	-	-	-	119,875	-	785,501
Reclassification	-	-	(9,856)	-	-	-	219,782	(219,782)	(9,856)
Ending balance	$ 330,069	728,683	22,906,639	6,261,492	2,178,416	146,272	2,659,739	$ -	35,211,310
Accumulated depreciation									
Beginning balance		126,549	12,502,218	247,915	2,017,397	126,029	1,416,245		16,436,353
Addition		13,807	2,185,770	429,713	32,214	3,628	194,058		2,859,190
Sale of disposal		-	655,786	-	-	-	119,775		775,561
Reclassification		-	(9,856)	-	-	-	-		(9,856)
Ending balance		140,356	14,022,346	677,628	2,049,611	129,657	1,490,528		18,510,126
		$ 588,327	$ 8,884,293	$ 5,583,864	$ 128,805	$ 16,615	$ 1,169,211		$ 16,701,184

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

The Corporation leases containers and chassis under capital lease agreements. The related information for future rentals is shown in Note 25. The terms of the leases were from nine years to ten years for containers. The annual rent payable on leased containers under the agreements is US$1,072 thousand. The Corporation has the option to buy, at the end of the lease terms, all leased containers at a bargain purchase price of US$1 per unit. The annual rent payable on leased chassis is based on contract terms, and, at the end of the lease terms, the ownership of all the leased chassis will be transferred to the Corporation at no additional cost. The details of these leases as of December 31, 2009 and 2008 were as follows:

	December 31			
	2009		2008	
	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)	U.S. Dollars (Thousands)	New Taiwan Dollars (Thousands)
Total capital lease obligations (undiscounted)	$ 4,520	$ 144,769	$ 7,236	$ 237,757
Less: Unamortized interest expense	(307)	9,840	(563)	(18,488)
	$ 4,213	$ 134,929	$ 6,673	$ 219,269

10. ASSETS LEASED TO OTHERS, NET

	December 31	
	2009	2008
Cost		
Land	$ 2,928,721	$ 2,928,721
Buildings	1,244,328	1,244,328
	4,173,049	4,173,049
Accumulated depreciation - buildings	160,050	132,303
	$ 4,012,999	$ 4,040,746

Future rental payments receivable were summarized as follows:

Fiscal Year	Amount
2010	$ 78,608
2011	50,586
2012	18,622
2013	11,605
2014	7,934

11. NONOPERATING ASSETS, NET

	December 31	
	2009	2008
Cost		
Land	$ 318,515	$ 217,715
Buildings	3,737	4,188
	322,252	221,903
Accumulated depreciation - buildings	3,115	3,845
	$ 319,137	$ 218,058

12. ADVANCES ON LONG-TERM RENT AGREEMENT

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

13. SHORT-TERM LOANS

	December 31	
	2009	2008
Unsecured bank loans - interest of 1.84%	$ -	$ 500,000

14. INTEREST-BEARING LONG-TERM DEBTS

	Current	Long-term	Total
December 31, 2009			
Long-term unsecured bank loans	$ -	$ 1,900,000	$ 1,900,000
Long-term secured bank loans	3,022,605	14,952,510	17,975,115
Domestic unsecured bonds	2,082,000	15,040,000	17,122,000
Commercial paper	-	2,300,000	2,300,000
Obligation under capital leases	30,817	104,112	134,929
	$ 5,135,422	$ 34,296,622	$ 39,432,044
December 31, 2008			
Long-term secured bank loans	$ 389,286	$ 7,110,714	$ 7,500,000
Domestic unsecured bonds	1,584,000	17,122,000	18,706,000
Capital leases	79,041	140,228	219,269
	$ 2,052,327	$ 24,372,942	$ 26,425,269

Long-term Unsecured Bank Loans

The unsecured bank loan is repayable in New Taiwan dollars in one-lump sum payment at maturity in July 2012. Interest rate was 0.98%-1.00% on December 31, 2009.

Long-term Secured Bank Loans

Secured bank loans are repayable in installments at varying amounts in New Taiwan dollars with the latest maturity in June 2016. Interest rates were 0.84253% to 2.1% and 2.25% to 2.78% on December 31, 2009 and 2008, respectively. The Corporation mortgaged ships, assets leased to others, and the ships of a subsidiary, All Oceans Transportation, Inc., as collaterals for the secured loans.

Domestic Unsecured Bonds

On various dates, the Corporation issued domestic unsecured bonds; the dates and the aggregate face values were as follows: $1,800,000 thousand on June 1, 2000 (the "June 2000 Bonds"); $2,400,000 thousand on November 20, 2000 (the "November 2000 Bonds"); $1,100,000 thousand on July 16, 2001 (the "July 2001 Bonds"), $1,600,000 thousand on June 18, 2004 (the "June 2004 Bonds"), $5,000,000 thousand from October 8 to October 20 in 2004 (the "October 2004 Bonds"); $2,500,000 thousand from December 8 to December 14 in 2004 (the "December 2004 Bonds") $6,000,000 thousand on October 23, 2006 (the "October 2006 Bonds").

Other bond features and terms were as follows:

June 2000 Bonds	Repayments: 33% - June 1, 2008, 33% - June 1, 2009, and 34% June 1, 2010; 6.09% annual interest. The Corporation had paid $1,188,000 thousand as of December 31, 2009.
November 2000 Bonds	Repayments: 20% - November 20, 2010, 40% - November 20, 2011, and 40% - November 20, 2012; 6.02% annual interest.
July 2001 Bonds	Repayments: 20% - July 16, 2006, 40% - July 16, 2007, and 40% - July 16, 2008; 4.49% annual interest. The Corporation had repaid residual amount as of July 15, 2008.
June 2004 Bonds	Type A - Aggregate face value of $600,000 thousand and maturity on June 18, 2011; 2.46% annual interest.
	Type B - Aggregate face value of $500,000 thousand and maturity on June 18, 2011 at USD 6-month LIBOR rate (the target rate) when the target rate is smaller than 1.15%; at 4.4% when the target rate is between 1.15% and 3.5%; at 6% less the target rate when the target rate is greater than 3.5%. The interest rate should not be smaller than 0% and will be reset quarterly.
	Type C - Aggregate face value of $500,000 thousand and maturity on June 18, 2011 at 4.5% interest multiplied by a ratio (interest-bearing days per month divided by interest-bearing days per year) when USD 6-month LIBOR rate (the target rate) is between a certain interest range; at 0% when the target rate is out of the interest range.
October 2004 Bonds:	Type A, B, D, E, G, H, I - Aggregate face value of $500,000 thousand and maturity from October 8 to October 20 in 2011; 3.30% annual interest.
	Type C - Aggregate face value of $800,000 thousand and maturity on October 12, 2011; 3.30% annual interest.
	Type F - Aggregate face value of $700,000 thousand and maturity on October 15, 2011; 3.30% annual interest.
December 2004 Bonds:	Aggregate face value of $2,500,000 thousand and maturity from December 8 to 14 in 2011; 2.99% annual interest.
October 2006 Bonds:	Type A - Aggregate face value: $3,000,000 thousand; repayments: 33% - October 23, 2009, 33% - October 23, 2010, and 34% - October 23, 2011; 2.09% annual interest. The Corporation had paid off $990,000 thousand as of December 31, 2009.
	Type B - Aggregate face value of $3,000,000 thousand and maturity on October 23, 2013; 2.32% annual interest.

Domestic Unsecured Convertible Bonds

On August 7, 2003, the Corporation issued five-year domestic unsecured bonds (the “2003

Convertible Bonds") with an aggregate face value of $8,000,000 thousand and 0% interest. The bonds are classified as "Type A" (with aggregate face value of $3,000,000 thousand) and "Type B" (with aggregate face value of $5,000,000 thousand). Bond settlement is as follows:

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

b. Conversion by the holders, from November 2003 to 10 days before the due date, into the Corporation's common shares at the prevailing conversion price;

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

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

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

Commercial Paper

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

Obligations Under Capital Leases

Obligations under capital leases are summarized in Note 9.

15. ACCRUED EXPENSES

	December 31	
	2009	2008
Fuel	$ 2,369,152	$ 1,401,176
Vessel charter hire	942,914	4,410
Space hire	468,524	832,826
Container lease	399,842	562,879
Interest	131,962	167,463
Salary	61,855	181,761
Others	341,927	248,133
	$ 4,716,176	$ 3,398,648

16. RESERVE FOR LAND VALUE INCREMENT TAX

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

17. 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 pension fund, to which the Corporation contributes amounts equal to 3% and 13% of salaries every month in 2009 and 2008, respectively, 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 year before retirement.

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

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

Under SFAS No. 18, "Accounting for Pensions," defined benefit pension cost (including the

Corporation, All Oceans Transportation, Inc., Yangming (UK) Ltd. and Yang Ming (Liberia) Corp.) should be recognized using the actuarial method. Pension expense is recognized based on agreed upon ratio of their consolidated defined benefit pension cost. Other pension information is as follows:

1) Net periodic pension cost was as follows:

	Year Ended December 31	
	2009	2008
Service cost	$ 102,972	$ 107,391
Interest cost	43,481	51,797
Projected return on plan assets	(12,301)	(13,834)
Amortization of net transition asset or obligation	(328)	(328)
Amortization of prior service cost	(1,544)	436
Amortization of unrecognized pension cost	21,837	19,991
Pension cost	154,117	165,453
Add: Investment deducted from long-term receivables from related parties	(34,202)	(45,416)
Net periodic pension cost	$ 119,915	$ 120,037

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

	Year Ended December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation (VBO)	$ 856,307	$ 635,442
Non-vested benefit obligation	679,989	753,075
Accumulated benefit obligation (ABO)	1,536,296	1,388,517
Additional benefit based on future salaries	524,089	553,000
Projected benefit obligation	2,060,385	1,941,517
Fair value of plan assets	(569,522)	(546,267)
Plan funded status	1,490,863	1,395,250
Unrecognized net transition asset	1,018	1,346
Unrecognized prior service cost	33,018	34,562
Unrecognized pension cost	(490,933)	(500,141)
Additional minimum pension liability	22,428	36,355
Accrued pension cost	$ 1,056,394	$ 967,372
Vested benefit	$ 1,229,862	$ 900,044

3) Actuarial assumptions

	2009	2008
Discount rate	2.25%	2.25%
Rate of increase in compensation	2.50%	2.75%
Expected return on plan assets	1.50%	2.25%

	2009	2008
4) Contributions to the fund	$ 23,779	$ 80,030
5) Payments from the fund	$ 4,204	$ 5,915

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 $38,512 thousand and $32,884 thousand for the years ended December 31, 2009 and 2008, respectively.

18. STOCKHOLDERS' EQUITY

a. Global depositary receipts

On November 14, 1996, the Corporation issued 10 million units of global depositary receipts (GDRs), representing 100 million shares, at an issue price of US$11.64 dollars per unit. The holders of the GDRs may not exchange them for the Corporation's stocks. However, starting February 14, 1997, the holders of the GDR may request the depository bank to sell the shares represented by the GDRs. As of December 31 2009, there were 4,769,596 units outstanding, representing 47,696,037 shares, 1.86% of total issued shares.

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

b. Capital surplus

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

c. Appropriation of earnings and dividend policy

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

1) 10% as legal reserve;

2) 10% as special reserve, as needed; and

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

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

The Corporation did not accrue bonus to employees and remuneration to directors and supervisors due to the operating loss in 2009. The bonus to employees for the year ended December 31, 2008 was $59,261 thousand which was represented 1% of distributable retained earnings. Material difference between such estimated amount and the amount proposed by the Board of Directors in the following year is adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

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

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

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

The stockholders resolved to appropriate the 2008 and 2007 earnings on June 19, 2009 and June 18, 2008, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2008	2007	2008	2007
Legal reserve	$ 54,730	$ 601,992		
Bonus to employees - cash	-	102,876		
Cash dividends	384,370	2,329,054	$0.15	$1.00
Stock dividends	-	2,329,054	-	1.00

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

The stockholders resolved to distribute stock dividends out of undistributed earnings in the amount of $2,329,054 thousand on June 18, 2008, after that, the capital stock increase amounted to $25,624,665 thousand. The above capital increase was approved by the Financial Supervisory Commission of Executive Yuan on July 8, 2008. The Corporation's board of directors resolved September 6, 2008 as the record date ex-dividends and ex-rights. Registration of the modification had been completed on September 21, 2008.

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

19. INCOME TAX

According to regulations stipulated by Ruling Letter No. 910458039 dated February 22, 2003, "Principles and regulations of profit seeking businesses filing joint tax returns in accordance with Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", when a company holds more than 90% of the shares of a domestic subsidiary, the company and the subsidiary can file a joint tax return once the company holds more than 90% of the subsidiary for 12 months during a taxable year. The Company and Kuang Ming Shipping Corp. jointly filed income tax returns for 2009.

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

	Year Ended December 31	
	2009	2008
Income tax expense (benefit) at 25% statutory rate	$ (4,465,496)	$ 197,844
Tax effect on adjusting items:		
Permanent differences	(363,892)	(322,120)
Temporary differences	949,470	157,299
Loss carryforwards used	3,879,918	-
Additional income tax under the Alternative Minimum Tax Act	-	79,353
Additional 10% income tax on undistributed earnings	-	65,731
Income tax payable - current	-	178,107
Overseas income tax	189,504	188,885

(Continued)

	Year Ended December 31	
	2009	2008
Deferred income tax expenses		
Temporary differences	$ (937,538)	$ (157,299)
Loss carryforwards	(2,881,634)	-
Effect of tax law changes on deferred income tax	(193,327)	-
Adjustment in valuation allowance	1,992,347	-
Tax effect on consolidated tax returns	(222,300)	-
Adjustment of prior years' taxes	31,788	34,125
Others	307	264
Income tax expense (benefit) - current	$ (2,020,853)	$ 244,082

(Concluded)

In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years. In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with these amended Articles and recorded the resulting difference as deferred income tax benefit or expense.

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

	December 31	
	2009	2008
Current (included in other current assets)		
Deferred income tax assets		
Unrealized loss shipping fuel valuation losses	$ 2,304	$ 141,050
Unrealized foreign exchange loss	4,792	64,652
Deferred contribution	-	4,898
Others	2,021	2,526
	$ 9,117	$ 213,126
Noncurrent		
Deferred income tax assets		
Loss carryforwards	$ 2,881,634	$ -
Unrealized impairment loss on long-term leases for chartered-in vessels	187,776	-
Deferred pension cost	128,150	140,473
Investment loss recognized on overseas equity-method investments	81,638	6,411
Unrealized impairment loss on financial assets	10,863	-
Unrealized loss on financial instruments	3,119	-
	3,293,180	146,884
Less: Valuation allowance	(1,992,347)	-
	1,300,833	146,884
Deferred income tax liabilities		
Investment income recognized on overseas equity-method investments	(1,172,376)	(2,134,312)
Differences in estimated service lives of containers	(18,473)	(129,867)
Unrealized gain on financial instruments	-	(5,902)
	(1,190,849)	(2,270,081)
	$ 109,984	$ (2,123,197)

Loss carryforwards as of December 31, 2009 comprised of:

Unused Amount	Expiry Year
$ 14,408,170	2019

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

c. Information about integrated income tax was as follows:

	December 31	
	2009	2008
Balance of the imputation credit account (ICA)	$ 957,245	$ 870,836
Unappropriated earnings generated before June 30, 1998	1,141,939	2,064,438

The actual creditable ratio for distribution on 2008 earning was 20.30%. Due to the fact that deficit was resulted from operating losses in 2009, the creditable ratio for distribution on 2009 earnings will be calculated in the future when unappropriated earnings are generated from future operating gains.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2009			
	Operating Costs	Operating Expenses	Nonoperating Expenses and Losses	Total
Personnel expenses				
Salary	$ 610,196	$ 768,741	$ -	$ 1,378,937
Insurance	32,460	63,209	-	95,669
Pension	62,463	95,964	-	158,427
Others	48,478	85,309	-	133,787
Depreciation	2,752,019	70,508	27,467	2,849,994
Amortization	56,673	37,604	2,569	96,846
	$ 3,562,289	$ 1,121,335	$ 30,036	$ 4,713,660

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

21. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	Net Income(loss)	(Denominator) (In Thousand Shares)	Income Before Income Tax	Net Income(loss)
Year ended December 31, 2009					
Basic EPS	$(17,861,982)	$(15,841,129)	2,562,466	$ (6.97)	$ (6.18)
Impact of dilutive potential common shares					
Bonus to employees	-	-	-		
Diluted EPS	$(17,861,982)	$(15,841,129)	2,562,466	$ (6.97)	$ (6.18)
Year ended December 31, 2008					
Basic EPS	$ 791,375	$ 547,293	2,562,170	$ 0.31	$ 0.21
Impact of dilutive potential common shares					
Bonus to employees	-	-	5,867		
Domestic unsecured convertible bonds	78	58	297		
Diluted EPS	$ 791,453	$ 547,351	2,568,334	$ 0.31	$ 0.21

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

22. DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 254,214	$ 254,214	$ 162,625	$ 162,625
Available-for-sale financial assets - current	777,887	777,887	579,719	579,719
Available-for-sale financial assets - noncurrent	3,297,334	3,297,334	2,855,096	2,855,096
Investments accounted for using equity method	20,563,915	-	22,779,015	-
Financial assets carried at cost - noncurrent	844,094	-	803,407	-
Refundable deposits	323,927	323,927	53,752	53,572
Long-term receivables from related parties	20,517,972	20,517,972	28,190,788	28,190,788
Hedging derivative financial assets - noncurrent	-	-	23,607	23,607

(Continued)

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Financial liabilities at fair value through profit or loss - current	$ -	$ -	$ 145,134	$ 145,134
Hedging derivative financial liabilities - noncurrent	15,595	15,595	-	-
Long-term bank loans	22,175,115	22,175,115	7,500,000	7,500,000
Bonds	17,122,000	17,343,352	18,706,000	18,949,368
Capital lease obligations	134,929	134,929	219,269	219,269

(Concluded)

Place of transaction:

	December 31			
	2009		2008	
Place of Transaction	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial asset				
Overseas (including foreign institutions in Taiwan)	$ 7,086	$ 7,086	$ 149,276	$ 149,276
Financial liability				
Overseas (including foreign institutions in Taiwan)	15,595	15,595	145,134	145,134

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 from related parties, advances to shipping agents, short-term bank loans, short-term bills payable, payable to related parties, accrued expenses and payables to shipping agents which are not shown among the financial instruments in the table above, are recorded at their carrying amounts because of the short maturities of these instruments.

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

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

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

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

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

6) The fair value of bonds is market value.

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

	Market Price		Valuation Techniques	
	December 31		December 31	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss - current	$ 247,128	$ 36,956	$ 7,086	$ 125,669
Available-for-sale financial assets - current	777,887	579,719	-	-
Available-for-sale financial assets - noncurrent	3,297,334	2,855,096	-	-
Hedging derivative financial assets noncurrent	-	-	-	23,607
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	-	145,134
Hedging derivative financial liability - noncurrent	-	-	15,595	-
Bonds	17,343,352	18,949,368	-	-

d. Net gain (loss) on changes of the fair value determined using valuation technique were $223,278 thousand and $(73,201) thousand for the years ended December 31, 2009 and 2008.

e. Financial assets and liabilities affected by interest rate were as follows:

	December 31			
	2009		2008	
Risk of interest rate change	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Fair value risk	$ 1,915,435	$ 16,256,929	$ 2,670,057	$ 18,425,269
Cash flow risk	1,819,273	23,175,114	1,949,909	8,500,000

f. Information about financial risks

1) Market risk

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

For the years ended December 31, 2009 and 2008, the interest rate swap contracts held by the Corporation were for nontrading purposes, i.e., to hedge overall fluctuations on interest rates. The Corporation use interest rate swap contracts with gains or losses that offset the gains or losses on floating interest-bearing liabilities. Through these contracts, the Corporation hedges most of the risks in the market. In addition, the Corporation evaluates the hedging effectiveness of the contracts periodically.

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

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

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

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

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

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

2) Credit risk

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

3) Liquidity risk

The Corporation entered into interest rate swaps to hedge cash flow risks for the years ended December 31, 2009 and 2008. The interest rate swap contracts are settled at net amounts; thus, the expected cash demand is not significant.

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

4) Cash flow risk on interest rate

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

g. Cash flow hedge

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

	Designated Hedging Instruments						
		December 31					Expected Period for Realization of Gains or Losses
	Financial Instruments Designated	2009		2008			
Hedged Items		Notional Amount	Fair Value	Notional Amount	Fair Value	Expected Period of Cash Flows	
Bonds with floating interest rate	Interest rate swap	$ (500,000)	$ (7,167)	$ (500,000)	$ 6,062	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011
Bonds with floating interest rate	Interest rate swap	(500,000)	(8,428)	(500,000)	17,545	June 18, 2004 - June 18, 2011	June 18, 2004 - June 18, 2011

h. Reclassifications

On July 1, 2008, the Corporation reclassified its financial assets in accordance with the newly amended SFAS No. 34, "Financial Instruments: Recognition and Measurement". The fair values of the reclassified financial assets (excluding those that had been derecognized) 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	313,882	1,066,894
	$ 1,412,070	$ 1,412,070

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, 2009 and 2008 were as follows:

	Year Ended December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Available-for-sale financial assets - current	$ 439,922	$ 439,922	$ 434,185	$ 434,185

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2009 and 2008, respectively) for the years ended December 31, 2009 and 2008 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	Year Ended December 31			
	2009		2008	
	Gains (Losses) Recorded	Pro Forma Gains (Losses)	Gains (Losses) Recorded	Pro Forma Gains (Losses)
Available-for-sale financial assets	$ -	$ 223,479	$ 431	$ (290,307)

23. RELATED-PARTY TRANSACTIONS

The significant transactions with related parties for the years ended December 31, 2009 and 2008 and the related balances, in addition to those mentioned in Notes 8, 14 and 25 and Schedules E and F, are summarized in the accompanying schedules C and D.

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

The transactions with related parties were conducted under contract terms.

Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2009	2008
Salaries	$ 17,558	$ 22,345
Incentives	4,292	17,839
Special compensation	-	-
Bonus	683	919
	$ 22,533	$ 41,103

24. ASSETS PLEDGED OR MORTGAGED

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

	December 31	
	2009	2008
Properties, net	$ 5,652,160	$ 2,120,824
Restricted time deposits (included in other current assets)	1,426,501	1,435,535
Nonoperating assets, net	89,230	89,230
	$ 7,167,891	$ 3,645,589

25. COMMITMENTS AND CONTINGENT LIABILITY

In addition to those mentioned in Note 23 and Schedule F, commitments and contingent liability as of December 31, 2009 were as follows:

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

b. Leases of office premises, ships and container yard under operating lease agreements that will expire on various dates until May 2030. The total rental for the year ended December 31, 2009 was $8,583,307 thousand. An amount of refundable deposit withdrawn due to the lease contract was $323,521 thousand, and future minimum rentals are as follows:

Fiscal Year	Amount
2010	$ 5,092,488
2011	2,163,240
2012	1,879,454
2013	1,739,760
2014	1,558,783

Rentals after 2015 amount to $6,430,941 thousand. The present value of those rentals, computed at an annual interest rate of 0.9%, is $5,987,561 thousand.

c. Leases of containers and chassis under capital lease agreements expiring on various dates until February 2018. Rental for the year ended December 31, 2009 was about $80,641 thousand (deducted from leases payable). Future minimum rentals are as follows:

Fiscal Year	Amount
2010	$ 34,328
2011	21,066
2012	14,511
2013	14,511
2014	14,511

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

Company Name	Nature of Relationship	Guarantee Amount (Thousands)	
Yang Ming Line (B.V.I.) Holding Co., Ltd.	Subsidiary	US$	5,000
All Oceans Transportation, Inc.	Subsidiary	US$	20,000
Yang Ming (Liberia) Corp.	Subsidiary	US$	644,170
Kuang Ming (Liberia) Corp.	Subsidiary	US$	369,043
Kao Ming Container Terminal Corp.	Subsidiary	NT$	3,000,000
United Terminal Leasing LLC	Indirect equity-method investee	US$	15,238
West Basin Container Terminal LLC	Indirect equity-method investee	US$	16,264
Olympic Container Terminal LLC	Subsidiary	US$	4,700

26. SPIN OFF

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

a. The spun-off assets were as follows:

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

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

	2008
Operating revenue	$ 2,733,663
Operating costs	(1,830,033)
Gross profit	903,630
Operating expense	(7,899)
Operating income	895,731
Nonoperating income and gains	292,253
Nonoperating expenses and income before income tax	(92)
Income before income tax	1,187,892
Income tax expense	(296,973)
Net income	$ 890,919
Basic earnings per share (EPS)	$0.35

27. ADDITIONAL IMPORTANT DISCLOSURES

On January 8, 2010, the corporation's board of directors had resolved to approve a proposal to raise funds through the fourteenth issuance of domestic secured bonds. The estimated date of issuance is under the premise of being less than 5 years and the amount being up to NT$5,000,000 thousand.

28. ADDITIONAL DISCLOSURES

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

a. Financing provided: Please see Schedule E attached;

b. Endorsement/guarantee provided: Please see Schedule F attached;

c. Marketable securities held: Please see Schedule G attached;

d. Marketable securities acquired or disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Please see Schedule H attached;

e. Acquisition of individual real estate properties at costs of at least NT$100 million or 20% of the paid-in capital: Please see Schedule I attached;

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 J attached;

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Please see Schedule K 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 L attached.

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None.

29. SEGMENT INFORMATION

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

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

c. Cargo transport revenues

	2009		2008	
Line Service	**Amount**	**%**	**Amount**	**%**
U.S. Western coast line	$ 22,248,617	30	$ 39,823,325	34
Northwest European line	15,404,340	21	25,242,611	22
Asia line	13,117,156	18	15,601,529	13
U.S. Eastern coast line	12,217,493	16	15,170,071	13
Mediterranean line	4,744,868	6	8,457,739	7

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

5.5 Independent Auditors' Report and Consolidated Financial Reports As of Dec.31,2009

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, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements of the following subsidiaries which had been audit by other auditors: In 2009 and 2008, Yang Ming Line (Singapore) Pte. Ltd. and Yang Ming Line Holding Co. and in 2008 Ming Giant (Shanghai) International Logistics Co., Ltd. financial statements. The combined total assets of these subsidiaries were 3.3% (NT$3,778,408 thousand) and 3.7% (NT$4,193,754 thousand) of the total consolidated assets as of December 31, 2009 and 2008, respectively. The combined total operating revenues of these subsidiaries were 0.7% (NT$617,476 thousand) and 0.5% (NT$703,508 thousand) of the consolidated revenue in 2009 and 2008, respectively. Also, we did not audit the financial statements of the following investees which had been audit by other auditors: In 2009 and 2008, West Basin Container Terminal LLC, United Terminal Leasing LLC, Yang Ming (Vietnam) Corp., Corstor Ltd., Chang Ming Logistics Company Limited and in 2008, Formosa International Development Corporation, in which the Corporation and consolidated subsidiaries have equity-method investments. As shown in the accompanying balance sheets, the carrying values of these investments were 0.9% (NT$1,040,227 thousand) and 0.9% (NT$1,053,108 thousand) of the total consolidated assets as of December 31, 2009 and 2008, respectively. The equity in these investees' net income was (0.9) % (NT$153,087 thousand) of the consolidated loss before income tax in 2009 and 1.6% (NT$16,312 thousand) of the consolidated income before income tax in 2008. 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, 2009 and 2008, 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.

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

Deloitte & Touche

March 10, 2010

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, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 8,050,003	7	$ 8,033,608	7
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	919,507	1	558,359	1
Available-for-sale financial assets - current (Notes 2, 3 and 6)	1,624,876	1	999,179	1
Held-to-maturity financial assets - current (Notes 2 and 7)	-	-	5,902	-
Notes receivable, net (Note 2)	154,950	-	163,805	-
Accounts receivable, net of allowance for doubtful accounts of $38,305 thousand and $74,303 thousand at December 31, 2009 and 2008 (Note 2)	2,405,833	2	2,495,287	2
Accounts receivable from related parties (Note 24)	131,097	-	26,620	-
Shipping fuel, net (Note 2)	4,122,359	4	2,342,358	2
Prepaid expenses	1,287,351	1	1,313,238	1
Advances to shipping agents	412,729	-	297,563	-
Deferred income tax assets - current (Notes 2 and 20)	24,575	-	232,975	-
Other current assets (Notes 24 and 25)	562,101	1	562,487	1
Total current assets	19,695,381	17	17,031,381	15
LONG-TERM INVESTMENTS (Notes 2, 3, 6, 8, 9, 23 and 25)				
Available-for-sale financial assets - noncurrent	3,320,867	3	2,875,472	3
Financial assets carried at cost - noncurrent	928,183	1	908,877	1
Hedging derivative financial assets - noncurrent	-	-	23,607	-
Investments accounted for using equity method	1,724,755	1	2,850,704	2
Cash surrender value of life insurance	19,361	-	19,307	-
Total long-term investments	5,993,166	5	6,677,967	6
PROPERTIES (Notes 2, 10 and 25)				
Cost				
Land	471,304	-	471,453	1
Buildings	1,153,973	1	1,172,813	1
Containers and chassis	22,906,638	20	23,566,163	21
Ships	55,342,176	49	53,248,815	47
Leased assets	7,954,045	7	8,132,791	7
Leasehold improvements	242,718	-	225,931	-
Miscellaneous equipment	4,001,243	4	3,848,349	4
Total cost	92,072,097	81	90,666,315	81
Accumulated depreciation	27,527,427	24	28,033,604	25
	64,544,670	57	62,632,711	56
Construction in progress	11,057,542	10	14,583,790	13
Net properties	75,602,212	67	77,216,501	69
OTHER ASSETS				
Assets leased to others, net (Notes 2, 11 and 25)	4,031,307	4	4,059,378	4
Nonoperating assets, net (Notes 2, 12 and 25)	319,137	-	218,058	-
Refundable deposits (Notes 10 and 25)	6,615,710	6	5,910,650	5
Deferred charges, net (Note 2)	397,407	-	256,174	-
Advances on long-term rent agreements (Note 13)	901,521	1	942,628	1
Miscellaneous (Note 25)	261,585	-	386,231	-
Total other assets	12,526,667	11	11,773,119	10
TOTAL	$ 113,817,426	100	$ 112,698,968	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	2009 %	2008 Amount	2008 %
CURRENT LIABILITIES				
Short-term loans (Note 14)	$ 855,177	1	$ 991,804	1
Notes payable	72,532	-	124,269	-
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	-	-	145,134	-
Payable to related parties (Note 24)	158,431	-	241,426	-
Income tax payable (Notes 2 and 20)	665,304	1	130,346	-
Accrued expenses	6,393,605	6	4,664,756	4
Payable for equipment	348,815	-	3,840,036	3
Advances from customers	2,529,909	2	2,110,581	2
Current portion of long-term interest-bearing debts (Notes 2, 10, 15 and 25)	8,288,808	7	4,290,256	4
Payable to shipping agents (Note 24)	1,122,982	1	2,758,617	3
Other current liabilities	353,521	-	263,797	-
Total current liabilities	20,789,084	18	19,561,022	17
LONG-TERM DEBTS, NET OF CURRENT PORTION				
Hedging derivative liabilities - noncurrent (Notes 2 and 23)	15,595	-	-	-
Bonds (Notes 2 and 15)	15,040,000	13	17,122,000	15
Long-term debts (Notes 15 and 25)	37,318,520	33	18,465,404	16
Obligations under capital leases - long-term portion (Notes 2, 10 and 15)	5,781,984	5	5,432,721	5
Total long-term debts	58,156,099	51	41,020,125	36
RESERVE FOR LAND VALUE INCREMENT TAX (Note 16)	479,639	1	479,639	1
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 18)	1,258,696	1	1,270,296	1
Deferred income tax liabilities - noncurrent (Notes 2 and 20)	153,088	-	2,156,771	2
Unrealized gain on sale and leaseback (Notes 2 and 17)	608,672	1	585,452	1
Others (Notes 2 and 9)	165,254	-	161,516	-
Total other liabilities	2,185,710	2	4,174,035	4
Total liabilities	81,610,532	72	65,234,821	58
YANG MING'S EQUITY				
Capital stock - $10 par value				
Authorized - 3,000,000 thousand shares	-	-	-	-
Issued - 2,562,466 thousand shares	25,624,665	23	25,624,665	23
Capital surplus				
Paid-in capital in excess of par value	7,499,701	7	7,499,701	7
Treasury stock transactions	1,480,009	1	1,480,009	1
From long-term equity-method investment	8,927	-	8,872	-
Total capital surplus	8,988,637	8	8,988,582	8
Retained earnings				
Legal reserve	3,869,543	3	3,814,813	3
Special reserve	2,067,513	2	2,067,513	2
Unappropriated earnings (accumulated deficit)	(10,206,200)	(9)	6,074,029	6
Total retained earnings	(4,269,144)	(4)	11,956,355	11
Other items of stockholders' equity				
Cumulative translation adjustments	240,626	-	447,853	-
Net loss not recognized as pension cost	(25,379)	-	(36,590)	-
Unrealized gain on financial instruments	1,200,905	1	25,832	-
Total other items of stockholders' equity	1,416,152	1	437,095	-
Total controlling interest	31,760,310	28	47,006,697	42
MINORITY INTEREST	446,584	-	457,450	-
Total stockholders' equity	32,206,894	28	47,464,147	42
TOTAL	$ 113,817,426	100	$ 112,698,968	100

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

(With Deloitte & Touche audit report dated March 10, 2010)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 24)	$ 88,892,781	100	$ 137,817,302	100
OPERATING COSTS (Notes 2, 21 and 24)	100,165,318	113	131,041,973	95
GROSS (LOSS) INCOME	(11,272,537)	(13)	6,775,329	5
OPERATING EXPENSES (Notes 21 and 24)				
Selling	5,038,846	6	5,218,572	4
General and administrative	1,019,628	1	824,635	-
Total operating expenses	6,058,474	7	6,043,207	4
OPERATING (LOSS) INCOME	(17,331,011)	(20)	732,122	1
NONOPERATING INCOME AND GAINS				
Gain on disposal of properties	876,830	1	1,364,016	1
Investment income recognized under equity method (Notes 2 and 9)	331,015	1	716,195	1
Dividend income	325,316	1	253,401	-
Gain on sale of investments, net	159,889	-	-	-
Interest income	124,939	-	552,147	-
Rent income	97,329	-	157,578	-
Valuation gain on financial assets, net (Notes 2 and 5)	381	-	-	-
Valuation gain on financial liabilities, net (Notes 2 and 5)	126,156	-	-	-
Others	261,362	-	256,818	-
Total nonoperating income and gains	2,303,217	3	3,300,155	2
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 10)	1,139,624	2	1,431,263	1
Impairment loss on financial assets carried at cost (Notes 2 and 8)	240,019	-	69,670	-
Exchange loss, net (Note 2)	128,983	-	564,675	1
Valuation loss on financial assets, net (Notes 2 and 5)	-	-	330,737	-
Loss on sale of investments, net	-	-	318,620	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	-	-	117,064	-
Others	236,285	-	200,868	-
Total nonoperating expenses and losses	1,744,911	2	3,032,897	2

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2009		2008	
	Amount	**%**	**Amount**	**%**
INCOME (LOSS) BEFORE INCOME TAX	$ (16,772,705)	(19)	$ 999,380	1
INCOME TAX (BENEFIT) EXPENSE (Notes 2 and 20)	(952,794)	(1)	423,800	1
CONSOLIDATED NET (LOSS) INCOME	$ (15,819,911)	(18)	$ 575,580	-
ATTRIBUTABLE TO:				
Controlling interest	$ (15,841,129)	(18)	$ 547,293	-
Minority interest	21,218	-	28,287	-
	$ (15,819,911)	(18)	$ 575,580	-

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 22)				
Basic	$ (6.97)	$ (6.18)	$ 0.31	$ 0.21
Diluted	$ (6.97)	$ (6.18)	$ 0.31	$ 0.21

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

(With Deloitte & Touche audit report dated March 10, 2010) (Concluded)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock (Note 19)		Capital Surplus (Note 19)			Retained Earnings (Note 19)			Other Items of Stockholders' Equity (Notes 3 and 19)				
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	Treasury Stock Transactions	From Long-term Equity-method Investment	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	Total Stockholders' Equity
BALANCE, JANUARY 1, 2008	2,328,698	$ 23,286,982	$ 7,491,127	$ 1,480,009	$ 8,872	$ 3,212,821	$ 2,067,513	$ 10,889,712	$ 100,131	$ (38,967)	$ 1,935,242	$ 460,930	$ 50,894,372
Effect of changes in consolidated entities since 2008	-	-	-	-	-	-	-	-	-	-	-	4,411	4,411
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	1,431	1,431
Appropriation of 2007 earnings													
Legal reserve	-	-	-	-	-	601,992	-	(601,992)	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-	(102,876)	-	-	-	-	(102,876)
Cash dividends - $1.0 per share	-	-	-	-	-	-	-	(2,329,054)	-	-	-	-	(2,329,054)
Stock dividends - $1.0 per share	232,905	2,329,054	-	-	-	-	-	(2,329,054)	-	-	-	-	-
Consolidated net income in 2008	-	-	-	-	-	-	-	547,293	-	-	-	28,287	575,580
Reclassification of financial instruments at July 1, 2008	-	-	-	-	-	-	-	-	-	-	(157,445)	-	(157,445)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(235)	(303,842)	-	(304,077)
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	347,722	-	-	(15,989)	331,733
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(1,461,102)	-	(1,461,102)
Changes in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	12,979	-	12,979
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	2,612	-	-	2,612
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	(21,620)	(21,620)
Domestic convertible bonds converted into capital stock and capital surplus	863	8,629	8,574	-	-	-	-	-	-	-	-	-	17,203
BALANCE, DECEMBER 31, 2008	2,562,466	25,624,665	7,499,701	1,480,009	8,872	3,814,813	2,067,513	6,074,029	447,853	(36,590)	25,832	457,450	47,464,147
Appropriation of 2008 earnings													
Legal reserve	-	-	-	-	-	54,730	-	(54,730)	-	-	-	-	-
Cash dividends - $0.15 per share	-	-	-	-	-	-	-	(384,370)	-	-	-	-	(384,370)
Consolidated net loss in 2009	-	-	-	-	-	-	-	(15,841,129)	-	-	-	21,218	(15,819,911)
Changes in stockholders' equity accounted for using equity method	-	-	-	-	-	-	-	-	-	(2,716)	258,664	-	255,948
Translation adjustments on long-term investments accounted for using equity method	-	-	-	-	-	-	-	-	(179,327)	-	-	(6,657)	(185,984)
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	944,779	-	944,779
Changes in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	-	(30,181)	-	(30,181)
Effect of changes on sale long-term equity-method investments	-	-	-	-	55	-	-	-	(27,900)	-	1,811	-	(26,034)
Recognition of minimum accrued pension liability	-	-	-	-	-	-	-	-	-	13,927	-	-	13,927
Cash dividends received by minority interest	-	-	-	-	-	-	-	-	-	-	-	(25,427)	(25,427)
BALANCE, DECEMBER 31, 2009	2,562,466	$ 25,624,665	$ 7,499,701	$ 1,480,009	$ 8,927	$ 3,869,543	$ 2,067,513	$ (10,206,200)	$ 240,626	$ (25,379)	$ 1,200,905	$ 446,584	$ 32,206,894

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

(With Deloitte & Touche audit report dated March 10, 2010)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net (loss) income	$ (15,819,911)	$ 575,580
Depreciation	6,240,562	5,836,158
Amortization	236,711	206,203
Provision for doubtful accounts	161,133	61,718
Provision for pension cost	3,011	103,933
(Reversal of) provision for allowance for loss on shipping fuel	(552,096)	680,320
Gain (loss) on sale of investments	(174,196)	318,620
Gain on disposal of properties, net	(876,830)	(1,364,016)
Investment income recognized under equity method	(331,015)	(716,195)
Cash dividends received on equity method investee	822,003	182,913
Deferred income tax	(1,783,980)	(271,788)
Valuation (gain) loss on financial instruments	(381)	330,737
Valuation (gain) loss on financial liabilities	(126,156)	117,064
Impairment loss on financial assets carried at cost	240,019	69,670
Others	(1,149)	(93)
Changes in operating assets and liabilities		
Financial assets held for trading	(252,297)	(167,629)
Financial liabilities held for trading	(18,978)	155,988
Notes receivable	8,855	(31,862)
Accounts receivable	(65,517)	2,426,081
Accounts receivable from related parties	(104,477)	97,529
Shipping fuel	(1,227,905)	1,538,195
Prepaid expenses	58,387	(351,718)
Advances to shipping agents	(115,166)	(15,750)
Other current assets	3,626	(30,436)
Notes payable	(51,737)	(61,023)
Payables to related parties	(82,995)	(39,731)
Income tax payable	534,958	(857,366)
Accrued expenses	1,728,849	(4,314,714)
Advances from customers	419,328	64,053
Payables to shipping agents	(1,635,635)	(307,678)
Other current liabilities	89,594	(149,338)
Advances on long-term rent agreements	41,107	41,105
Net cash (used in) provided by operating activities	(12,632,278)	4,126,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(9,265,917)	(11,565,566)
Proceeds from disposal of available-for-sale financial assets	9,223,347	11,684,735
Proceeds of cash dividends from available-for-sale financial assets	-	18,984
Proceeds from disposal of held-to-maturity financial assets	3,621	20,968
Acquisition of financial assets carried at cost	(107,000)	(150,000)
Proceeds from disposal of financial assets carried at cost	19,994	-
Acquisition of investments accounted for using equity method	(94,600)	-

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
Proceeds from disposal of long-term investment	$ 750,215	$ -
Proceeds from capital reduction of investments in share of stock	8,500	-
Acquisition of properties and assets leased to others	(12,156,174)	(22,344,215)
Acquisition of nonoperating assets	(100,800)	-
Proceeds from disposal of properties and nonoperating assets	4,031,888	11,670,270
Increase in cash surrender value of life insurance	(54)	(7,911)
Increase in deferred charges	(377,021)	(221,625)
(Increase) decrease in refundable deposits	(290,447)	365,425
Decrease (increase) in other assets	116,073	(217,345)
Effect of first time consolidation of certain subsidiaries	-	52,825
Net cash used in investing activities	(8,238,375)	(10,693,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in short-term loans	(136,627)	890,842
Repayment of principal of bonds	(1,584,000)	(1,076,933)
Proceeds from long-term debts	26,269,116	8,333,185
Repayments of principal of long-term debts	(3,334,623)	(986,440)
Payment of obligations under capital leases - long-term portion	(89,488)	(112,830)
Increase (decrease) in other liabilities	4,887	(2,973)
Increase in minority interest	-	1,431
Cash dividends and employees' bonus paid by Yang Ming	(384,240)	(2,431,460)
Cash dividends received by minority interest	(25,427)	(21,620)
Net cash provided by financing activities	20,719,598	4,593,202
EFFECT OF EXCHANGE RATE CHANGES	167,450	401,731
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,395	(1,571,992)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,033,608	9,605,600
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,050,003	$ 8,033,608
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 2,465,495	$ 1,611,755
Less: Capitalized interest	30,541	161,670
Interest paid (excluding capitalized interest)	$ 2,434,954	$ 1,450,085
Income tax paid	$ 247,424	$ 1,592,942

(Continued)

YANG MING MARINE TRANSPORT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Reclassification of properties into assets leased to others	$ -	$ 21,219
Reclassification of construction in progress into advances on long-term rent agreements	$ -	$ 691,543
Current portion of interest-bearing long-term debts	$ 8,288,808	$ 4,290,256
Domestic unsecured convertible bonds converted into capital stock and capital surplus	$ -	$ 17,203
CASH PAID FOR ACQUISITION OF PROPERTIES AND ASSET LEASED TO OTHERS		
Increase in properties and assets leased to others	$ 8,664,953	$ 25,067,917
Decrease (increase) in payables for equipment	3,491,221	(2,723,702)
	$ 12,156,174	$ 22,344,215

SUPPLEMENTARY INFORMATION ON SUBSIDIARIES ACQUIRED：

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

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

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

(With Deloitte & Touche audit report dated March 10, 2010) (Concluded)

YANG MING

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